Buy Wine survey

The future of viticulture in Tuscany

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Indagine sul Buy Wine:
Il futuro della viticoltura in Toscana

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This survey is the result of the collaboration between the Department of Agricultural, Food and Agri-environmental Sciences of the University of Pisa and the Tuscany Region on the study of the impacts of the International Buy Wine event promoted by the Tuscany Region in collaboration with PromoFirenze

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Abstract:

The document, resulting from the collaboration between the Department of Agricultural, Food and Agri-environmental Sciences of the University of Pisa and the Tuscany Region, represents a synthesis of the analysis conducted on the Tuscan wine sector in order to understand: a) the effectiveness of innovative tools such as Buy Wine in facilitating access to new wine markets, b) the development of producers' strategies facing changes in global markets scenarios.

Tuscany is one of the main Italian wine-growing areas. The wine sector plays a key role in the profitability of agricultural activities while ensuring a territorial and cultural identity. The main dynamics of the Tuscan wine sector show a decline in domestic demand and a relative reduction in the area under vines (albeit to a lesser extent compared to other Italian regions), and at the same time a greater presence on export markets. The success of Tuscan wines is based on an extremely specialized and diversified structure of the

production system, driven by the characteristics of a prestigious terroir in which world-renowned brands have been developed with high quality standards.

However, in the face of the success and the excellent reputation acquired by Tuscan wines, our producers are now faced with increasingly complex challenges related to a strong volatility of the conditions that characterize the markets and the business system and complexity in understanding the main changes (unpredictable events and impacts of emerging technologies).

In a complex system where markets emerge, evolve and decline, one of the determinants of success is the ability to mitigate uncertainties by improving the speed of adaptation and adaptation to changes in external conditions. In fact, the growing global competition, especially from new producing regions, more and more regionalized consumption, changes in consumer preferences, require new business models capable of integrating new technologies and sales networks in order to overcome the market concentration by distribution companies and large producers (on the American market, the 2% of the players controls 70% of the market) and reach new outlets to enhance production and territories. It is therefore necessary to adopt new tools to overcome the fragmentation of the sector, increase the representativeness of companies on the markets, as well as exploit the potential niches and new sales networks that are emerging for quality products. Furthermore, tools are needed to enhance the growing sensitivity of consumers towards values such as the territory, the origin and the use of environmental resources. The Buy Wine as architecture shortens the distance between sellers and buyers, increases accessibility on the markets and tries to overcome their concentration by promoting an alternative sales network resulting from the 9th editions in which the event was developed. The Buy Wine can be seen as a tool that - thanks to the use of an innovative App developed through an online customer relationship management (CRM) system that manages the bilateral flows of information and match-making - follows step by step the participants (buyers and sellers) during the like session and B2B meetings, helping to increase the quality and transparency of the information exchanged before the bargaining, determining a greater opportunity for contact between sellers and buyers, a more efficient matching and a more favorable pricing.

The tool can be described as a market information service (MIS) aimed at facilitating the negotiation process between buyers and sellers. Within the bilateral market that is formed thanks to the Buy Wine, contractual interactions are facilitated by the MIS, which is designed to support both buyers and sellers in their exchanges (in the profiling, selection and matching up to final contracting phase) and to guide them towards an optimal exchange (which satisfies both parts). Participating traders, from both sides can express their meeting preferences, search and select agents and through likes reach an optimal selection choice indicated as "perfect-match". Perfect matches indicate a choice that matches on both sides and on the basis of which an appointment is created on the agenda during the Buy Wine. The system guarantees - in total transparency - the opportunity to create a meeting agenda and to monitor the goodness and the results achieved by meeting to guarantee the general functioning of the architecture. At each edition about 30 meetings are organized per operator (on average we speak about 150-250 sellers and 200 buyers) for a total of 38400 meetings held in the past 8 editions of Buy Wine (8-9 February 2019 will be held the 9th edition).

In order to understand the benefit of Buy Wine for participating companies, we have analyzed their sales, in particular the main channels through which companies claim to have sold their main product (Figure 2). 19% of the companies interviewed said to use collective sales channels (as a collective channel we mean a sales channel that uses at least one brokerage channel or another collective entity to make the sale, on the other hand we mean, for example, the individual direct sales on the farm). Of these, 30% provided answers about the type of channel, highlighting the importance of promotional channels such as Buy Wine.

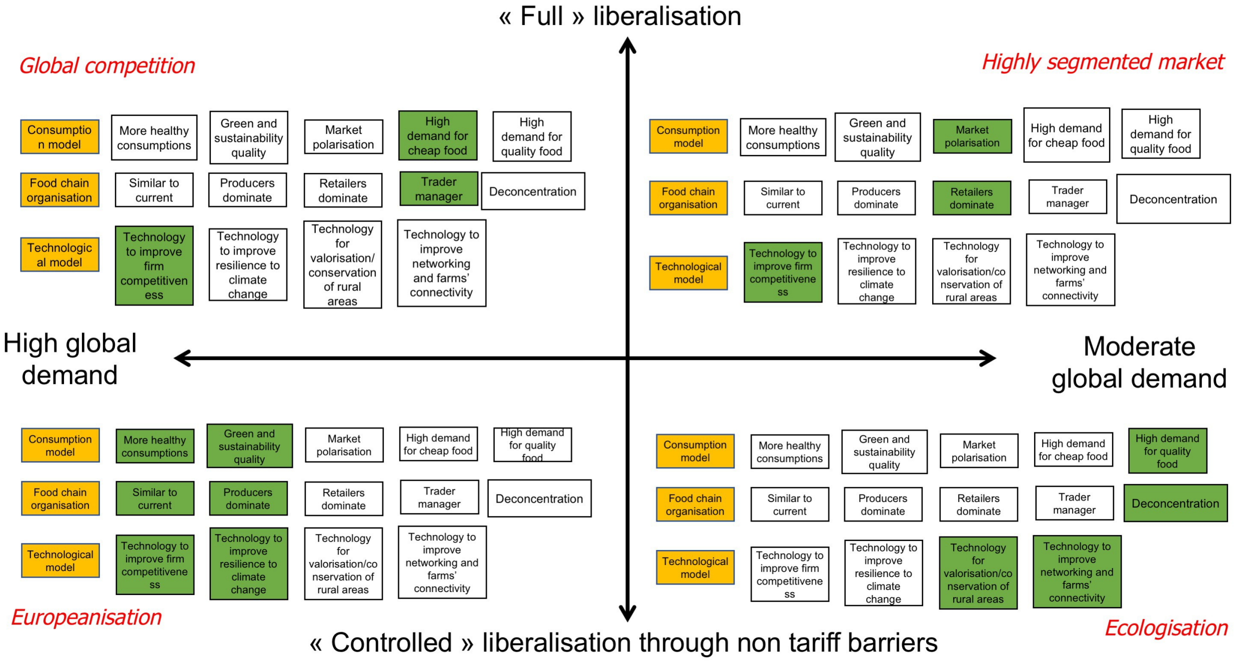
Figura 2. Main sale channels in 2016 (N=110)

(Source: our elaboration on survey data 2018)

Among the producers who declared to use promotional and B2B events as main sale channel, a part (5.5%) said they had sold more than 60% of production through these events. 78% of the sample said they mainly use individual channels such as local markets, direct sales in the company, distribution companies and export intermediaries. About 10% of those interviewed confirmed that they used Buy Wine as a sales channel and 8% had used individual channels as international buyers acquired through Buy Wine. Regarding the Buy Wine 2016, 52% of the sample claims to have increased the average annual sales volume thanks to this event, with an average increase of no more than 20%. As for exports, almost half of the sample claims to have strengthened the export volume, with an intensity of less than 10% for 25% of cases and an intensity between 10% and 25% in 12 % of cases. Furthermore, thanks to the Buy Wine, about 57% of the producers interviewed said they had the opportunity to enter markets such as Canada, Russia, Holland, Denmark, Singapore, China, Sweden, Brazil and Finland. A very important element concerns the prices found thanks to the optimal correspondence through the perfect-match reached at the Buy Wine. Thanks to the perfect match totaled in the 2016 edition, 45% of the respondents said they received buyers' purchase offers at favorable average prices, while 38% observed an increase in prices not exceeding 10%. A final important indicator regards the stability of the relationships initiated during the event. 35% of respondents said they have developed more stable business relationships.

In the face of scenarios of change (Figure 2) in the market conditions (change in consumption patterns, changes in tariff and rules of access to markets, changes in technologies to support businesses, change in environmental conditions), Tuscan companies show a strategic orientation linked to exports and the development of the company, the latter strongly anchored to the resources and to the system of values and knowledge of the Tuscan terroir.

Figure 2. Four evolutionary scenarios of the sector in the next 30 years



Both are key elements of the sector, which however hide a lack of dynamic attitude on the producers' side. In favorable market conditions, many companies do not perceive the need to activate strategic management and define a competitive strategy oriented towards the future, often finding themselves reactively rather than proactively managing the emergence of threats or market opportunities. In recent years, the rapid succession of often unpredictable macroeconomic events (or, at least, unexpected) and the continuous emergence of new technologies have significantly increased the volatility and complexity of the business environment. Faced with these conditions, the strategic attitude of producers outlines a need for tools related to management, organization, communication, marketing and training. In other words, investments are needed to consolidate farmers. With this in mind, the Buy Wine training sessions are a valuable support for wine producers. From this point of view, the most proactive companies have shown considerable interest in the development of a mix of strategies aimed at production efficiency, quality and origin - almost all of them opting for a diversification of production activities and for the consolidation of relationships with intermediaries on the distribution front. Networking and horizontal cooperation through networks of companies, investments in marketing and communication, as well as in the search for subsidies are essential assets that cannot be scarified for these companies, demonstrating once again that the Buy Wine has stimulated an awareness on the importance of contact and relationships that they can build with these subjects. The game for the future of the sector is still open, but a lot of work will have to be done to increase the attitude of companies on the one hand to forecast changes outside the company and on the other to increase the speed of adaptation to changes in conditions. At the moment, great emphasis is placed on the instruments of cooperation and collaboration, the formation of associations, districts and groups of companies that seems a viable way to overcome the fragility and weakness of a specialized but too small and fragmented system. Being able to network to enhance the territory and production, increase the ability to reach new markets and consolidate the positions reached seem to pass from the need for social resources and skills that need to be shared on the territory.
Part of the data and information presented in this report are the result of collaboration between the Tuscany Region and the University of Pisa and are part of the activities of the

European project SUFISA (Sustainable finance for sustainable agriculture and fisheries, http://www.sufisa.eu /). A part of this data was collected thanks with an extensive survey conducted on 150 Tuscan producers who participated in Buy Wine in the 2016 and 2017 editions (the data are presented in an aggregate and completely anonymous form in the report). Finally, a last part of information was collected through a foresight exercise conducted last January 15, 2019 during a training session of the Buy Wine with 60 producers in order to understand the strategies of the Tuscan wineries in relation to plausible future scenarios.