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The Market Legitimacy of Cool Climate Wineries: Distribution Challenges and Strategies for a Nascent Food Industry

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Research Update

In the last decade we have observed the establishment of a growing number of new small- and medium-sized wineries in “undiscovered” wine regions such as in the states of Michigan, Missouri, and New York (excluding Finger Lakes region). While there may actually be a long history of grape and wine production in these regions, most wineries are new (< 10 years old), small (< 3,000 cases), geographically dispersed, and fairly inexperienced in the tasks of producing wine and marketing their products. Their success will likely depend on demand for their products and regional reputation (Schamel 2009), but they face a formidable task in attracting customers and developing relationships with distributors.

The purpose of this research study is to identify strategies to overcome distribution challenges of start-up wineries and increase their access to non-local markets. The small scale of start-ups and the absence of a new venture’s track record of performance result in lack of confidence on the part of customers, distributors, and suppliers that the venture will survive and therefore little reason to provide patronage. This “legitimacy challenge” is more pronounced in emerging wine regions as their wines are little known by distributors and consumers. Following the literature on institutional legitimacy (Zimmerman and Zeitz 2002), we contend that a start-up winery is in a quandary: it may have few resources to increase performance and also lack the legitimacy it

needs to access such resources since it has little or no record of past performance on which to base its claim for legitimacy.

Given this context, this study examines the strategies that wineries pursue to build legitimacy and how these strategies affect winery performance. Among others, these strategies may include: utilizing well-known winemaking practices, receiving awards at wine competitions or certifications from reputable institutions, joining industry or regional trade associations, or partnering with complementary businesses such as restaurants. Data for this study was collected from a survey of 107 wineries in Michigan, Missouri, and New York (excluding Finger Lakes region) during the summer of 2012, representing an overall response rate of 39%. Preliminary results indicate that wineries in these regions are active in wine competitions and in their wine trade associations, but tend to utilize innovative winemaking practices and rely heavily of tasting rooms to distribute product. In addition to this survey, ongoing activities are collecting data on the perceived legitimacy of these wineries by various stakeholder groups.

References

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- Zimmerman, M.A. and G. J. Zeitz. 2002. "Beyond Survival: Achieving New Venture Growth by Building Legitimacy." *Academy of Management Review* 27 (3): 414-431.