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## COMPTES RENDUS DE LECTURE

*SILVIA GATTI, ERIC GIRAUD-HÉRAUD and SAMIR MILI* (eds), **Wine in the Old World: New Risks and Opportunities.**

Milano, Franco Angelli, 2003, 240 p.

Participants in the wine sector are well aware of the changes that have occurred in its structure. Market shares are shifting, the «*filière*» is more concentrated, and global competition is the rule. This important book seeks to define the situation more precisely and to evaluate its causes. The ultimate objective is to improve the basis for making strategic decisions rather than to propose remedies. It is derived from research funded under the project: «Assets and handicaps of quality Mediterranean agro-food products», and from papers presented at a workshop in Bologna on June 20-21, 2002, «AOC, DOC: Regional Economics and Industrial Strategies». Most of the empirical data are drawn from «old world» studies.

The diversity of the book is evident in its seventeen chapters ranging from AOC marketing issues to the benefits of wine tourism. It includes analysis of financial structure and investment in AOCs, the requirements for the success of common brands, changes in distribution channels and strategies, and differences in consumer characteristics and behavior. There are twenty-four authors who come from universities and research institutions in France, Italy, Spain, Portugal, the UK, Canada, Brazil, and Argentina. The chapters were written in, or translated into English.

While I have some reservations about the book, I feel it makes an important contribution to understanding the current situation facing old world wine producers and marketers. It avoids, to the extent possible, political or regional biases and focuses on a scientific approach. This allows readers to weigh the relative importance of the numerous factors shaping the current situation. The editors stress the need to separately consider market effects arising from the structure of AOCs and those effects arising from the strategic behavior of firms. This approach provides more useful technical results for determining new strategies. My reservations concern issues of organization, clarity, and relevance.

As one might expect in such a book, the quality and relevance of the chapters vary. Chapters 2 and 3 provide a good analysis of the issues facing AOC producers and potential outcomes under different winegrower behavior. They discuss internal problems of AOCs and why change may be needed. The mathematical model in Chapter 2 explores the trade-off between a private brand strategy and a certification strategy. It leads to 2 conclusions, without empirical verification, that the AOC system can impede innovation because of

a producer's under-investment in quality; and that while the AOC system may be adopted by producers it could be harmful to consumers' interests. Chapter 3 utilizes empirical data, mostly from Italy, to identify issues relating to a common label and how markets differ in their acceptance of such labels. It also provides a critique of public authorities that attempt to regulate without understanding market complexities.

Chapter 6 presents an excellent discussion of the current situation from Spain's perspective and compares old world and new world systems to show how they may be converging. It thoughtfully examines changes in the legal structure and provides insights on product differentiation. It does not report new research but reviews a wealth of past work to support the conclusion that ultimately wine producers (at least in Spain) will have to adopt new strategies. Chapter 8 presents an excellent description of the current debate about market developments and possible outcomes. It includes a balanced analysis of tariffs, subsidies, intellectual property rights and various proposals for protection of geographic indicators. Based on an analysis of past experience, it concludes that wine trade will continue to grow, more trade will develop both within and among trading blocs, and new world and Eastern European producers will continue to threaten EU dominance of international markets. Chapter 9 has some editing and language problems but provides a rigorous analysis of the existing AOC structure and its relation to competitive performance. It makes some significant suggestions for coping with competitive changes. The authors argue that AOCs can adapt to new conditions if 3 conditions are met: (1) interprofessional management of supply is carried out on a long-term basis covering the entire AOC; (2) management creates and implements comprehensive AOC marketing strategies; and (3) new steps are adopted for financing market suppliers (the authors argue that AOC control discourages investors).

Chapter 11 reports research on consumer preferences that have important implications for future marketing strategies. Unfortunately, translation choices make this a difficult chapter to follow clearly. The author used a model of consumer choice behavior to test the hypothesis that the permanence of sales structures is determined by varying degrees of consumer satisfaction. The testing of empirical results confirms the hypothesis and argues that wine sellers will have to account for these preferences in adopting marketing strategies. Chapter 12 is a descriptive but insightful chapter which argues that international competition is shifting toward the new world system, fueled by large companies based on a winery production system, strong brands, and less government regulation. Chapter 13 analyzes data from fifty-one firms of Val de Loire using principal components and cluster analysis to differentiate results between AOC and AOC plus brand. The conclusion tends to clarify relationships between AOC, brand and investment and correctly stresses the need for professional evaluation of results. Chapter 14 provides a fascinating approach to the concept of market regulation. It argues that the bonds between firms or between firms and the State affect individual performance and the output of the commodity chain itself. The interesting point is that these bonds are the mechanism of regulation and attention should be given to the balance between private and public regulation if desired results are to be obtained.

The other chapters are based on sound analysis and have interesting points to make. However, I found it difficult sometimes to understand their relevance to the overall theme of the book. For examples, the chapters on Brazil and Argentina were well written but there was little attempt to make them relevant to the situation facing old world producers. The chapter on wine region tourism made important points but lacked an identifiable link to issues of market share. The chapters on consumer behavior in Italy and market strategies in Spain all made contributions to the book but were not well linked to its final conclusions. The assessment of the EU's common market organization for wine provided an overview and made some important suggestions about how it should be changed.

This book advocates change but is not an indictment of the AOC or new world systems. It would have benefited from more careful editing and translating and needs to identify its target audience. In addition, I would have preferred an organization that introduced the basic ideas first and then explored the various components of the current situation within a logical grouping. Finally, the book should have a concluding chapter that summarizes how its objectives were met and outlines a direction for future research. Such a conclusion is preferable to the brief description of each chapter, as found in the introduction. But, all in all, the book is an important first step in identifying important research results that should be used as a basis for future marketing strategy. The authors, and perhaps some industry collaborators, have an exciting opportunity to produce a sequel that explores new strategies based on the information developed in this book.

*Kirby MOULTON*

University of California, Berkeley