

THE PERFORMANCE OF U.S. WINERIES IN THE GLOBAL MARKETPLACE

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ABSTRACT

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The U.S. wine industry is in the midst of a radical transformation, from a largely domestic industry to a global industry. This paper examines the U.S. wine industry's current performance in global markets. Survey questionnaires were sent to each winery from California and the Pacific Northwest listed in the Wines and Vines Directory in order to tap into their export experiences, intentions, opinions, and assistance needs. The wineries surveyed account for a significant portion of the wine produced and exported by all U.S. wineries, thus are representative of the country's production. The excellent 24% response rate adds depth and richness to the findings of this first comprehensive export study of the U.S. wine industry.

The U.S. wine industry is in the midst of a radical transformation that will dramatically affect the landscape of the industry. Until a few years ago, the U.S. wine market was largely a domestic industry, with some imports from France, Italy, and Spain competing with U.S. products. Recently, however, imports have risen to 20% of the U.S. market share—seven percentage points above the import percentage of 1995 (Love 2000). This development has been fueled by the tremendous inroads made by Australian and Chilean wines, in particular, into the U.S. market.

The forces of globalization are at work, as evidenced by industry consolidation (e.g. Foster's, an Australian beverage company, recently acquired Beringer, a California winery), a maturing and increasingly competitive domestic market, and the move to a more professional (as opposed to family) style of management for many U.S. wineries. The February 2000 naming of Lewis Platt as CEO of Kendall-Jackson Winery (former Chairman and CEO of Hewlett Packard) is an example. How effectively the U.S. wine industry transforms itself into a strong global player is yet to be determined. This paper will examine the U.S. wine industry's current performance in the global marketplace in an effort to determine how it can improve that performance.

U.S. wine exports have grown consistently, from \$137 million in 1990 to \$548 million in 1999 (Wine Institute 2000). Also, the U.S. industry enjoyed the highest rate of increased wine exports (19.3%) in 1998 among the major wine-producing countries (IVIE International 2000). But while this export growth is impressive, U.S. wineries also face increasing threats to their domestic market share due to globalization in the wine industry.

The U.S. domestic market has grown from a retail value of \$12.2 billion in 1995 to \$18.2 billion in 1999; however, the U.S. market share of importers has also grown during the same period (Wine Institute 2000). For example, during 1995-1999, Argentina increased the value of its exports to the U.S. by 243%, and Chile did so by 152% (Wine Institute 2000). Since 1995, the unfavorable balance of trade for wine in the U.S. has increased by 78% (Wine Institute 2000).

In terms of international markets, wine is produced commercially in over 60 countries. While each wine-producing country's domestic market consumes much of the wine each produces, 23% (by volume) is exported to international markets. The leading wine producers

include the “Old World” wineries in France, Italy, and Spain. These three countries are also the leading exporters. “New World” producers, such as the U.S., Australia, Chile, Argentina, and South Africa, have been making both production and export inroads globally over the past few decades. Illustrative market shares of the world export market by different countries in 1999 follow (IVIE International 2000):

<u>COUNTRY</u>	<u>SHARE OF WORLD EXPORT MARKET (by volume)</u>
Italy	25.3%
France	25.1
Spain	15.7
United States	4.2
Chile	3.5
Portugal	3.4
Australia	3.0
Others	19.8
TOTAL	100.0%

In spite of this progress, the U.S. currently has only 4.2% (by volume) of the world export wine market, while producing 8% (by volume) of the wine produced in the world (Wine Institute). Furthermore, the U.S. wine industry exports only 13% of the wine it produces, while other countries have more intensely developed their export markets. For example, France, Italy, and Spain all export more than 25% of the wine each produces, while Australia exports over 40% and Chile over 80% of total production (Wines and Vines, July 1999). One might argue that these countries export more intensively because of the small size of their domestic markets. While this may be true, U.S. wineries currently risk losing market share at home to those exporters who have been making inroads into the U.S. market. As a result, continued focus on

its domestic market may place the U.S. wine industry at a long-term disadvantage in developing the requisite skills for competing in the increasingly competitive global market place.

There is also a geopolitical dimension to this industry that must be taken into account. Tariffs and trade barriers play a pivotal role in obstructing U.S. wineries' access to the markets of various countries. As these barriers are reduced under the auspices of the World Trade Organization, export opportunities should increase. U.S. wineries must be positioned competitively to explore these new opportunities.

The purpose of this study is to assess the current export activity and performance of U.S. wineries, in light of these global competitive pressures. This study purports to improve the export performance of U.S. wineries, and its results can be used by assistance providers and winery managers to accomplish this goal. The specific objectives of the paper are:

- I. To develop a profile of exporting U.S. wineries (size, export experience, markets and products)
- II. To assess the performance of export programs of U.S. wineries, identifying key success factors

The second objective reflects the exploratory nature of this study. It will explore the correlates of export performance as a prelude to the eventual development of a richer model that might explain why some winery export programs are more successful than others.

Literature Review

While a wealth of country-level macro data has been collected for analysis of importing and exporting activity in the wine industry, no previously published study focuses on the export experience and performance of U.S. wineries. Thus, this study is unprecedented and will contribute to the extant export literature, as the value of single industry studies has been increasingly recognized (Silverman, Castaldi, Sengupta 1999; Dess, Ireland, and Hitt 1990). Furthermore, as the former editor of the *Journal of International Marketing* noted, "given the diversity of approaches to globalization, it is important for researchers to carry out investigations that target specific industries" (Cavusgil 1997, p. 3).

Along with developing profiles of U.S. exporting wineries, this study also intends to identify the factors related to winery export program effectiveness. The measurement of export effectiveness has been addressed with increasing frequency in the literature due to a lack of

agreement about how that effectiveness should be measured (Aaby and Slater 1989; Cavusgil and Zou 1994). Moreover, inconsistent findings regarding the antecedents of export performance have been attributed to the different export performance measures used across studies. Walters and Samiee (1990) found that the variables correlated with small firm export success vary according to the dimension of export success being examined. While one widely accepted measure of export performance is exports as a percent of sales, other measures have focused on profitability, growth, market share, strategic position, and so on. Different measures reflect variations in management emphases and intentions. As an example, an exporting firm focusing on growth or strategic position may be willing to sacrifice profits in the short term. Thus, it is important to use multiple measures of export performance to fully capture the richness and complexity of this construct.

Export commitment has been well established as one important determinant of export success (Cavusgil and Kirpalani 1993). Stump, Athaide, and Axinn (1998) point out that commitment has both an attitudinal dimension (beliefs and perceptions that are supportive of or barriers to exporting) and behavioral components (the commitment of resources in the form of staff, travel, etc.). While these two dimensions are related, they may not both be present in the same direction, necessitating different means of improving export effectiveness. One specific attitudinal aspect of export commitment that has been considered a determinant of export success is the priority placed on exporting by management (Axinn, Noordewier, and Sinkula 1996). In terms of behavioral aspects of export commitment, Beamish, Karavis, Goerzen, and Lane (1999) found that firms that make a commitment to support exports through the formation of a separate export unit within the organization significantly outperform firms that treat exports as part of their domestic business.

Intermediary effectiveness has also been linked to export performance (Sengupta, Castaldi, and Silverman 2000; Moini 1995; Reid 1987; Rosson and Ford 1982). The evidence clearly indicates that the success of an export program in an overseas market rests, in large part, on the ability of the exporter to develop and maintain effective relationships with agents, wholesalers, and retailers who operate in that market.

Studies have attempted to identify the factors that underlie effective intermediary relationships (Johnson and Raven 1996). A wide variety of terms has been used in the literature to describe the antecedents of channel relationships, including communication quality (Mohr,

Fisher, and Nevin 1990), trust, cooperation, absence of opportunistic behavior, stability, fairness, commitment and communication intensity (Johnson, Sakano, Cote, and Onzo 1993; Johnson and Raven 1996). Integrity and goodwill are important dimensions of trust (Mayer, Davis, and Schoorman 1995). In this study we investigate the relationship between intermediary effectiveness and export performance as well as the connections between intermediary effectiveness and communication quality, integrity, and goodwill.

Lastly, the literature demonstrates that firm size has not been shown to determine export effectiveness. Since a majority of the exporting wineries in this study would be classified as small or mid-sized, one might expect that they might be limited in terms of their ability to commit resources to exporting and that they would lack sufficient leverage with intermediaries compared with larger wineries. However, these conceptual arguments have not been supported with any consistency in previous studies (Czinkota and Johnson 1983; Cavusgil 1984). The more recent study by Stump, et al (1998) found that firm size did not play a significant role in explaining the relationship between export commitment and export performance. We investigate the relationship between winery size and export performance in this study.

Methodology

Under the auspices of a grant from the U.S. Department of Education, the authors initiated, in the fall of 1999, a research project intended to assist the U.S. wine industry in its export activities. The industry provided support to the project through the WineVision initiative, which sets forth the industry-wide objective to improve the export effectiveness of U.S. wineries.

The U.S. wine industry is comprised of approximately 1500 wineries. The industry, however, is highly concentrated, with the top ten wineries accounting for 70% (by volume) of U.S. production. Wine is produced in every state except Alaska. California dominates the U.S. wine industry in many ways; it is home to more than 800 wineries and accounts for more than 90% of the wine produced and exported by U.S. wineries. Northwest wineries (those of Washington, Oregon, and Idaho) number approximately 200 and are developing an export presence, as well as an excellent reputation for quality wines.

Ten wineries account for more than 89% of exports (Gomberg, Fredrikson Report 2000). However, an annual wine industry directory (Wines & Vines 1999) shows that about 50% of all U.S. wineries export their products. Many of these wineries may only periodically export small

numbers of cases and do not have full-fledged export programs. The leading U.S. exporter (by volume) is E&J Gallo, accounting for about half of U.S. exports and more than four times the volume of its nearest export competitor, Canandaigua (Gomberg, Fredrikson Report 2000). E&J Gallo exports approximately 13% of its total production. While most exporting U.S. wineries export less than 20% of their total production, Wente Vineyards is a notable exception. Wente has made exporting a cornerstone of the winery's long-term business strategy and exports 60% of its production to 147 country markets (Sinton 1999).

The study was designed to obtain the following information from each winery:

- I. The length of time the winery has been exporting and its current level of export activity
- II. Data on export products and markets
- III. The performance of the export program
- IV. The nature of the winery's export-related investments and activities
- V. The winery's attitudes and perceptions relating to export commitments and to intermediaries

Sampling Frame

An annual directory of U.S. wineries (Wines & Vines 1999 Directory and Buyers Guide 1998) was used to generate our sampling frame. A list of all the wineries in California, Oregon, Washington, and Idaho was compiled. These 1012 wineries account for over 95% of the wines produced and exported by U.S. wineries and constitute a comprehensive sampling frame.

Based on field interviews with export personnel and industry association executives and a review of the relevant literature, we designed, developed, and pre-tested two survey questionnaires, one version for exporters and another one for non-exporters. In March of 1999, both surveys were sent to all 1012 wineries with a cover letter explaining that wineries should complete the exporter's version if they had exported in the last three years. The cover letter also explained that both WineVision and the authors' university supported this study. Thirty-four surveys were returned as undeliverable, resulting in a reduced sampling frame of 978 wineries. Wineries that did not return surveys by the specified date were sent a fax under the signature of the CEO of Fetzer Vineyards, who is a WineVision "champion," asking them to complete the survey. The number of usable returned surveys was 238, representing 103 non-exporters and

135 exporters. This represents a 24% response rate. The results presented in this paper relate only to the exporters.

Operationalization of Variables

As mentioned above, questions have been raised about different methods of measuring export effectiveness. In this study, we utilized the findings of Zou, Taylor, and Osland (1998), who developed a three-factor measurement model of export performance, known as the EXPERF scale. The three factors are Financial Export Performance (profitability, sales volume, and growth), Strategic Export Performance (global competitiveness, strategic position, and global market share), and Satisfaction with Export Venture (export venture success, satisfaction with export performance, and meeting export venture expectations). The three-factor EXPERF scale displays both convergent and discriminant validity. We adopted the same nine measures of export performance as Zou, Taylor, and Osland (1998). By factor analysis, these nine items can be categorized according to the three divisions of the EXPERF scale (Exhibit 3). We had an additional, objective measure of export program performance—percentage of revenues from exports (Exhibit 1).

The survey instruments included 22 Likert scale items relating to export commitment. The Likert scale items were factor-analyzed, resulting in three factors (Exhibit 4), labeled as Resource Commitment, Management Priority for Domestic Market, and Business Barriers. These factors developed along either behavioral or attitudinal lines in a manner consistent with the findings of Stump, Athaide, and Axinn (1998).

Resource Commitment reflects the behavioral component of export commitment, while the other two factors, Management Priority and Business Barriers, reflect attitudinal components. Resource Commitment included items relating to the “adequacy of budgets for international travel” and “participation in trade shows,” the development of “accounting systems to track export profitability,” and whether the winery “actively pursued overseas business.” These items reflect behavioral commitments. Management Priority, on the other hand, relates to the importance of the domestic market relative to exports. A higher score on this factor indicates a higher priority given to the domestic market rather than the export market. Like Management Priority, the Business Barriers measure is based on perceptions rather than behaviors, and a higher score indicates that exporting is perceived as difficult or unfavorable for the winery.

Thus, a winery may perceive that it is “extremely difficult to find the right agents or distributors in export markets” or that “transportation costs make profit margins unattractive in export markets,” but one must bear in mind that these are only the winery’s perceptions. Axinn found that managers’ perceptions do in fact influence export performance (Axinn 1988).

We asked exporting wineries to evaluate the intermediaries in their primary export country markets on three qualities. The outcomes, when factor-analyzed, resulted in a single factor labeled Intermediary Effectiveness (see Exhibit 5). We also asked wineries to evaluate different aspects of their relationship with their intermediaries according to four Likert scale terms. These terms, when factor-analyzed, resulted in three factors (see Exhibit 6) that seem to be logical antecedents to intermediary effectiveness. Communication Quality (Mohr, Fisher, and Nevin 1990) reflects the effectiveness of communication between the exporting winery and the intermediary. Integrity and Goodwill both reflect the exporter's trust in the intermediary (Mayer, Davis, and Schoorman 1995). Integrity reflects the exporter's perception that the intermediary discharges obligations reliably and honestly. Goodwill reflects the exporter's belief that the intermediary will look after the interests of the exporter beyond contractual obligations.

Finally, winery size is established according to the number of cases a winery produces on an annual basis (Exhibit 1).

Results

This section of the paper will present the results of the study in terms of the following six areas:

- I. Profile of exporting wineries
- II. Export markets and products
- III. Export program performance
- IV. Export commitment
- V. Intermediary effectiveness
- VI. Correlates of export performance

Profile of Exporting Wineries

A majority of the 133 exporting wineries (60%) have been in business for at least 16 years (see Exhibit 1). Only 8.3% have been in business for 5 years or less, suggesting that exporting is

more likely to be undertaken after wineries gain experience domestically. However, size does not seem to be a barrier to exporting efforts. Wineries selling less than 25,000 cases annually are considered small in this industry, yet they represent 55% of the exporting wineries. A wide range of export experience is represented in the sample; almost 30% of wineries have been exporting for five years or less, and 42% have done so for over 10 years.

As previously remarked, U.S. exporters derive only a small percentage of their revenue from exports, and this is represented in the sample. Over 80% of these wineries depend on exports for less than 10% of their sales. This is in sharp contrast to the wineries of Australia, Chile, and other wine-producing countries that derive a majority of their revenue from exports. The exporting U.S. wineries have diversified their export markets, with 84% selling in more than one country and 60% to four or more countries. Finally, most of these exporting wineries (close to 90%) grow some of the grapes that are used in their wines. However, only 49% of the wineries grow at least half of their grapes in their own vineyards.

Export Markets and Products

Canada and the United Kingdom (U.K.) are the dominant markets for U.S. exporters in our sample (see Exhibit 2), though Japan is also a crucial export market. The U.S. Department of Commerce reported that in 1998, the U.K., Japan, and Canada were the top three export markets (in dollar value) for U.S. exporters, accounting for 61.4% of U.S. exports. Consistent with this, Canada, the U.K., and Japan accounted for 66.6% of wine export market revenues in our sample.

There also seems to be an entry pattern for U.S. exporters, in which the U.K. and Canada are the first or second markets entered. 59% of the exporters chose one of those countries as the first market to enter, and 50% chose one of these as the second market to enter. These markets may be chosen as sequential entry paths because they are affluent English-speaking countries that do not produce very much wine domestically. In addition, Canada's proximity to the U.S. may be seen as an advantage to U.S. wine exporters.

After travelling through distribution channels, exporter's wines are sold in restaurants and hotels to a greater extent than in retail stores. The wines exported by U.S. wineries tend to be premium (\$7-14 per bottle), ultra-premium (\$14-25), and luxury (over \$25) wines.

Export Program Performance

In terms of financial performance and strategic performance, the mean factor scores of 2.70 and 2.66 respectively (Exhibit 3) indicate that many wineries are not very satisfied with those aspects of their export programs. For example, on a five-point scale, only 29% of the wineries strongly agreed or agreed that their export programs have “been very profitable.” 46% were neutral and 25% disagreed or strongly disagreed. Our results indicate that there is room for improvement in export program performance as it relates to profitability.

The situation was more positive with respect to subjective measures of satisfaction with export program performance, as the mean factor scores on these satisfaction measures was 3.14 (Exhibit 3). This indicates that even though certain financial or strategic goals are not being met, export programs are meeting other managerial objectives.

Finally, Exhibit 1 shows that the percentage of revenue from exports is relatively low for a large proportion of wineries.

Export Commitment

As shown in Exhibit 4, Export Commitment has three dimensions, Resource Commitment, Management Priority for Domestic Market, and Business Barriers. The mean factor score for Resource Commitment was only 2.79, indicating a tendency on average to under-commit resources to exporting. For example, only 40.3% of the wineries felt that their export budgets were “sufficient to cover international travel,” and only 35.3% said that their budgets were “sufficient to cover international trade shows.” Trade shows and visits to country markets are widely acknowledged by industry experts to be critical to building export programs. Management Priority for Domestic Market had a mean factor score of 2.67, which is quite low. This indicates that managers in exporting wineries, on average, do place a priority on their export business. For example, only 38.2% said “exporting is not a high priority for us.” Business Barriers had a mean factor score of 3.04, representing an almost even split in the number of wineries that perceived that exporting is unattractive.

In addition to the Likert scale items, a number of questions were asked to ascertain specific information regarding each winery's export-related organizational structure. In terms of export-related organizational structure, only 12% of the wineries had a formal export department, 35% had at least one employee formally assigned to exports, and 53% had no employee formally

assigned to exports. In 81% of the wineries, the person in charge of exports is the same individual in charge of domestic marketing and sales.

Intermediary Effectiveness

Effective intermediary relationships have been found to be critical to high levels of export performance. In their primary export markets, most exporting wineries used either an agent (54.5%) or an importer/wholesaler (40.2%). Only 5.3% went directly to retailers. We asked exporting wineries to rate their experience with their intermediaries in their primary export country markets on three scales (see Exhibit 5), and these scales resulted in a single factor labeled Intermediary Effectiveness, which has a mean factor score of 3.69. Thus, it appears that exporting wineries have very good relationships with the intermediaries in their primary country markets.

Correlates of Export Performance

Four measures of export performance have been introduced in this study: the three export performance factors relating to financial and strategic goals and satisfaction with the export program (Exhibit 3), and the fourth, related to “exports as a percent of sales.” Exhibit 7 shows the correlations of all four performance measures with the three export commitment factors. Exhibit 8 shows correlations of the performance measures with Intermediary Effectiveness and the three intermediary relationship factors. Both correlation matrices also include winery size as a variable in order to assess its role in explaining export performance.

In terms of export commitment, Resource Commitment has a positive and significant correlation with all four measures of export performance. The correlations are all relatively high, ranging from 0.39 to 0.62, indicating that sufficient levels of resource commitment to exporting may be critical to high levels of export performance. Management Priority to Domestic Market also has high and significant negative correlations with export performance, ranging from -0.44 to -0.66. The negative coefficient indicates that higher levels of export performance are correlated with lower levels of priority to domestic market or higher levels of priority to exporting. Business Barriers also has relatively high and significant correlations with export performance, ranging from -0.25 to -0.54. Thus, the perception that exporting is difficult or unattractive may be related to lower levels of export performance.

In terms of intermediary relationships, Intermediary Effectiveness has a statistically significant, strong positive correlation with all four performance measures, with coefficients ranging from 0.34 to 0.61. Thus, as expected, Intermediary Effectiveness may be an important contributor to export performance. The three factors—Communication Quality, Goodwill, and Integrity—are all significantly correlated with both the export performance measures and Intermediary Effectiveness. The correlations with Intermediary Effectiveness are particularly high, ranging from 0.60 to 0.77, supporting the possibility that the factors are antecedents to Intermediary Effectiveness.

Finally, winery size has a significant but small correlation coefficient (0.18 in both cases) in relation to strategic and financial measures of export performance measures. In terms of “satisfaction” with export program performance and export as a percent of sales, there is no significant correlation. Perhaps the mixed results in previous studies reflect the use of only one of the various measures of export performance.

Discussion

A number of U.S. wineries seem to be competing effectively in the global marketplace. However, there is a sizable segment of exporting wineries that are not faring as well as their counterparts in international markets. The large percentage of wineries responding in the neutral category of our measures of overall export performance should be perceived as a reservoir of potential successful export programs.

Resource commitment to exporting appears to be low for a majority of exporters. Since resource commitment is a strong correlate of export performance, this could partially explain why export performance measures were not rated higher by many wineries. Intermediary Effectiveness appears on average to be very good and is less likely to be a contributor to lower overall levels of dissatisfaction with exporting. Also, winery size does not seem to be a major force in accounting for differences in export performance.

The correlation matrices in Tables 7 and 8 indicate that both export commitment and Intermediary Effectiveness are strong correlates of export performance. The relationship between these factors and export performance is particularly strong in light of the significance of the coefficients across all four measures of export performance. Wineries that have higher levels of resource commitment, place a higher level of management priority on exporting, and do not

perceive potential export challenges as insurmountable barriers are more likely to have higher-performing export programs.

Intermediary Effectiveness is positively related to the performance of export programs. The relationship between the intermediary and the winery seems to be affected by factors such as communication quality, integrity, and goodwill. Since these factors are much more highly correlated with Intermediary Effectiveness than export performance, they could be antecedents of intermediary performance.

Implications

The results of this study have both research and applied implications. In terms of research, this study makes several contributions to the export-related literature. In terms of applications, the results of this study have practical implications for service providers intending to improve export performance in the wine industry.

Research Contribution

This study importantly contributes to the literature on export performance, especially by focusing upon a single industry. The factors in the EXPERF scale (Zou, Taylor, and Osland 1998), have been validated for the wine industry, and the scale was shown to be useful in delineating the importance of different performance measures on export performance. The factor analysis of export commitment survey items in this study were effectively sorted into behavioral and attitudinal factors, lending support to the conceptual framework of Stump, Athaide, and Axinn (1998). Also, the positive relationship between export performance and the two factors—export commitment and Intermediary Effectiveness—reinforces those relationships, as they have previously been established in the literature. Finally, this study adds perspective to the ongoing debate regarding the importance of size as a determinant of export performance (Stump, et al 1998). This study indicates that size may be important in influencing financial performance and strategic performance, but it may not be a factor affecting subjective managerial measures of satisfaction with export program performance.

Implications for Assistance Providers

The U.S. wine industry's WineVision initiative is intended to increase international market share for the industry and to raise export performance at the winery level. As an industry initiative respected by a large number of wineries and trade associations nationwide, WineVision is in a position to change the viewpoint of many wineries who do not see export markets as a management priority and whose perceptions of export barriers reduce the effectiveness of their export efforts. WineVision can establish a better long-term perspective on the threat of global competitors slowly eroding U.S. dominance in the domestic market. WineVision can accomplish this through conferences, workshops, and publishing efforts from respected industry leaders.

In addition to WineVision's efforts, public sector assistance providers can enhance export effectiveness in the wine industry. They can play a role in increasing resource commitment to exporting, especially in relation to small and mid-sized wineries. Since insufficient resource commitment is related to lower levels of export performance, service providers may be able to help in subsidizing international visits and attendance at trade shows. Setting up reverse trade missions may also be effective.

While service providers can play an important role in increasing the global competitiveness of U.S. wineries, the wineries themselves can improve their export program performance by increasing their commitment to exports and by establishing effective relationships with the appropriate intermediaries.

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Exhibit 1
Profile of Exporting Wineries

Years in Business	No. of Firms	% of Firms
Five or less	11	8.3%
6-10	19	14.3
11-15	23	17.3
16-20	30	22.5
20+	50	37.6
TOTAL	133	100.0%
Winery Size (Cases)	No. of Firms	% of Firms
5,000 or less	31	23.5%
6,000 - 10,000	15	11.4
11,000 - 25,000	27	20.4
26,000 - 100,000	24	18.2
101,000 - 1 million	26	19.7
1 million+	9	6.8
TOTAL	132	100.0%
Years Exporting	No. of Firms	% of Firms
less	37	29.3%
10	36	28.6
15	34	27.0
19	19	15.1
TOTAL	126	100.0%
% of Revenue from Exports 1999	No. of Firms	% of Firms
0% or less	35	27.8%
- 5%	37	29.4
- 10%	30	23.8
10%+	24	19.0
TOTAL	126	100.0%
No. of Countries Exported To	No. of Firms	% of Firms
1	20	15.7%
3	31	24.2
10	41	32.0
19	36	28.1
TOTAL	128	100.0%
% of Wines Sold from Own Vineyards	No. of Firms	% of Firms
0	14	10.7%
25	21	16.0
50	32	24.4
75	16	12.2
99	25	19.1
100	23	17.6
TOTAL	131	100.0%

Exhibit 2
Export Markets and Product

Initial Export Markets Entered

Country	% of Wineries Entering This Market	% of Wineries Entering This Market
	1st	2nd
Canada	38.2%	20.4%
United Kingdom	20.6	30.1
Japan	17.6	13.3
Switzerland	10.7	8.0
Germany	5.3	7.1
Other	7.6	21.1
TOTAL	100.0%	100.0%

Revenue Percentage from Export Markets

Markets	% of Export Revenue Derived
United Kingdom	18.6%
Canada	29.2
Continental Europe	24.9
Japan	18.8
Asia (exclude Japan)	6.2
Latin America	1.1
Other	1.2
TOTAL	100.0%

End Markets for Exported Wines

End Market	% of Export Revenue Derived from Each End Market
Restaurants/Hotels	46.7%
Retail Stores/Chain	40.7
Cruise Ships/Duty Free Shops and Airlines	6.3
Other	6.3
TOTAL	100.0%

Price Points of Wines Exported

Price Range in \$ (per bottle)	% Exported in that Price Range (Based on Revenues)
Less than \$3	3.4%
\$3-7	7.0
\$7-14	22.1
\$14-25	36.7
\$25-40	30.8

TOTAL

100.0%

Exhibit 3
Export Program Performance Factors

	Mean Factor
	<u>Score</u> -
<p>1. Financial Export program: has been very profitable. has generated a high volume of sales. has achieved rapid growth.</p>	2.70
<p>2. Strategic Export program: has strengthened our strategic position. has improved our global competitiveness. has significantly increased our global market share.</p>	2.66
<p>3. Satisfaction Export program: has been very successful. has fully met our expectations. performance has been very satisfactory.</p>	3.14

- Mean factor score is simple mean of item scores, each item being a 5-point Likert scale going from 1 = strongly disagree to 5 = strongly agree. Sample size = 133 exporting forms.

Exhibit 4
Factors Related To Export Attitudes And Perceptions

	<u>Mean Factor Score</u>
1. Resource Commitment	2.79
<ul style="list-style-type: none"> * Keeping accounting records that allow winery to assess export profitability. * Export budget sufficient to cover expenses related to international travel. * Export budget sufficient to cover expenses related to participating foreign trade shows. * Export budget sufficient to cover expenses related to promotion in export markets. * Actively pursuing overseas business. (Overseas business not incidental) * More serious about export efforts than competitions. 	
2. Management Priority to Domestic Market	2.67
<ul style="list-style-type: none"> * Top management just not interested in exporting. * Export business not a high priority. * Still a lot to do in domestic area before turning efforts to international markets. * Must take care of domestic needs before devoting time necessary for exports. * Exporting not appropriate for winery of our size. 	
3. Business Barriers	3.04
<ul style="list-style-type: none"> * Expectations that financial returns in export markets will be equivalent to domestic. (R) * Extremely difficult to find the right partners (agents, distributions, etc.) in export markets. * Transportation costs make profit margins unattractive in export markets. * Difficulty in obtaining country specific information about market conditions and opportunities. * Financial constraints inhibit export endeavors. * Tariffs make profit margins unattractive in export markets. 	

R = Item reverse coded.

- Mean factor score is completed from a 5 point likert scale going from 1 = strongly disagree to 5 = strongly agree. Sample size = 133 exporting forms.

Exhibit 5
Intermediary Effectiveness Factor

	<u>Mean Factor Score</u>
1. Experience with Intermediary in Primary Export Markets:	3.69
has been very satisfactory.	
has been very successful.	
fully met our expectations.	

Exhibit 6
Intermediary Relationship Factors

	<u>Mean Factor Score</u>
1. Communication Quality	3.79
* Communication from us to intermediary is effective.	
* Communication from intermediary to us is effective.	
* Overall communication with intermediary is effective.	
2. Integrity	4.12
* Intermediary keeps promises.	
* Intermediary is not always honest. (R)	
* Believe information provided by intermediary.	
* Intermediary is trustworthy.	
* Commitment to relationship with intermediary.	
3. Goodwill	3.73
* Intermediary is genuinely concerned that ‘our’ business succeeds.	
* When making important decisions, intermediary considers ‘our’ welfare as well as its own.	

R = Item reverse coded.

- Mean factor score is based on a 5-point Likert scale going from 1 = strongly disagree to 5 = strongly agree. Sample size 133 exporting forms.

* Necessary to be cautious with this intermediary. (R)

Exhibit 6
Export Performance Correlations
With Export Commitment Factors

	1	2	3	4	5	6	7	8
1.Financial Performance	1.00							
2.Performance Satisfaction	0.66**	1.00						
3.Strategic Performance	0.75**	0.60**	1.00					
4.Exports as % of Sales	0.51**	0.39**	0.48**	1.00				
5.Resource Commitment	0.55**	0.39**	0.62**	0.50**	1.00			
6.Management Priority	-0.64**	-0.44**	-0.66**	-0.50**	-0.63**	1.00		
7.Perceived Barriers	-0.45**	-0.54**	-0.35**	-0.25**	-0.28**	0.47**	1.00	
8.Size of Winery	0.18**	0.06	0.18**	0.02	0.25**	-0.15*	-0.09	1.00

N = 133 ** = P < 0.05

Exhibit 7
Export Performance Correlations
With Intermediary Factors

	1	2	3	4	5	6	7	8	9
1.Financial Performance	1.00								
2.Performance Satisfaction	0.66**	1.00							
3.Strategic Performance	0.75**	0.60**	1.00						
4.Exports as % of Sales	0.51**	0.39**	0.48**	1.00					
5.Intermediary Effectiveness	0.41**	0.61**	0.34**	0.35**	1.00				
6.Communication Quality	0.29**	0.47**	0.23**	0.33**	0.77**	1.00			
7.Goodwill	0.20**	0.35**	0.21**	0.28**	0.60**	0.54**	1.00		
8.Integrity	0.29**	0.42**	0.27**	0.33**	0.73**	0.65**	0.71**	1.00	
9.Size of Winery	.018**	0.06	0.18**	0.02	-0.03		-0.09	-0.06	1.00

N = 133 ** = P < .05

