

The First Study on the Territorial Elements that Favor the Export Survival of Agro-food Products: The case of Castilla-La Mancha Wine (Spain)

El primer estudio sobre los elementos territoriales que favorecen la supervivencia exportadora de productos agroalimentarios: el caso del vino de Castilla-La Mancha (España).

Dr. Rogelio JORGE-MARTÍN

Business Management and Accountancy Department,
Faculty of Economics and Business of the Spanish
National University of Distance Education (UNED),
Spain

<https://orcid.org/0000-0001-5476-4637>

rogjorge@lanzarote.uned.es

Abstract: This research seeks, by analysing tangible and intangible attributes, qualities and values, to identify key territorial elements that add value to wine and positively influence export survival. The hypothesis is tested by examining the case of wine in Castilla-La Mancha (Spain). The core assertion is that geography, history, and production methods are critical factors for increasing the value of a wine. In addition, these factors generate dynamic externalities such as wine tourism, which in turn improve the image, boost the demand for, and the value of the wine. The findings of the study are applicable to the analysis of other agri-food regions, sectors, and products.

Resumen: Esta investigación busca, a través de analizar los elementos tangibles e intangibles, contestar a la pregunta de cuáles son los principales elementos territoriales que aportan valor añadido al vino e influyen positivamente en la supervivencia exportadora. Para ello se analiza esta hipótesis a través del caso del vino en Castilla-La Mancha (España). Se identifican tres elementos clave que infieren valor añadido al vino: aspectos geográficos, históricos, y de producción. Además, estos mismos elementos generan externalidades positivas como el enoturismo que mejora la imagen, demanda y valor del vino. Los resultados del estudio son extrapolables a otros productos agroalimentarios y regiones.

Keywords: export, wine, export survival, added value, product differentiation, territorial root, designations of origin, competitive advantage, Castilla-La Mancha, wine tourism.

Palabras clave: exportación, vino, supervivencia exportadora, valor añadido, diferenciación, arraigo territorial, denominaciones de origen, ventaja competitiva, Castilla-La Mancha, enoturismo.

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I. INTRODUCTION

Productive and commercial activities in nations other than that of origin require large amounts of resources and investments that are only recovered with sustained long-term activity. According to UNCTAD (United Nations Conference on Trade and Development) research is essential to identify the factors in international trade that determinate an increased success rate (chance of survival) for exporters into foreign markets. The problem of export survival primarily affects developing countries and some developed countries such as Greece and Spain, as well as Eastern European countries, more so than countries such as Germany, France, Italy, or United States of America¹. The United Nations encourages researchers to explore the reasons for poor export survival to improve export survival and increase export revenues.

There is a pressing need to promote export survival in Spain especially in the Wine Sector and quite specifically in Castilla-La Mancha. Access to foreign markets represents a window of commercial opportunity that comes with great benefits for companies and nations. However, it is an activity that differs substantially from domestic trade and therefore requires an independent undertaking even though there are aspects common to both. Exportation constitutes a first step in many companies with a view to a greater engagement in terms of internationalization, understood as the process of expanding the scope of actions beyond the borders of its country of origin, which is a key element in the global economy today. Between mere sporadic exports and the complete internationalization of companies with investments abroad, there are several intermediate stages, starting from a clear and essential base case: becoming regular and sustainable exporters². The presence of regular exporters helps other

¹ BESEDES, T., & PRUSA, T. «Ins, outs and the duration of trade», in *Canadian Journal of Economics*, 39(1) (2006): 266-295: <https://doi.org/10.1111/j.0008-4085.2006.00347.x>; FUGAZZA, M., & A. C. MOLINA., *On the Determinants of Exports Survival*. Geneva: United Nations Publications, United Nations Conference on Trade and Development Study series no. 46 (2011): https://unctad.org/system/files/official-document/itcdtab47_en.pdf.

² CHEN, J. et al., «The determinants of export performance: a review of the literature 2006-2014», in *International Marketing Review* 33.5 (2016) 626-670: <https://doi.org/10.1108/imr-10-2015-0212>; JORGE-MARTIN, R., «Internationalization and export survival. The state of the question», *Anuario Juridico y Económico Escorialense*, 55 (2022) 245-268:

closely related firms that start exporting to maintain longer-lasting export relationships³.

For many companies, exportation may be a minor and occasional activity despite the considerable benefits it procures. To these ends, commitment and continuity are necessary, which leads us to the key concept of this research: export survival.

Throughout this research, our main aim has been to answer one burning question: what are the main territorial elements that influence the probability of export survival? To analyse the main (tangible and intangible) territorial elements, wine, a specific product, has been studied in a singular context, i.e., the wine producing territory in Castilla-La Mancha (Spain). It has thus been determined that the export survival of the wineries that offer differentiated quality wine depends to a large extent on the enhancement of three territorial elements notably: the unique history and culture on which wine production is based; the geography where it is produced and the characteristics of its products.

II. EXPORT SURVIVAL. THE CASE OF WINE IN CASTILLA-LA MANCHA

In Spain there is the challenge of export survival due to the fact that almost 50% of the companies that start their exportation activity stop the activity before the second year. This lack of continuity hinders export growth and undermines wine-based activity. On the other hand, export continuity, manifested with the overcoming of the four consecutive years exporting, procures quantitative benefits for companies, such as an increase in their turnover and the reduction of export abandonment to only 10%⁴. In addition, there may be other more intangible benefits deriving from export survival, such as a positive brand image or the presence of complementary commercial activities such as, in the case of wine, wine tourism.

Internationalization is particularly relevant to sectors where the domestic market is unable to absorb all the surplus production, as is the case with wine

<https://doi.org/10.54571/ajee.521>.

³ ESTEVE, S. et al., «Export Spillover and Export Survival in Spain», in *Cuadernos Económicos de ICE*, 100 (2020) 59-80: <https://doi.org/10.32796/cice.2020.100.7118>.

⁴ ICEX Spanish Institute for Foreign Trade in Castilla-La Mancha, *Estudio sobre la Economía Internacional de Castilla-La Mancha en 2019-2020 (XXIII edición)*. Toledo (Spain): Ministry of Industry, Trade and Tourism's Secretary of State for Commerce, 2020.

in Castilla-La Mancha⁵. There are three factors that greatly influence the proper development of an internationalization business project: a) the proactive attitude, b) product differentiation and c) the professionalization of planning the exporting activity.

a) Attitude, considered to be part of the company culture, is the key to export survival. The success of any project requires an appropriate attitude. In the case of internationalization, the two main possible attitudes are reactive, i.e., reacting to the market, and proactive, i.e., taking the initiative to achieve the predetermined set of objectives in a systematized manner. A company can succeed in exporting and obtain economic benefits by adopting both a reactive and a proactive attitude although the latter is the best approach to maintaining export continuity on a regular basis and maximizing the benefits derived from the activity.

The proactive attitude must be present at all levels of the company's organization, but it is the attitude of the leader of the export project that needs the greatest commitment due to the level of exposure to the risks of the activity. In the case of the export of wine of differentiated quality, the proactive attitude of the companies is mainly based on the enhancement of the intangible attributes of the product, the history and culture on which the wine is based, the geographical space where it is produced and the characteristics of the product. These are three territorial elements that enable the differentiation of the product as a commercial strategy.

b) Current export activity needs to bring a competitive edge to foreign markets. Two of these fundamental competitive advantages are: low costs, which result in very competitive prices, and product differentiation, which seeks to distinguish the product from that of competitors. Depending on their value chain, companies will have to decide between two different strategies: a “cost leadership” strategy or a “product differentiation” strategy⁶. The first is commonly used by large companies that, due to their size, find it easier to reduce costs, and therefore the price, while the second can be used by any company regardless of its size. In the wine sector, companies can adopt one strategy or the other, depending on the place occupied by each winery in the market. Although in La Mancha, wineries, especially wine cooperatives, which are largely set on maximizing productivity

⁵ CERVÍÑO FERNÁNDEZ, J. et al., “Marketing Internacional”, in ARTEAGA ORTIZ, J., (Ed.), *Manual of Internationalization*. Madrid: ICEX Spain Export and Investment & CECO Centre of Studies for Economy and Trade, 2023; JORGE-MARTÍN, R., «Territorial identity in the internationalization of Spanish wine», *Anuario Jurídico y Económico Escorialense* 53 (2020a) 353-378: <https://doi.org/10.54571/ajee.451>.

⁶ CARNICER SOSPEDRA, D., *Price in International Marketing*. Madrid: ESIC Editorial, 2016; DOOLE, I. et al., *International marketing strategy: analysis, development and implementation*. 9. UK: Cengage, 2022.

because of the physical environment of the region, have traditionally opted for a cost leadership strategy and low sales prices.

Smaller companies tend to be more successful when they focus on developing a competitive edge based on product differentiation than reducing costs and price⁷. Differentiation through added value addition, based on territorial elements (history, geography, and method of production), is critical for distinguishing the product from that of the competition, as well as confronting some external barriers to exports, that affect the final price and facilitate export continuity. However, the scarcity of resources and shortcomings in marketing make planning foreign commercial activity a more time-consuming process in SMEs (Small and Medium Size Enterprises) than in larger companies, even when some have already started with an export strategy⁸. The lack of effective management and planning of foreign commercial activity hinders the desired export continuity and makes it impossible to adequately extract value from the three territorial elements of the added value of wine even though these factors simultaneously protect the market share of those small and medium size companies that manage to carry out the changes and adaptations required for adequate internationalization.

c) Professionalized planning is vital in export activity. In Spain there is a lack of expertise in executing an export strategy, especially among small and medium sized companies including those in the wine sector as this has not been part of the internal company culture. In general, Spanish companies have only resorted to exporting when it has been strictly necessary, and the domestic market could not absorb all the surplus volume produced. In addition, it is usually done with a very short-term approach, always looking at profitability, with a focus on the profit margins at a specific time.

The international activity of the company must be planned, and the planning must be reflected in the overall export or internationalization activities; it must have specialized personnel and must be a carefully thought-out process in which the company is really committed, regardless of the reason that has led it to export. The lack of such planning leads to aimless export initiatives, that may or may not be successful, and to the impossibility of accessing programs to support foreign marketing due to the lack of an advance marketing plan, such as those of the single regulation for Common Market Organizations (CMO).

⁷ PORTER, M., "The value chain, and competitive advantage", in BARNES, D. (Ed.) *Understanding Business: Processes*. Routledge: London, UK, 2001.

⁸ CARNICER, D. et al., *Alianzas inteligentes para la transformación competitiva de las organizaciones*. Madrid: McGraw-Hill, 2023; CATEORA, P. R. et al., *International marketing*. 19. New York: McGraw-Hill, 2023.

In the case of the wine sector, the subsidy consists of EU funds that cover up to 50% of the cost of information and activities for promoting European wine (including Spanish wine) in third country markets⁹. The planning of international activity involves committing resources before obtaining benefits, with the risk that the effort entails. To develop the export or internationalization plan, a proactive attitude involving human and economic resources in the medium and long term is indispensable.

However, despite the planning and the resources invested, export survival is not guaranteed since export barriers undermine the export survivability of companies. As noted earlier, many companies start exporting, and cease this activity in less than four years. There are several barriers that hinder exports in wine and, in some cases, make it impossible. Knowing and identifying these barriers is extremely important to overcoming them. Again, a proactive attitude throughout the process is necessary to deal with such difficulties and to take advantage of the opportunities that lie beyond the barriers¹⁰. In this scenario, regular exporters are able to make use of their experience while new competitors are a disadvantage of having to face difficulties for which they are often not prepared¹¹.

Although companies mainly tend to perceive barriers as external obstacles, they may be divided into two groups depending on their nature: internal, i.e., those that may be influenced by the company and external, i.e., those over which the company has no control. The impact that each category of barriers has on a company's export survival is determined by their experience. Companies that are not yet well established tend to suffer from internal gaps, especially lack of resources and marketing. In this case, attitude, considered in terms of a proactive company culture, will be a key factor in overcoming the barriers since they are within the influence of the company. As companies become well established, external barriers become more important because the process entails structural and attitudinal changes to overcome internal barriers, external impediments will persist in hindering international activity and remain beyond the control of the company¹².

⁹ PUCCIA, A., *The CMO grants as an international promotion instrument for the European wine sector: the first decade of implementation (2009-2018)*. [Doctoral thesis, University of Córdoba], 2021.

¹⁰ JORGE-MARTIN, R., «Internationalization and export survival...», o. c.

¹¹ ALBORNOZ, F. et al., «Survival in export markets», in *Journal of International Economics*, 102 (2016) 262-281: <https://doi.org/10.1016/j.jinteco.2016.05.003>.

¹² PINHO, J. C., & L. MARTINS., «Exporting barriers: insights from Portuguese small- and medium- sized exporters and non-exporters», in *Journal of International Entrepreneurship* 8.3 (2010) 254-272: <http://dx.doi.org/10.1007/s10843-010-0046-x>; BROCHADO, A. et al., «Drivers of and Barriers to the SME Internationalisation Process in a Small Open Economy», in

The critical element for export survival and international success lies in the attitude of the company. As noted above, it must be a proactive attitude seeking to overcome constraints and seize opportunities in a systematized manner¹³. This attitude may be reflected in the successful use of intangible attributes in the wine sector that increase the value of a wine. The value-added may thus become the key to overcoming the main barriers to export in the wine sector, notably low prices, and the difficulty accessing the most profitable markets. Addressing these barriers also requires a very comprehensive and well thought out export plan. Selling price and the difficulties involved with accessing international markets are export barriers, within the control of the company, that reduce the capacity for export continuity¹⁴. The careful planning of international activity is prerequisite to deal with them. Through the export plan, a price and distribution policy are established, that is, a direction to follow to undertake export activity in a sustainable manner. Product differentiation through added value should be addressed in the framework of product and promotion policies by the wineries. The result, i.e., the perceived added value, helps to set prices that translate into profits and creates room for action¹⁵. It also generates demand for the product and facilitates access to the most profitable markets. Wine, like most agri-food products, can draw resources from the territory to develop that added value which increases internationalization.

Three elements converge to drive the export survival process: history, geography, and production methods in the territory from which it comes. These elements are different and are thought together in different combinations in each region or production area, thus differentiating the wines made in them, from those produced in other territories, which defines the unique attributes of each one.

On the other hand, within the external barriers, the most important are competition and tariffs. Both are beyond the control of the company, but, again, added value, coupled with an export plan that capitalises on the added value, is the appropriate means to overcome those barriers and, to those ends, it is important to put the tools of international marketing to effective use. Price is

Economics Bulletin 40, 4 (2020) 2932-2942; ESTEVE-PÉREZ, S., «Previous experience, experimentation and export survival: Evidence from firm-product-destination level data», in *The World Economy* 44.9 (2021) 2638-2682: <https://doi.org/10.1111/twec.13115>.

¹³ JORGE-MARTIN, R., «Barriers to export survival», in *Anuario Jurídico y Económico Escurialense*, 56 (2023a) 231-262: <https://doi.org/10.54571/ajec.564>.

¹⁴ LEONIDOU, L. C., «An analysis of the barriers hindering small business export development», in *Journal of Small Business Management*, 42.3 (2004) 279-302; KUIKEN, A., *Exploring the internationalization of small and medium-sized enterprises as a discontinuous process*. [Ph. D. dissertation, Jönköping University], 2019.

¹⁵ CARNICER SOSPEDRA, D., *Price in international marketing...*, o. c.; CZINKOTA, M. R. et al., *International marketing*. 11. USA: Cengage, 2022.

the only marketing variable that can generate revenue on its own. The best price and profit margin derived from increased added value may become an essential tool for overcoming such barriers¹⁶. In addition, added value has a favourable impact on demand and the selling price, increasing profits as well as the chances of export survival. However, the price factor must be compatible with the value contributed by the exporter and perceived as such by the customer. The association of a product to a territory or to quality, determinates that value, and marketing efforts are thus rewarded¹⁷.

In the case of wine, the added value derived from the customer associating a product with a territory draws on a tool of great value known as a differentiated-quality mark, which may enhance the image of a product from the moment that the product is associated with it. This tends to function as a positive the product is associated with it. This tends to function as a positive element in that the mark of differentiated quality conveys the intangible attributes which enhance the value of the product, in addition to facilitating the access of wineries to the benefits of various international trade agreements, and thus overcoming tariff and non-tariff barriers. However, they may also have the opposite effect. In the case of wine, the image of the producing region is an important element that affects the purchase of the product. The geographical location of a *quality mark*, such the Protected Designation of Origin (DO), is the main means of the wineries of Castilla-La Mancha for conveying this added value of their wines.

The DO links a wine to a territory and, by extension, to a culture, a history, geography, the manner of growing the vine and making wine, thus becoming the main factor in added value. Despite this, if the territorial image of the quality mark is unfavourable, as is the case of the DO La Mancha, it may be associated with a product that does not interest the exporter of quality wine. In Castilla-La Mancha, this problem is overcome through the creation of smaller and better differentiated quality marks with other pricing and export policies, to which the most modern wineries are adhering. However, the quality marks only convey an image of common mark, and it is up to the wineries themselves to manage their own resources to enhance positive perceptions of their own products.

In the wine sector, the wineries most appreciated are those that know how to take advantage of resources such as quality marks, export management, attitude, and professionalization, offered by the Designation of Origin (DO) or Protected

¹⁶ CATEORA, P. R. et al., *International marketing...*, o. c.; CARNICER, D. et al., *Alianzas inteligentes...*, o. c.

¹⁷ HIGGINS, D. M., *Brands, geographical origin, and the global economy*. Cambridge University Press, 2018.

Geographical Indication (PGI) products¹⁸. They are the wineries that produce wines with a high added value, while those that use quality marks less and rely more on intermediary companies in the countries of origin to export their wines produce wines with low value added or simply bulk wines.

III. TERRITORY AND ADDED VALUE

3.1. *Territorial elements: History, Geography, and Production method.*

The history, geography and production methods are keys to increasing the value of a wine. The survival and export profitability of wineries in the region may be enhanced through added value. Those elements which increase the added value of a product converge to generate dynamic externalities, such as wine tourism, which in turn improves the image, demand, and value of the wine¹⁹.

3.1.1. History

The historical roots of a wine are the first of the three territorial elements analysed, that add value to the wine. Wine is a product the value whereof extends beyond the satisfaction of a basic nutritional need, to convey an entire experience in which the tangible product merely represents a singular aspect within the entire realm of leisure. It is closely linked to gastronomy, which is one of the key assets in the promotion of a set of foods of a territory abroad. Intangible attributes that add value to wine thus become particularly important²⁰. The

¹⁸ Protected Designation of Origin (PDO or DO) is a type of geographical identification of the European Union aimed at preserving the uniqueness of the designations of origin of food-related products. The characteristics of the products protected are essentially linked to their *terroir* and owe their quality or characteristics to the geographical environment, including its natural and human factors. These products must always be produced, processed, and prepared in the specific geographical region from which they take their name; Protected Geographical Indication (PGI or GI): The protected geographical indication is the name of an area, a specific place or, in exceptional cases, the name of a country, used as a description of an agricultural product or a foodstuff, which comes from such an area, place or country, which has a specific quality, goodwill or other characteristic property, attributable to its geographical origin, at least one of the stages of production, processing or preparation takes place in the area. Products with a protected geographical indication (PGI) have a particular quality, reputation or other characteristic attributable to a geographical origin. They are produced, processed, or prepared in the geographical area from which they take their name.

¹⁹ JORGE-MARTÍN, R., *The territory as a factor of success in export survival: Wine in Castilla-La Mancha*. [Doctoral thesis, UNED, Spanish National University of Distance Education], 2023b: <http://e-spacio.uned.es/fez/view/tesisuned:ED-Pg-HHAT-Rjorge>

²⁰ MORA, P., & LIVAT, F., «Does storytelling add value to fine Bordeaux wines? », in *Wine Economics and Policy*, 2.1 (2013) 3-10: <https://doi.org/10.1016/j.wep.2013.01.001>; JORGE-MARTÍN, R., «Territorial identity in the internationalization...», o. c.

linking of the product with a history and a tradition, which is typical of a specific and differentiated territory, is the first element to consider because it allows one to experience wine and its territory in a special and authentic manner (Figure 1). History thus becomes a differentiating element, generating added value and enhancing its demand, which translates into an increase in the price of wine.

Figure 1. Windmills and the Castle of Consuegra (Toledo), 2020.



Photograph by the author.

Historically, wine-growing regions, such as Castilla-La Mancha, have drawn their main resource from this authenticity to gain a competitive edge on wine from other countries such as America, Australia, and South Africa that lack similar traditions and must devise strategies that draw less from their identities. However, the traditional commercial policy of many wines, based on low prices as the main competitive advantage, does not reflect their historical values either. Any region of the world can compete in the market segment of common wines without quality marks like the Designation of Origin and be more competitive than La Mancha wines by reducing production costs below those of the latter and compromising the export survival capacity of the La Mancha wineries.

The beginning of wine consumption and the arrival of the vine in the territory that Castilla-La Mancha now occupies is an historical aspect that should be put to greater use by exporting wineries. La Mancha is part of the wine region of the old world and Mediterranean Europe. These territories have a common denominator i.e., their common identity as lands of wine. From the beginning of the expansion of the use of the vine and the making of wine in the Mediterranean, viticulture spread along the coasts of this sea, penetrating bit by bit towards the interior. Initiating a tradition that stretches to our day and that links us, in a way, with that remote past of Classical Antiquity that has left vestiges with physical

evidence, both in winemaking and in trade, and that can be used by wineries in their marketing strategies²¹.

Romanization contributed substantially to the consumption and production of wine in the region. It was the Middle Ages that really marked the land as a wine region, in that the vineyard became a fixing element of the population, tying the Christian settlers to the land and the fruits it produced, and creating their identity as distinctly opposed to the Moors and their different customs. Subsequently, this importance was to endure and increase, as evidenced by references to wine, both in the regulations of vine cultivation and to the wine trade.

These elements are collected in a historical and statistical work, covering the region that today occupies the territory of Castilla-La Mancha, as compiled in the *Relaciones Topo-gráficas* (Topographic survey) of Philip II, right from the sixteenth century²². In addition, various documentary sources throughout the 18th-19th centuries, such as the works of Cardinal Lorenzana, the geographer Tomás López and the Marquis of Ensenada, among others, have compiled data covering the most distinctive products on earth, their quantity, value and so on. These records provide a fairly accurate representation of the historical importance of the vine and of wine in the territory of La Mancha²³.

The region became the main supplier of wine to the most important court in Europe, from which the largest empire in the world was then governed. During those early centuries of wine production and consumption, a rich and extensive tangible and intangible heritage was thus created, which wineries inclined to quality production should take advantage of for marketing purposes, and for the development of complementary activities such as wine, national and international tourism. However, the real turning point of the production of wine, which also boosted exports, was the phylloxera plague, a disease which attacked the vines in Europe in the late nineteenth century. Its late arrival in La Mancha area left open a window of commercial opportunity in terms of an increase in

²¹ CASTILLO VALERO J. S., & COMPÉS LÓPEZ, R., (Eds.), *La economía del vino en España y en el mundo*. Almería: Cajamar, 2014; JACKSON, R. S., *Wine Science: Principles and Applications*. 5. USA: Academic Press, 2020.

²² JORGE-MARTIN, R., «Economic history of wine in Castilla-La Mancha: production and trade in time of Phillip II through the "Relaciones Topográficas"», in *Anuario Jurídico y Económico Escurialense*, 54 (2021b): 311-340. <https://doi.org/10.54571/ajee.466>; LÓPEZ SALAZAR, J., *El paisaje agrario de La Mancha*, en MORENO DÍAZ DEL CAMPO, F. J., y GÓMEZ VOZMEDIANO, M. F. (Eds.), *Paisajes de tierra y Agua. Gentes y ecosistemas naturales en Castilla y La Mancha (siglos XV-XVIII)*. Almud Ediciones de Castilla-La Mancha, 2022.

²³ CAMPOS Y FERNÁNDEZ DE SEVILLA, F. J., *Los pueblos de la provincia de Ciudad Real en las Relaciones Geográficas de Tomás López*. Instituto Escurialense de Investigaciones Históricas y Artísticas, 2021.

foreign demand, which drove production²⁴. Thus, the region reactively became the great supplier of wine in Europe without increasing any added value or successfully exporting to customers in wine producing countries such as France, which bought La Mancha wine to produce theirs, which they would then export.

The region derived a great economic benefit from these factors, thanks to this reactive and opportunistic exportation. However, errors in marketing, the lack of adaptation of the product to international markets, the low added value and even the adulteration of the wines to obtain higher yields meant that, when international production recovered, Castilla-La Mancha wine was pigeonholed as a wine of low quality and low price, without clear references to history, geographical environment, or a distinctive mode of winemaking.

This recent history of La Mancha wine, lacking in added value, coupled with errors in marketing resulting from a short-term vision, meant that exports could not be sustained and, that the exportation was reduced to a mere strategy of exploiting low prices, which exposes the survival of the sector and the individual wineries to risks. This export strategy, in tow with a reactive attitude, has prevailed down to our day, in many wineries in the region.

It was in the third part of the twentieth century when the trend began to change because of new food preferences and consumption patterns beyond the domestic sphere. The distinctive quality mark of the denomination of origin gained strength, new sales channels emerged, and marketing took off. However, most of the wineries and cooperatives of the region, tied to their previous image and their production system of large volumes and low prices, could not or did not know how to take advantage of the new trends in wine consumption. This is reflected in the search for experiences with great added value, in which the territory began to play an increasingly important role, an aspect in which the La Mancha has lagged other more advanced regions. In addition, more than half of the wine-growing territory is managed based on the cooperative model²⁵.

Spain, with 70%, exhibits the highest wine cooperative share in Europe and has a social objective, so the produce is primarily aligned with the socioeconomic

²⁴ PINILLA, V., & AYUDA, M. I., «The political economy of the wine trade: Spanish exports and the international market, 1890-1935», in *European Review of Economic History*, 6 (2002) 51-85: <https://doi.org/10.1017/S1361491602000035>.

²⁵ AMORÓS ORTIZ-VILLAJOS, B., *Análisis productivo, comercial y económico-financiero de las bodegas cooperativas de Castilla-La Mancha en el periodo 2007-2012*. [Doctoral thesis, University of Castilla-La Mancha], 2015; GARRIDO, S., «Why Most European Wine comes from Companies with a Bad Reputation: Cooperative Wineries in Spain and Beyond», en *Historia Agraria*, 88 (2022) 7-40: <https://doi.org/10.26882/histagrar.088e06g>.

priorities of their members rather than responding to the demands of the international market²⁶. Their primary objective was to dispose of the farmers' production, to shield them from experiencing hardships. In Castilla-La Mancha, the consequence has been the squandering of foreign trade opportunities, either due to lack of knowledge or lack of initiative. Thus, the region's great wine historical potential has not been adequately exploited in the marketing of wine. In addition, the more the region specializes in large scale wine production, the less interest there is in investing in differentiating elements, such as history, which are more typical of product differentiation strategies than cost-based strategies.

3.1.2. Geography

The role of geography, as approached from the perspective of physical and population constraints with respect to the economy²⁷, is the second territorial element to consider when developing value added aspects of quality wine. This research has identified three geographical aspects, also known as *terroir*, that significantly influence the cultivation of the vine and the subsequent processing of wine, and that enhance the export survival of wineries: the physical characteristics of the environment (climate, soil and relief), the landscape resulting from the interaction of man with the environment and the human capital that a specific territory has, and that make the economic viability of the winemaking activity possible. However, the world of viticulture also needs, in addition to land, a particular human capital to meet the requirements in terms of care for, and work in the vineyards and in the winemaking process²⁸.

This wine region is an appropriate area for viticulture because of its climatic characteristics, soil type and an optimal relief for the cultivation of the vine, which result in the widespread presence of vineyards in more than half of its municipalities. It stands out for its dry climate, its deep soils poor in organic matter but rich in nutrients, and its flat relief. This last aspect, notably the flatness

²⁶ STORCHMANN, K., «Introduction to the Issue: Wine Cooperatives», in *Journal of Wine Economics*, 13(3) (2018) 239-242: <https://doi.org/10.1017/jwe.2018.51>.

²⁷ D'ENTREMONT, A., *Geografía económica*. Madrid: Ediciones Cátedra, 1997; MARTÍNEZ-ARNÁIZ, M., & MOLINERO HERNANDO, F., «The heritage value of the landscape as a quality image in the commercial strategy of the Douro wine regions», en *Cuadernos Geográficos*, 58(3) (2019) 169-194: <https://doi.org/10.30827/cuadgeo.v58i3.8837>.

²⁸ PINILLA, V., & AYUDA, M. I., «The political economy of the wine trade...», o. c.; ALEIXANDRE TUDÓ, J. L., & ALEIXANDRE BENAVENT, J. L., *Conocimiento del vino. Cata y degustación*. Valencia: Polytechnic University of Valencia, 2015; SERRANO DE LA CRUZ, M. A. et al., «Depopulation and Revaluation of Heritage Resources. Preliminary Analysis in Campo de Montiel (Castilla-La Mancha, España)», *AGER: Journal of Depopulation and Rural Development Studies*, 34 (2022) 165-197: <https://doi.org/10.4422/ager.2022.02>.

of the land and the open spaces, has favored the development of wine especially in La Mancha plains and country sides²⁹. It has shaped the product strategy of the region, aimed at maximizing cultivation through mechanization to obtain a competitive edge in the market, based on low manufacturing costs and low selling prices (Figure 2).

Figure 2. Photograph of the study area (Vineyard in La Mancha), 2021.



Photograph by the author.

The region has sufficient human capital in rural areas where intensive vine cultivation is carried out. It is in such areas with a population density higher than the regional average that the highest density of vineyards is also concentrated. However, a problem arises from the policy of maximizing production, which is aggravated by the form of ownership in the rural areas where viticulture is developed, and which, in the case of Castilla-La Mancha, has its cornerstone in producer cooperatives³⁰. In principle, this human capital is a driver of the development of the long-term vine cultivation activity and not of other products³¹. However, the short-term vision, the eminently rural character which is very much oriented to production, its advanced age, and its lack of interest in marketing, have tied the region to being pigeonholed as a region of large volume of grapes, cheap and plentiful wine.

The export of quality wine requires commercial planning from cultivation to foreign sales. The absence of intangible elements in marketing makes it very

²⁹ PILLET CAPDEPÓN, F., (Ed.), *Geografía de Castilla-La Mancha*. Ciudad Real: Almad, Ediciones de Castilla-La Mancha, 2007; MOLINERO, F. y TORT, J. (Eds.), *Paisajes patrimoniales de España*, III tomos, Madrid, Ministerio de Agricultura, Pesca y Alimentación, Ministerio para la Transición Ecológica-UAM ediciones, 2018; CASTILLO VALERO J. S., & COMPÉS LÓPEZ, R., (Eds.), *La economía del vino en España...*, o. c.

³⁰ AMORÓS ORTIZ-VILLAJOS, B., *Análisis productivo, comercial y económico-financiero...*, o. c.

³¹ VALETTE, J. et al., «Cooperatives versus Corporations: Survival in the French Wine Industry», in *Journal of Wine Economics*, 13(3) (2018) 328-354: <https://doi:10.1017/jwe.2017.1>.

difficult to gain a competitive edge other than the low-price strategy. Yet the diversity and the unique nature of the landscapes of this area is remarkable³². In addition, territorial elements such as soil have a direct impact on the organoleptic properties of wine, being a differentiating qualitative resource, which is yet to be exploited in the region. The relief conditions, economic activities in the region, where the great flat terrain (La Mancha) have specialized in large productions, whereas other territories have been able to dissociate themselves from the bulk production and low added value image. However, while the extensive vineyards produce cheap wine, some singular spaces have specialized in the enhancement of territorial elements, such as the cultural heritage, thus leading to the creation of territorial brands which differentiate those geographical spaces from others³³. This is the case of designations of origin which are smaller than the DO La Mancha, but in which the enhancement of the physical territory is considerable.

3.1.3. Production methods

The production methods used is the third factor that determines the added value of wine. The territorial roots, inherited from history and framed within La Mancha's particular geography, constitute an important conditioner in the method of production in the wine industry. The region faces a clear problem when it comes to adding value wine through the specific features of its making because of the policy of prioritising production and costs reduction as a competitive strategy³⁴. This strategy has been made possible thanks to the extensive availability of agricultural land suitable for vine cultivation. It has been intensified by mechanization and the development of logistical infrastructures that allow the rapid transport of the grapes for processing.

The policy of winegrowers' maximizing production has however led to selecting high-yielding grapes that are not suitable when it comes to the wine's aging, such as the predominant *Airén* in the region, and this limits export possibilities, given that foreign markets place more value on a red grape of differentiated quality. In addition to the predominant type of grape, and the obsession of farmers with mechanization and cost reduction, a large

³² JEREZ GARCÍA, O. et al., «Los espacios naturales protegidos de Castilla-La Mancha. Evolución histórica y tipología paisajística», en *La Albolafia: Revista de Humanidades y Cultura*, 15 (2018) 77-99.

³³ MARTÍNEZ-ARNÁIZ, M., et al., «Multifunctional Territorialized Agri-Food Systems, Geographical Quality Marks and Agricultural Landscapes: The Case of Vineyards», in *Land* 11(4), 457 (2022): <https://doi.org/10.3390/land11040457>.

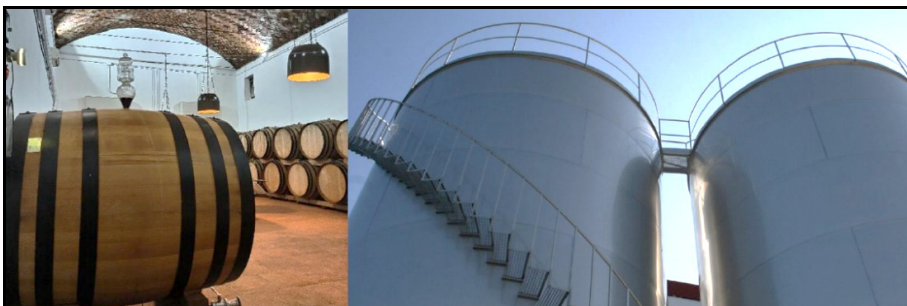
³⁴ JORGE-MARTÍN, R., «Bajo precio y supervivencia exportadora del vino castellano-manchego», en *La Semana Vitivinícola*, 3577 (2020b) 1722-1726: <https://dialnet.unirioja.es/servlet/articulo?codigo=8240810>.

amount and wide range of viticultural heritage, which is typical of the region, has been lost due to the predominant use of the trellis cultivation technique. Water is used efficiently through drip support irrigation, which increases production while reducing the cost of production, but it results in the loss of traditional old vine varieties. The system of drip irrigation in vineyards already accounts for more than 50% of the crop, concentrated in the areas of greatest water availability, which, in the case of this region, depends on the exploitation of groundwater.

In short, La Mancha is the region which possesses the most vineyards and is the most representative of the regional wine-growing landscapes³⁵. Its extensive vineyards allow good land management and access to water resources that guarantee productivity. However, the ease of irrigation induces growers to cultivate extensive surfaces, resulting in an excessive yield per hectare, thereby producing grapes that do not meet the minimum quality conditions on top of their insufficient sugar content.

The inappropriate use of this resource leads to large productions of low-quality grapes. The product is generally stored as low-quality bulk wine which is difficult to market. This in many cases leads to stocks piling up at the end of the season and being sold to the highest bidder shortly before the harvest of the following season (Figure 3). In other words, because of the conditioning factor of the raw material, the region is largely oriented to the production of low-quality bulk wine. In addition, the producers tend to bet on the simple bottling of the bulk wines, which further damages the image of the region.

Figure 3. Wooden barrels (*Bodegas Jiménez-Landi*) and Stainless-Steel Tanks (*Coop. Campo de Calatrava*), 2020.

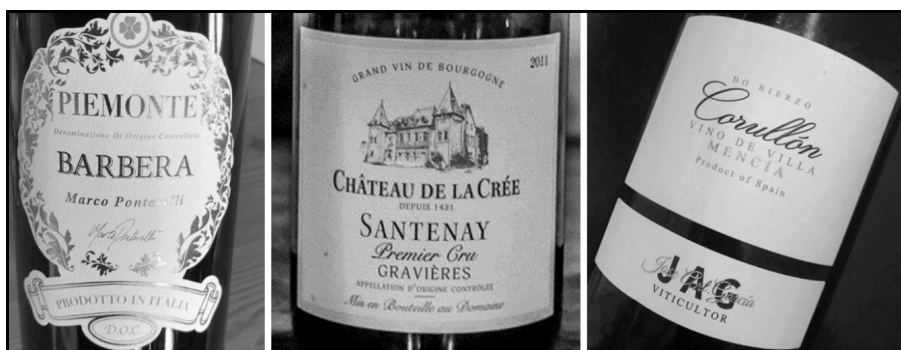


Photograph by the author,

³⁵ CAÑIZARES RUIZ, M. C., & RUIZ PULPÓN, Á. R., (Eds.), *Paisajes culturales agrarios en Castilla-La Mancha*. Thomson Reuters Aranzadi, 2022.

Since it will be challenging or rather impossible to place the huge quantities of the low-quality wine produced in Castilla-La Mancha in bottled form on the markets, a solution that has been suggested is to elaborate and sell a larger part of the wine in the form of high-quality bulk wine. This is possible by using quality designations such as Designations of Origin (DO) and a Protected Origin Identification (PGI) or marketed as varietal wines of medium and medium high quality, by oenology experts, and oriented to foreign markets where the product is valued, thus obtaining better prices and, above all, improving the image through quality bottling. It should be noted that the annual valuation of wines by wine critics, such as those of the Parker Guide, is a practice that helps to convey the value of a wine and is therefore not at odds with the enhancement of territorial elements but instead complements them. This is the case of wine regions such as French Burgundy the Italian Piedmont or the Spanish Bierzo³⁶ (Figure 4).

Figure 4. Bottled Quality Wines: Italian Piedmont, French Burgundy, and Spanish Bierzo.



Own elaboration.

Wine production policy in La Mancha is also failing to exploit the opportunity offered by the demand for quality products such as organic wines, especially in international markets. Organic wine is a product that exporting wineries sell via channels outside the conventional ones and at prices higher than those of non-organic wine. It is a product associated with the production of quality wine and is in sync with the enhancing of intangible qualities that convey differentiation to wine and contribute to export survival³⁷. However, organic viticulture is less productive than conventional viticulture and requires compliance with stricter

³⁶ DELMASTRO, M., «An investigation into the quality of wine: Evidence from Piedmont», in *Journal of Wine Research*, 16(1) (2007) 1–17: <https://doi.org/10.1080/09571260500236799>.

³⁷ DELMAS, M. A. et al., «Does Organic Wine Taste Better? An Analysis of Experts' Rating», in *Journal of Wine Economics*, 11.3 (2016) 329-354: <http://dx.doi.org/10.1017/jwe.2016.14>.

production regulations, which implies a greater investment of resources, and is typical of a proactive attitude that is at odds with the predominant quantity maximization practices typical of the region.

Other products, such as sparkling wines, or other derivatives of grapes or wine, have great potential for regions such as La Mancha, which has enough raw materials to produce quality products with great increases in price and international demand. But the supply of these products needs to be associated with a territorial image that enhances the demand for them and that may, in turn, be associated with the territorial element's history, geography and production methods.

Spatially, the wineries make up dispersed industrial districts (wine clusters). The typical location of wineries is influenced by the competitive advantages they can draw from such locations. This has given rise to a lot of dispersed industrial districts organized around designations of origin that are particularly important for small and medium-sized wineries, which tend to further to facilitate cooperation between them and the creation of links which condition their advancement, their efficiency, results, and image³⁸. However, some wineries have found a way to differentiate themselves by distinguishing themselves from others, as in the case of those that make up the so-called *Vinos de Pago* (Estate Wine Certification)³⁹. This sort of product differentiation increases the value and exclusivity of their wines if the winery knows how to take advantage of the intangible qualities associated with the territory that is its own and its uniqueness.

3.2. Geographical Quality Marks

As already noted, quality marks, and especially designations of origin, play a fundamental role in conveying the intangible values of a wine⁴⁰. Quality marks are based on the temporal and cultural fabric rooted in the history of their peculiar differentiating geographical settings. Both elements have a direct influence

³⁸ MARCO-LAJARA, B., et al., «Wine Clusters and Protected Designations of Origin (PDOs) in Spain: an exploratory analysis», in *Journal of Wine Research*, 33(3) (2022) 146-167:

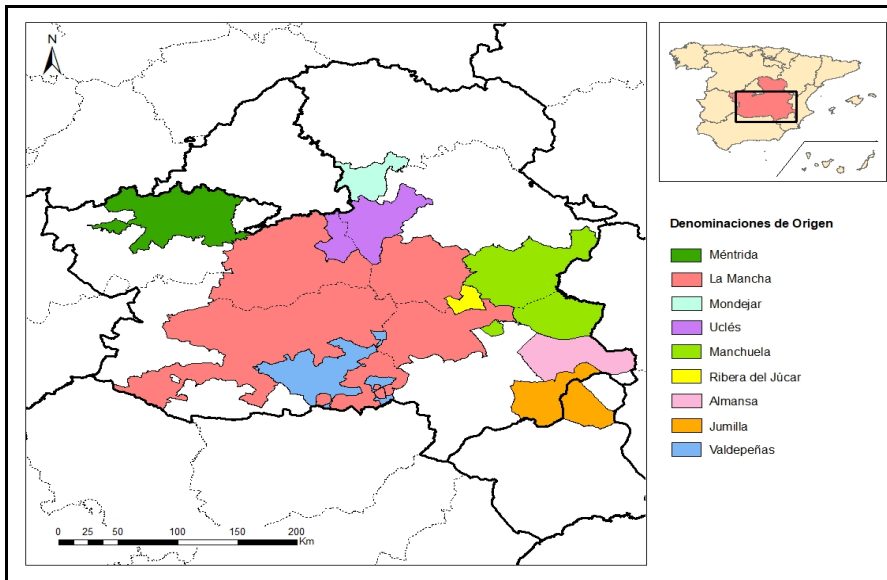
<https://doi.org/10.1080/09571264.2022.2110051>

³⁹ Pago or Vino de Pago (Estate Wine): single-vineyard designation where wine is made entirely from grapes owned by the winery, and the wine is elaborate entirely on the winery's property.

⁴⁰ HIGGINS, D. M., *Brands, geographical origin...*, o. c.; CLIMENT, E. A. & ESTEBAN, S., «Les appellations d'origine protégée du vin en Espagne, d'après la théorie des mondes de production: une approche quantitative», in *Annales de Géographie*, 721(3) (2018) 279-306: <https://doi.org/10.3917/ag.721.0279>. BARAJA RODRÍGUEZ, E., et al., «Landscape and vineyards in the PDO "Rueda" (Spain): from differentiation to singularity», *Asociación de Geógrafos Españoles*, (98) (2023). <https://doi.org/10.21138/bage.3492>

on the ways of growing the vine and its varieties, as well as on winemaking. Around these territorial elements are based the components (set of standards, characteristics, and specifications) of the different quality marks that regulate the viticulture of differentiated quality in the region. The quality marks embrace the three pillars of the added value of wine: history, geography, and method of production. They form an identity element for wine production and export and stand as a lifeline for quality wine exports. In the region there are nine Designations of Origin (DO) (Figure 5), twelve *Vinos de Pago* (VP) (Figure 6) and a Protected Origin Identification (PGI), all of which identify wines originating in a specific place and transmit the intangible qualities associated with the wine of that region. However, not all do so to the same extent or with the same success, something that, ultimately, depends on each winery in its specificity.

Figure 5: Designations of Origin (DO) in Castilla-La Mancha, 2023.



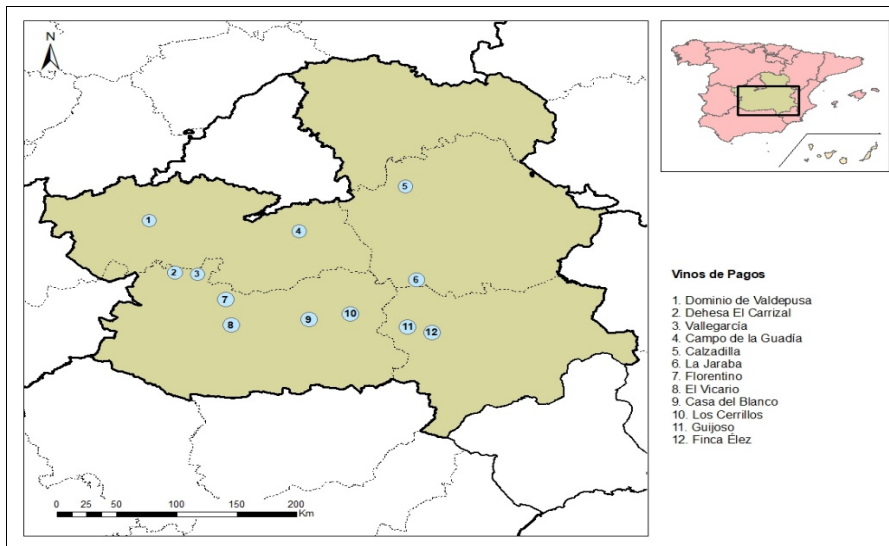
Own elaboration.

Among the wine quality marks, the *Vinos de Pago* stand out for their success in conveying intangible values. Their small geographical spread and their striving to produce quality wine, together with promoting the intangible values of their wine; have meant greater success when exporting. Moreover, their success has not been limited to the European Union but has also propelled them to the conquest of new and distant markets that are traditionally foreign to Castilla-La Mancha wine. The *Vinos de Pago*, while equally located in areas with wine growing tradition but not drawing benefit from any association with a particular

industrial wine district or cluster, have nevertheless created added value on the basis of the unique features of their own production; distancing themselves from grape varieties that are predominant in the region, such as *Airén*; focusing on grapes that allow fermentation in barrels, and building their standing on the distinctions of the limited geographical space of their locations. This offers a guarantee of the precise origin of the wine in a specific geographical setting. They ultimately perform better by obtaining the highest average export prices of all the quality marks.

Some of the *Pagos* were specifically created out of the desire to distinguish themselves from other wines in the area or region and thus be able to access market niches with high added value⁴¹. The outcomes are consistent with the analysis that wines exported to distant places, where the client does not have a perception of Castilla-La Mancha as a cheap wine region, are able to obtain higher export prices than La Mancha wines sold in their immediate environment such as the EU. All these enhancements combine to create a positive impact on the complementary activities that many of the *Pagos* carry out, such as wine tourism (Figure 6).

Figure 6: Designations of Origin “Vino de Pago” (VP) in Castilla-La Mancha, 2023.



Own elaboration.

⁴¹ RUIZ PULPÓN, Á.R., «Quality agrifood production and agricultural post-Productivism: The case of estate wines in Castilla-La Mancha», en *Anales de Geografía de la Universidad Complutense*, 34,2 (2013) 137-154.

However, it is the DO which, owing to its territorial roots, its geographical scope and volume of production, forms the cornerstone of quality marks in Castilla-La Mancha and the key to the export survival of the La Mancha wineries. This is due to its greater volume of production in terms of quality wine for export. The DO also covers a large territory that offers a broader historical and cultural context. Even then, not all DOs draw in the same way from the elements associated with the territory (history, geography, and method of production) to generate added value. Some highlight the techniques of elaboration of their wine, the geographical location or the specific native grape, the wine culture, the fame of *Don Quixote* and their rich historical past. Furthermore, the DO mark is characterised by heterogeneity in terms of the wineries that it is associated with. However, despite their usefulness and the resulting benefits, DOs have shortcomings in marketing and management and therefore its wineries need to develop appropriate marketing export plans and to diversify markets.

IV. RESULTS

The strategic positioning of wine exports from Castilla-La Mancha is not very promising. The region is the main wine producing region of the world, with over 450,000 hectares of vineyards (1,112,000 acres). And yet it exports wine mainly to EU countries, especially to France the world's leading exporter, leaving out huge markets such as the United States of America which is the first wine importer in the world in terms of value⁴². It is a serious marketing gap which reflects a lack of appropriate attitude resulting in the problems of export survival that have been pointed out. The export survival of wineries is heavily dependent on a serious commitment to building added value that draws from the history and geography, the development of selected varieties, the techniques of cultivation and the uniqueness of winemaking. All of this underscores the importance of an export strategy that must be rooted in thorough export planning and strategic market diversification. These factors, together with the existence of a product that carries a high added value, all converge to generate dynamic externalities, such as wine tourism, which in turn improve the image, demand, and the value of the wine.

4.1. *International activity. Wine from Castilla-La Mancha*

The region exports more than half of Spanish wine, which should position it as one of the main international players in the activity. However, its wine has

⁴² DEL REY, R., & LOOSE, S., «State of the International Wine Market in 2022: New market trends for wines require new strategies», in *Wine Economics and Policy*, 12(1) (2023) 3-18: <https://doi.org/10.36253/wep-14758>; OEMV, Spanish Wine Market Observatory, *Main World Exporters of Wine, Year 2022*. Observatorio Español del Mercado del Vino, 2023.

little economic value even with identical varieties such as *Tempranillo* which fetches better prices in other territories of origin such as *Ribera del Duero* or *Rioja*. La Mancha wine is a low-priced wine, the main problem is the lack of added value, and its price fluctuates with the instability of the raw material. It does not have the stability of a value-added product. Pricing is done based on costs, making a value-based pricing strategy impossible, whereas that is what seems to obtain greater export benefit and stability.

The market destinations of wine vary depending on the type of product, whether it is bottled wine or bulk wine. Bulk wine is extremely dependent on the European market while bottled wine is more diversified. Wine is a sector in Europe with many quantity and quality regulations, while other major producers such as United States of America or Australia are much less regulated this factor facilitates greater international trade⁴³. The export of wine in Castilla-La Mancha faces multiple barriers among which the main ones are the low price, the lack of export strategy and adequate planning, and the lack of use of European aid for the export and promotion of wine⁴⁴. The low price is mainly determined by the image of the region, an image of low price and large volumes that makes it very difficult to increase the value and price of the product. Wine of differentiated quality from La Mancha is sold at almost the same price as table wines from the rest of Spain and at half the price of wines of other European countries. Again, the main problem is the lack of added value based on the lack of intangible differentiating attributes. Moreover, making wine under the supervision of prestigious winemakers would entail an additional cost would that help improve the image of the wine in the medium term.

The problems discussed above, exacerbated by the reactive attitude of the wineries and the lack of export planning, mean that half of the companies studied did not register an export continuity that exceeded a year or else they export intermittently. The development of the added value, which in the case of wine is associated with its territorial attributes, is viewed as a possible solution to the problems of export survival. There is an increasing awareness and knowledge of wines among consumers of this beverage, and this translates into a clear opportunity for wineries with a value proposition oriented towards a product of high differentiated quality. This is evidenced by the fact that international customers show interest in native grape varieties and quality marks, other

⁴³ MELONI, G. et al., «Wine Regulations», in *Applied Economic Perspectives and Policy*, 41(4) (2019) 620-649: <https://doi.org/10.1093/aep/pz025>.

⁴⁴ PUCCIA, A., *The CMO grants as an international promotion instrument...*, o. c.; JORGE-MARTÍN, R., «Principales barreras a la exportación de vino de Castilla-La Mancha», en *La Semana Vitivinícola*, 3584 (2021a) 159-162: <https://dialnet.unirioja.es/servlet/articulo?codigo=8240822>.

than those better known, such as *Vinos de Pago*. As analysed, however, increasing added value requires resources, a proactive attitude and long-term planning.

As previously pointed out, a second option for increasing the added value of wine is to build on cultivation techniques, develop the potential of organic wines and the varieties used. This is critical in view of the difficulty of ensuring visibility at the points of sale in very competitive target markets because of the highly competitive nature of these markets. The development of this type of differentiated product will thus contribute to overcoming the obstacle of visibility when the product is placed on the shelves in different sections. In short, the added value of wine must be enhanced to increase its visibility and ensure that it sells at a better price and subsequently increases the profit margin per bottle.

Generally speaking, the low export price of wines from the region also conceal important differences in terms of destination⁴⁵. Wineries oriented towards quality wine production are aware that the main problem of the region's wine industry resides in lower prices, whose low end is associated with bulk sales, hence the resultant negatively perceived image, and the difficulties in accessing the most interesting and most lucrative markets, such as the USA, Switzerland, or Canada. Again, in quite fundamental terms, it is a problem of lack of added value combined with shortcomings in marketing.

4.2. *Perception of export business by wineries (Fieldwork)*

This research also explores the way in which the exporting wine sector is viewed by wineries that export wines of differentiated quality especially those which are regular wine exporters. Although most are not aware of the elements that influence export survival, or even of the meaning of the concept of export survival itself, most make use of these elements in their international projections. The work carried out, using a questionnaire survey of by 50 wineries in Castilla-La Mancha (Spain), indicates that the perception of companies of the export situation is more positive than that reflected by official data.

The main players in the export of quality wine are the private wineries that are considered within the denominations of origin category, relegating to the background the most traditional wine cooperatives. This is the result of the prevalence of sales in bulk as opposed to packaging and the reactive attitude. Particularly noteworthy is the lack of interest among smaller cooperatives which focus more on the early stages of processing rather than marketing.

⁴⁵ JORGE-MARTÍN, R., «Bajo precio y supervivencia exportadora del vino castellano-manchego...», o. c.

According to the data made available by the wineries, the lack of added value of the product seems to be less of a concern and instead more of a strength, because the producers have large amounts of wine at their disposal, which guarantees their success and survival. In addition, in general, wineries exporting wine are experienced companies, which are well consolidated in the national market, although they do not seem to have a vision of export activity as an objective, and this is revealing of their reactive attitude. It is noteworthy that the experience and age of the wineries, which in principle are assets for marketing, may be limited by a reactive attitude towards exportation. The more modern wineries that, even though they do not have that historical capital, are the ones that use the most elements such as architecture or varieties, rather than those that have a longer history.

The evidence from the quantitative and qualitative field study points to the main reason that led La Mancha wineries to resort to exporting as being the saturation of the domestic wine market. Exporting was seen as a means of survival and increased sales, but this was the result of a reactive attitude. Part of the problem is that the markets to which the region exported were those of the European Union and most of the exporting companies did not diversify from those markets, so they now suffer from competition and pricing challenges that reduce their chances of export survival. In other words, internationalization as a tool to diversify markets and avoid dependence on a small number of them, or to improve the image of the company, through its presence in other countries, remains the initiative of a minority and this translates into the loss of a great business opportunity for the rest of the La Mancha wineries.

The wineries recognize that references to the territory constitute a factor of great importance in that they provide substance for enhancing added value and marketing, because of the effect of intangible qualities on the price embedded in the product, even if some producers are resigned to the perception that the added value is limited by their regional location. The export of wine thus faces a clear barrier: they have lower prices because of the lack of added value. This problem is compounded by large production volumes which reduce the prices even further. In contrast with large producers, some wineries, especially smaller private wineries, seem to understand this problem better and are adapting. But the reactive attitude which prevails especially in the wine cooperatives does not help to improve their situation. The latter continue to produce large volumes of wine and thereby generate a negative image which extends beyond the region to negatively impact others.

Overall, in the case of Castilla-La Mancha, being associated with a DO, which ideally draws from the territorial attributes that make a difference, does

not seem to serve the increasing demand and prices despite the excellent context in which history, geography and production methods are intertwined. Instead, wineries that belong to the DO La Mancha believe that the context projects a negative image merely because it is associated with bulk production and low prices. In contrast those outside the DO have a different perception of their designations of origin and their appreciation for belonging to their DO is much stronger than that of the La Mancha DO.

In any case, almost all the wineries consulted recognise that the intangible attributes derived from the territory, such as the history and culture of the region, influence the export success of wine, even if few of them draw value from such considerations. This reactive attitude also extends to other sectorial aspects such as the lack of interest in complementary industries, based on the possibilities offered by wine tourism in the region and, that should receive special attention from wineries since it is an excellent means of promoting and selling wine.

In addition to a problem of low prices, the region has a marketing problem. The lack of its own export departments translates into a lack of strategy, adequate planning and knowledge of markets, thereby reducing the chances of export survival. This is something common in most of the region's wineries. Moreover, export work in nearly half of the wineries is done by the domestic sales department, which is revealing of a clear lack of export strategy, of commitment of resources to export and a reactive attitude, which in turn squanders the window of opportunity offered by foreign markets. This attitude also influences the way wineries perceive the barriers that undermine export capacity.

The first and main barrier that exporting wineries are aware of is the set of legal regulations and tariffs, followed by competition and price. Only in the third place are wineries aware that a lack of strategy and training are clear impediments to regular exports. Participating in foreign trade support programs helps overcome some of the barriers to exports and they are more likely to collaborate with other companies to go to foreign markets. The perception of the importance of external barriers, compared to internal ones which are controllable by the company, underscores a lack of initiative and proactivity. A positive disposition towards exporting is essential for maintaining export continuity through differentiation by the creation of added value. That would result in the creation of a trade margin to counter the problems and barriers beyond the control of the exporter.

All things considered, there is a duality in the marketing strategies of the region. On the one hand are companies that export to many countries, with a large diversification of markets, while another group exports to a smaller number of

countries. Market diversification is important because different prices are obtained in international markets, and it is therefore a key policy prerogative of large producers in countries like France and Italy⁴⁶. Even so, optimism is widespread among wineries that export or want to expand their international activity, even when they face some risk and require investment in the medium to long term.

4.3. *A forward-looking perspective: Wine tourism as a tool for export survival*

A tourism initiative such as wine tourism is conceptualised as a key economic activity for promoting rural development and economic diversification and the wine tourism sector is growing worldwide⁴⁷. The three elements which collectively form the basis of the added value of wine of differentiated quality notably history, geography, and method of production, also function as catalysts of dynamic externalities like wine tourism for which the wineries, through visits to their vineyards and facilities, form the cornerstone.

How can wineries gain from wine tourism? Wine tourism enables exporting wineries to promote their wines directly and doubles up as a means of marketing, since the direct sale of wine in the winery is one of the leading benefits along with the brand awareness and building brand loyalty⁴⁸. In other words, wine tourism is as a tool with the potential to support export survival.

In Castilla-La Mancha, wine tourism is mainly articulated through the so-called *Rutas del Vino de España* (Wine Routes of Spain) and the DO⁴⁹. However, this

⁴⁶ AMORÓS ORTIZ-VILLAJOS, B., *Análisis productivo, comercial y económico-financiero...*, o. c.; FERRER, J. R. et al., «The export strategy of the Spanish wine industry», in *Spanish Journal of Agricultural Research*, 30.3 (2022) 1-13: <https://doi.org/10.5424/sjar/2022203-18966>.

⁴⁷ FERNÁNDEZ PORTELA, J., & VIDAL DOMÍNGUEZ, M.J., «Wine routes as engines of socio-territorial dynamisation: the case of Castilla y León», en *Boletín de la Asociación de Geógrafos Españoles*, 84, (2020) 1-36: <https://doi.org/10.21138/bage.2789>; NAVE, A., et al., «A systematic literature review on sustainability in the wine tourism industry: insights and perspectives», in *International Journal of Wine Business Research*, 33.4 (2021) 457-480: <https://doi.org/10.1108/IJWBR-09-2020-0046>.

⁴⁸ JORGE-MARTÍN, R., «Territorial identity in the internationalization...», o. c.; COMPÉS, R., & SZOLNOKI, G., (eds.) *Sustainable and innovative wine tourism. Success models from all around the world*. Almería: Cajamar, 2021; MARTÍNEZ, J. et al., «Wine tourism in Spain: The economic impact derived from visits to wineries and museums on wine routes», in *Investigaciones Turísticas*, 25 (2023) 168-195: <https://doi.org/10.14198/INTURI.21219>; MARCO-LAJARA, B., et al., «Wine Tourism, Designations of Origin and Business Performance: An Analysis Applied to the Valencian Community Wine Industry», in *Businesses*, 3(1) (2023) 70-82: <https://doi.org/10.3390/businesses3010006>; WESGRO RESEARCH., *An Analysis of Wine Tourism in the Western Cape in 2022*. Cape Town & Western Cape Tourism, Trade & Investment (2023).

⁴⁹ <https://www.rutadelvinodelamancha.com/en/>; <https://rutadelvinojumilla.com/>; <https://rutavinoalmansa.com/>; <https://www.rutadelvinolamanchuela.com/>; <https://www.rutadelvinomentridatoledo.es/>;

wine region is at the lower end, as much in terms of the number of visitors as regarding the average price paid for wine because the region is still lagging in consolidating its wine routes and thereby increasing the added value of its wines⁵⁰. In either case, commercialization is crucial.

There is a relationship between the value of the wine and interest in wine tourism in a region. The La Mancha wine region is squandering both in terms of the general increase in average prices of quality wine and the interest that wine tourism has in society, with the potential to generate sufficient resources develop the infrastructure and promote the heritage. Wine tourism is presented as another tool for obtaining additional sales, increasing brand awareness, promoting wine, and ultimately enhancing export survival.

V. FINAL CONSIDERATIONS

The strategy of large low-cost grape productions has led not only to low export prices and a poor territorial image but point to a lack of value-added strategy, an absence of export plans and a reactive attitude. The value-added provided by the territory through the elements analysed in this paper, notably history, geography, and method of production, play a crucial role in the export survival of the wineries that are committed to product differentiation as a competitive strategy and that call for a geographical reorientation towards markets with a higher average price. When companies decide to export value-added products such as wine of differentiated quality, the project intrinsically carries a change of attitude towards a proactivity that is central to export survival. It is not possible to sell value-added products without a change in attitude.

This orientation of the wineries to the production and export of quality wine increases sales margins and affects not only the wineries themselves but also the price of the vineyard itself and its raw material, notably the grape since the image of the territory is enhanced. And it also affects the interest of wine tourists in the region, increasing economic and image benefits. The mere export of wine with added value brings with it a change of attitude in the company. In addition, this orientation of enterprises towards added value will have a direct impact on the entire sector, including in production in bulk, as raw materials are valued afresh.

<https://www.rutadelvinocules.es/>; <https://www.rutadelvinodevaldepenas.com/> ;
<https://wineroutesofspain.com/>.

⁵⁰ OTVE, Spanish Wine Tourism Observatory. *Reports of this organization between 2017-2023*. ACEVIN. <https://wineroutesofspain.com/observatorio-turistico-rve> [last Access 20 September 2023].

This study has focused on investigating the territorial elements that provide added value and influence the export survival of wine producing companies in the region of Castilla-La Mancha (Spain). The results of this research have enabled us to advance in the knowledge of how these elements, notably geography, history, and production methods affect the export success of wine companies in this specific region. In addition, these findings may be used as a basis for the study of other regions of the world that have products which may incorporate territorial elements, especially agri-food products, with designation of origin or differentiated quality marks, such as olive oil, cheese, citrus fruits, and nuts, among others.

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