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Regional groupings, competitiveness
and the potential for clusters in the

wine industry

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Abstract

Before 1994 the South African wine industry was largely isolated from the global market. Access to markets after 1994 meant that South Africa had to adapt its product quality, style and operating procedures to compete internationally. In recent years, labour unrest and trade regulations have hampered both the reputation and the ability of South African wine producers to penetrate the export market. Using the theoretical framework of cluster theory and generic marketing this inquiry investigates whether regional groupings and clusters could result in the South African wine industry becoming more competitive.

This inquiry examines the role of regional identity, generic marketing, research and development, policy, and leadership in driving competitiveness in the wine industry and whether the potential for clusters exists through wine routes in South Africa. The study employs an exploratory research model which utilised semi structured interviews.

The findings suggest that the research and development component of South Africa's wine industry lags behind other New World wine producing nations, and that none of the three tiers of government are in the process of creating conditions which would be conducive for the formation of clusters. The results also indicate that wine routes have a positive effect on regional identity, and that generic marketing complements the activities of boutique wine farmers.

Key words

Wine Route
Wine Region
Regionality
Generic Marketing
Clusters

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Abbreviations and Acronyms

AOC	Appellation d'origine controlee
DTI	Department of Trade and Industry
LED	Local Economic Development
PDO	Protected Designation of Origin
PGI	Protected Geographic Indication
SAWIS	South Africa Wine Industry Information and Systems

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Wayne Sussman

A handwritten signature in black ink, appearing to read 'W. Sussman', with a long horizontal line extending to the right.

Date: 11 November 2013

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Chapter 1: Introduction to research topic- Regional groupings, competitiveness and the potential for clusters in the wine industry

1.1 Introduction

Up to the end of the 1980s, “Old World” countries, particularly France and Italy, dominated the international wine market. Since the beginning of the 1990s, their supremacy has been challenged by new international players, who are recording spectacular performances in terms of both exported volume and value (Cusmano, Morrison, and Rabelotti, 2010). These “New World” countries include affluent frontrunners that are relatively new to the wine sector, such as the United States and Australia, and less developed but rapidly growing latecomers such as Chile, Argentina, and South Africa (Campbell and Guibert, 2006). During the *apartheid* era, South Africa’s wine industry was isolated from international markets. With the opening of the export trade in the early 1990s, the industry was faced with a hitherto unknown set of demands on product qualities, styles, processes and logistics (Ponte and Ewert, 2009).

Heijbroek (2004) posits that before the change in government in 1994 the wine industry was highly regulated, mainly supply driven. Regulation included determining what varieties could be planted. Exports were minor and production of wine, brandy and juice responded to domestic demand...The quality – which includes yields – and varieties planted did not fully meet the fast increasing demand in the export markets. While South Africa was able to increase export volumes between the early 1990s and 2002, its average export prices were the lowest of the major exporters, and about half of the average export price for Australian wine. The lack of premium brands was seen as a barrier to surpassing certain price points in the export market.

There has been a shift away from bottling wine in South Africa, to shipping wine in 24,000-litre polypropylene “flexitanks”. The trend has spread through other “New World” wine-producing countries like Chile, Argentina, Australia and New Zealand, which all have distant markets and, in the latter two cases at least, relatively strong currencies that are forcing them to cut costs to stay competitive. Bottlers in South Africa are frantic about the likely loss of jobs. But another concern for some industry experts and government officials is the potential impact on South Africa’s brand: when wine is bottled outside the country, winemakers lose control of a key part of the production process (Sulaiman, 2013).

The Congress of South African Trade Unions (Cosatu), the labour federation allied to the ruling African National Congress, has threatened to call for a worldwide boycott of South Africa's fruit and wine, citing "slave labour conditions". Farmers say they are losing money and cannot afford to pay more. With a competitive Rand, the threat of higher wages, and less value addition, due to less bottling (The Economist, 2013).

Haw (2013) quotes Shearer as saying that the South African wine industry has to overcome a variety of obstacles. The lack of willingness to collaborate is a key factor. South Africans guard all information and expertise jealously, and don't support one another or collaborate. If one compares the South African wine industry to that of New Zealand's wine industry, New Zealand is a far superior branded wine country, and in the United States of America, it does four times the volume South Africa does, fetching the same, if not more, per case.

1.2 Clarification of key concepts

1.2.1 Wine routes

Bruwer (2003) defines a wine route as a tourist route that connects several wine estates and wineries in a given area. This route is characterised by natural attractions (mountains and other scenery), physical attractions (facilities such as wineries on wine estates), vineyards, and roads and markers (signposts) directing the tourist to the individual wine route estate enterprises.

Most if not all wine routes are characterised by a bounded space in the form of an often officially demarcated wine region or geographical indication (GI) that has an identity in the form of a (branded) descriptive name such as Champagne (France) or Stellenbosch (South Africa).

1.2.2 Wine of Origin Scheme

The Wine and Spirit Board state that if a wine claims origin, it is the statutory regulations which ensure that the wine really is from that region. When the term "Wine of Origin" appears together with the name of the production area, such as Stellenbosch, Durbanville or Robertson on a label, it confirms that 100% of the grapes from which the wine is made, come from that specific area (2013).

There are five demarcated production units. The borders of all production units are defined by law. The unit for the production of single vineyard wine is the smallest and may not exceed six hectares. The second unit of production is that of estate wine which can consist of one or more bordering

farms, as long as it is farmed as a unit and has its own production cellar on the unit where the wine is produced. The third demarcated production unit is a ward. Wards are combinations of different farms. The fourth demarcated production unit is a district. These include Paarl, Stellenbosch and Robertson. The largest demarcated production unit is a region. These are combinations of different districts or portions of districts. These include Klein Karoo and Coastal Region (Wine and Spirit Board, 2013). Appendix 1 gives a map of the wine producing areas of South Africa and Appendix 2 gives the list of regions, districts and wards in South Africa.

1.2.3 Appellation

An appellation is the name of a region or a specific place, that has been recognised administratively, to describe wines that comply with the following requirements, namely; they are produced of grapes from prime vine varieties belonging to *Vitis vinifera*, that come exclusively from this geographical area and their production takes place within this area. They are produced of grapes from vineyards of low per hectare yield, and their quality and characteristics are essentially or exclusively due to the particular geographical environment with its inherent natural and human factors. South Africa's appellation system is governed by The South African Wine of Origin Scheme (South Africa Wine Industry Information and Systems, 2013).

1.3 Definition of problem and purpose

The International Organization of Vine and Wine (OIV) states that between 2007 and 2011, New World producers such as Australia, Chile, and New Zealand all grew, while wine production decreased by a percentage point in South Africa. The IOV also recorded that, of the 10 major wine exporters, only South Africa, Argentina, and the USA saw its wine exports decrease between 2008 and 2011. This must also be put into context, as the USA is more focused on its domestic market. While other New World producers are growing, South Africa's decline is a concern (2012).

This study aims to examine the South African wine industry's current lack of competitiveness. Using cluster theory as a theoretical lens, it will explore the effect of greater regional cohesiveness and clustering in the wine industry.

The characteristics of the New World wine clusters vary across countries and region, however, they all underline the role of innovation networks in the emergence of competitiveness in these countries

in the international wine market. They also highlight the linkages between firms and research institutions and use the concept of clusters in order to assess the relation between economic agents (grape growers, wineries and traders) research organizations, government and professional associations as a way to foster innovation and competitiveness (Rebelo and Caldas, 2013).

Regionality concerns itself with the reputation a wine region has for producing wines with a recognised and appreciated style. It is most associated with 'Old World' wine regions such as Chablis (Italy) and Rioja (Spain) and others, which have established reputations for their particular styles of wine. In contrast this is much less common in the New World. (Easingwood, Lockshin and Spawton , 2010).

1.4 Core research problem

The research problem sets to identify whether regional groupings in general and clusters in particular are able to make the South African wine industry more competitive

1.5 Research questions

Having stated the core research problem, the following additional questions come to mind:

- Do wine routes hasten regional identity, and create an environment where generic marketing and branding enable increased competitiveness for the wine producers within that region?
- Does South Africa have the required research and development components within its tertiary educational facilities and research centres to help calibrate clusters in the wine industry, and complement regional innovation?
- How important is political, industry and regional leadership in driving competitiveness in the wine industry, and in creating an environment for regional groupings or clusters to succeed?

1.6 Research assumptions

The following research assumptions have been made for the purpose of this study

- Selected respondents within the wine industry were willing participants
- The respondents have grappled with most if not all of the issues in the questionnaire as they are relevant to the industry
- Bias introduced by the following sub-points was acceptable in this study, namely that the interviewer was present in all interviews, through the quality and type of semi-structured interview questions and through the sample selected for the interview process. Bias could also have been introduced through the ability of selected respondents to answer questions in a complete a fashion as possible.

1.7 Research limitations

A limited time period was utilised to conduct interviews with all respondents. The limited time view excluded respondents who were not available during that time period. The sample consisted of seventeen respondents. It is clear that many people who could make a significant contribution to this research project were excluded.

The author of this research project conducted the interviews, thus making it challenging to prevent subjectivity from affecting semi-structured interviews.

The analysis only considers regional associations and/or wine routes in the New World. The research limits itself to just a Western Cape, South Africa sample.

The analysis only explored four factors, which are key to the successful implementation of clusters. These were, namely, leadership; policy and political facilitation, research and development, and lastly, generic marketing. Research and development is associated with innovation.

1.8 Research delimitations

The delimitations illustrate the shortcomings and constraints of the research project and define its scope.

The analysis does not include regional associations and/or wine routes in the Old World which appear to have the potential to become wine clusters.

Due to time and length constraints, the research will not sufficiently cover factors such as history, geography, environment and social factors.

Due to time and length constraints, the research will not employ a mixed method, and will exclude a quantitative design. While a quantitative design would expose the research to a wider sample group, it would be beyond the scope of this research project to conduct both qualitative and quantitative designs.

The research is limited to a local South African sample for practical purposes. Access to samples in other New World wine producers such as New Zealand and Chile were not realistic for this research time frame.

1.9 Significance of study

This study intends to influence and assist policy makers, individuals and entities linked to the wine industry to embrace the idea of promoting regional groupings and/or clustering regions within the Western Cape. It will test to see whether embracing clusters will increase the South African wine industry's competitiveness, its impact on job creation and sustained economic development.

1.10 Roadmap of study

This research project consists of six chapters. Here is a brief outline of what the remainder of the research project will entail.

Chapter 2 will consist of the literature review. This chapter looks at previous bodies of literature relating to clusters, competitiveness and the wine industry. With regards to regional groupings and clusters, literature around clusters to be explored includes that of regionalisation, leadership, research and development and policy. It will also explore generic marketing, wine of origin and appellations. When looking at the wine industry, literature pertaining to South Africa, the New World and the Old World will be scrutinised.

Chapter 3 will look at the research questions for this thesis. It will give an explanation of the exact purpose of this study.

Chapter 4 will look at the research methodology, and give an explanation for why a qualitative approach rather than a quantitative approach has been adopted. It will also discuss the population and sample size, and what went into the sample selection process. It will also shed light on the data capturing methods and the questionnaires utilised.

Chapter 5 will look at the results of the research conducted. It will consider the research objectives and research questions.

Chapter 6 will discuss the research results. This will further consider the research objectives, analyse the research findings and reflect on the results.

Chapter 7 is the research conclusion. Summaries will be drawn up and recommendations based on the findings will be made.

Chapter 2: Literature review and theory

The literature review will first examine cluster theory and its link to regional economic development. It will consider how clusters have impacted on the discipline of economic geography. Clusters are often synonymous with competitiveness. The literature review will also explore the relationship between the two concepts clusters and regional development.

The review will also investigate how variables such as leadership, political facilitation, innovation, tourism and generic marketing play a role in regional groupings and clusters.

Following the perusal of the general literature pertaining to clusters, the review will then examine the New World and Old World division in relation to the wine industry, and the literature around the wine industry clusters. It will also probe the literature around appellation and wine of origin.

2.1 Cluster theory and regional development

Porter (2000) defines clusters as geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g., universities, standards agencies, trade associations) in a particular field that compete but also cooperate. Clusters, or critical masses of unusual competitive success in particular business areas, are a striking feature of virtually every national, regional, state, and even metropolitan economy, especially in more advanced nations.

Rosenfeld (1997) maintains that one of the fundamental features of industry organization the world over is that like and related businesses cluster geographically and become increasingly interdependent. Concentrations of interdependent businesses that are intrinsically linked through common or complementary inputs, innovations, processes, or products dominate markets in every industrialized nation. It is no coincidence that furniture companies tend to cluster near timberland, biotech firms near universities or federal labs with strong research programmes and metalworking firms near large equipment manufacturers.

Maskell and Malmberg (1999) assert that In order to enhance the competitiveness of firms, the specific localized capabilities of the area of location must represent a combination of assets of

significant value and rareness. As the locational demand of firms changes over time, the localized capabilities must adapt and transform in order to remain viable. They also state that localized capabilities are modified or reconstructed by the deliberate and purposeful action of individuals or groups within or outside the area.

Two criteria seen as particularly important in defining clusters are that economic activities should be spatially concentrated, and there should be a certain degree of interaction among economic agents. Whenever such agglomeration economies exist, they have a tendency to become reinforced over time (Braunerhjelm and Carlsson, 1999).

Cook and Memedovich (2003) see clusters as a dense network of economic actors who work together very closely and who have intensive exchange relationships. All economic actors who directly contribute to the dominant production process of a region are partners in this network, including manufacturing companies as well as supply and marketing companies, financial institutions, research institutes and technology transfer agencies, economic associations and unions, training institutions, the regional government and even informal associations.

For Baptista and Swann (1998), one of the main reasons behind the existence and success of clusters is the pervasiveness of knowledge externalities or spillovers. It seems likely that spillovers, particularly those associated with new technological knowledge, tend to be geographically localised.

For Spencer, Vinodrai, Gertler and Wolfe, the allure of cluster-based approaches to economic development policy remains strong and their findings suggest that such approaches may be justified, as clustering seems to have a generally positive impact on the performance of specific industries and, as a result, the locations in which they operate. They also state that local economic performance is determined not only by the presence or absence of clusters locally, but also by the type of cluster that predominates. (2010)

Similarly, Perez-Aleman (2005) states that growth and development associated with clusters will depend on building institutions that foster collective learning and firm capabilities. These institutions emerge from the interactions between private and public actors as they collectively explore possibilities, identify problems and strategise to resolve them. The cluster grows as actors transform products, organizations, and connections to markets through local processes and informal institutions.

However, clusters alone do not cause economic growth. Rodríguez -Pose and Comptour (2012) see the importance of having a favourable socioeconomic setting to foster innovation and growth. Much more than the presence or absence of clusters, having a good level of education, a strong endowment of skills in the population, or a workforce with sufficient high-tech skills is not just crucial to generating and absorbing innovation but also the best way to ultimately promote greater economic growth. Having a good employment–unemployment balance is also equally important for innovation and economic growth. Fiscal incentives can also become useful in fostering innovation, if they help attract companies with a high innovative potential.

2.2 Clusters, competitiveness and innovation

Porter (1980) states that the essence of competitive strategy for a company is to find a position in its industry where it can best cope with these competitive forces or can influence them in its favour. Knowledge of the underlying sources of competitive pressure can reveal the basic attractiveness of an industry, highlight the critical strengths and weaknesses of a company, clarify the areas where strategic changes may yield the greatest payoff and pinpoint the industry trends that promise the greatest significance as either opportunities or threats. It is Ketels's view that competitiveness is a key issue for policy makers in many countries and regions. Its growing importance is fuelled by changes in the nature of global competition that have increased the pressure on many locations to design sustainable strategies to support and improve prosperity (2006).

According to Porter, firms choose from five business-level strategies to establish and defend their desired strategic position against competitors, namely; cost leadership, differentiation, focused cost leadership, focused differentiation and integrated cost leadership/differentiation. Each business strategy helps the firm to establish and exploit a particular competitive advantage within a particular scope (Ireland, Hoskisson & Hitt, 2013 p.98).

There are dissenting views on Porter's and Ketels's idea of competitiveness. Krugman (1996) states that for the great majority of those who use the term, it means exactly what it seems to mean: it is the view that nations compete for world markets in the same way that corporations do, that a nation which fails to match other nations in productivity or technology will face the same kind of crisis as a company that cannot match the costs or products of its rivals. Krugman continues to hypothesize that they suppose that people who talk about competitiveness must understand the

basics and have in mind some sophisticated departure from standard economic models involving imperfect competition, external economies, or both.

While regional clusters have been able to drive competitiveness, they have not made the necessary link with innovation. Aylward (2006) states that regional clustering provides the critical mass which firms need for distribution channels and shelf space. Just as importantly, it allows for more streamlined supply chains, superior networking, knowledge spill-over and, most of all, branding of the region and its differentiated products. What these regional clusters currently lack, however, is the region specific R&D extension that would support such advantages. While it appears that wine firms across major regions are reconfiguring their production, marketing and distribution operations to align with shifting paradigms of the global market, their industry organizations are responding to discordant imperatives.

Feldman, Francis and Bercowitz (2005) see clusters as virtuous, self-reinforcing cycles where legal and tax frameworks, market research institutions and social relationships as well as policy intervention help create supportive and positive environments for innovation and entrepreneurship.

Asheim and Coenen (2005) consider clusters with a synthetic (engineering-based) knowledge base, and that the logic behind the regional innovation system (as well as regional innovation policy) is to support and strengthen localised learning of an existing industrial specialisation, and to promote historical technological trajectories-based on sticky knowledge.

For Breschi and Malerba (2001), learning through networking and by interacting is seen as the crucial force pulling firms into clusters and the essential ingredient for the ongoing success of an innovative cluster. The way firms learn in innovative clusters is to embrace user-producer relationships, formal and informal collaborations, inter-firm mobility of skilled workers, and the spin-off of new firms from existing firms, universities and public research centres (2001).

For Maskell and Malmberg (2007) evolutionary processes of social or technical innovation, selection, and retention lead to the gradual build-up of routines that allow actors to economize on fact-finding and information processing.

2.3 Clusters and leadership

For Macneill and Steiner (2010), formulating and leading cluster policy represents a substantial challenge. The emphasis on integration and partnership necessitates policy-makers not only moving outside their traditional departmental boundaries but also engaging with a wide range of relational issues amongst firms, institutions and other actors each with their own *raison d'être*, culture and spatial scale of operation.

With much of the wine industry situated in rural settings in the Western Cape, it is important to consider literature on leadership in other rural locations. Kroehn, Maude and Beer (2010) state that research on Australia's rural periphery emphasises the importance of leadership in building resilience within communities. In common with the broader literature on leadership, it highlights the need for an articulated vision that is shared by the community and where individual leaders invest both time and intellectual capital in all group members. This builds on the work of Avolio, Bass and Jung (1999) who state that the level of integration and interdependencies that are needed for the new work environment will require leadership that goes beyond the more basic transactional style to styles that are more intellectually stimulating, inspirational and charismatic.

Conger and Kanungo (1987) state when a system is dysfunctional or when it faces a crisis, leaders find it to their advantage to advocate radical change, thereby creating a charismatic image for themselves. In periods of relative tranquillity, leaders play a major role in creating the need for change in their followers. They anticipate future change and induce supportive conditions. In any case, context must be viewed as a precipitating factor, sometimes facilitating the emergence of certain behaviour in leaders that forms the basis of charisma." Bass (1985) posits that there may be a scarcity of charismatic leaders in business and industry because managers lack the necessary skills. On the other hand, managers who have the skills may not recognize opportunity or may be unwilling to risk what is required to stand out so visibly among their peers. More charismatic leaders potentially exist in organizational settings; furthermore, they may be necessary to an organization's success. The ability to inspire —arouse emotions, animate, enliven, or even exalt—is an important aspect of charisma. Inspirational leadership involves the arousal and heightening of motivation among followers.

For Sydow, Lerch, Huxham and Hibbert, there appears to be at least three alternative pathways to organize leadership of and in clusters. These include starting from a personal approach via

organizing certain locales to formalized governance. An alternative starting point could be by setting up formal cluster governance that, however, should be less conceived as a substitute for leadership, but rather in need of enactment, actualization, and filling with social life by leaders. The final pathway could be creating locales that provide for an intermediate degree of institutionalization (2011).

Harmaakorpi and Niukkanen (2007) state that regions are obliged to operate in an environment of continuous change. The rapid change causes friction in the reigning old structures and ways of acting. Network leadership is seen as an essential factor in avoiding regional lock-ins and enabling favourable development trajectories.

Place-renewing leadership tends to cover a regional rather than a local space in order to allow for the strategic coordination of trans-systemic synergies...Different types of clusters display different forms of leadership both when proactively supporting the systemic functioning of clusters during incremental changes and when reactively operating at times of radical and structural change. In so doing they consider how different forms of leadership vary in the way they coordinate the collective actions of stake-holders influencing the processes of decision-making as well as the outcomes (Bailey, Bellandi, Caloffi and De Propris, 2010).

2.4 Clusters and policy

Porter (2000) speaks of the role of government with regards to clusters and that it should reinforce and build on established and emerging clusters rather than attempt to create entirely new ones. New industries and new clusters emerge from established ones as economies develop. Advanced technology activities are more likely to develop where there already is a base of less sophisticated activities in the field. Clusters form when there is a foundation of locational advantages on which to build. Most clusters form independently of government and sometimes in spite of it. The process of cluster upgrading involves recognition that a cluster is present and then removing obstacles, relaxing constraints, and eliminating inefficiencies that impede productivity and innovation in the cluster (Porter, 2000, p.26).

While Rosenfeld (2002) cautions that policy makers can affect clusters by stating that most of the world's successful clusters were accidents of circumstances, a serendipitous string of events. While

public policies may have been the catalyst but rarely with the intent of starting a cluster. The growth of the largest clusters has been driven by market demand and entrepreneurial spirit.

Similarly, Porter also cautions about the role played by the state by suggesting that government regulations, for example, might create unnecessary inefficiencies. Important infrastructure might be lacking. Education and training policies might be overlooking cluster needs. Ideally, all government policies that inflict costs on firms without any compensating, long term competitive or social value should be minimized or eliminated. Upgrading clusters, then, requires going beyond improvements in the general business environment to see how policies and institutions affect particular concentrations of related firms and industries (Porter, 2000).

Burfitt and Macneill (2008) see cluster policy as an instrument which is not uniform in its application, and that through its inherent ambiguity, might prove problematic when exposed to the practical and political realities of policy construction and implementation in the congested state. But, perhaps paradoxically, it may well be the arbitrary nature of cluster policy that underlies its current popularity. The sheer variety of policy options it offers creates the space to overcome conflicts associated with multi-agency governance networks. There is so much choice within the approach that organizations cannot fail to reach agreement at some point. In this sense, policymakers may be capitalizing on the openness of the approach in order to overcome pressures associated with the congested state.

Huxham (2000) cautions about collaboration, within and involving government. Collaboration as a form of governance must be expected to flounder and is unlikely to deliver fully any of the expected benefit or live up to any of the conceptions. For example, the amount of effort and compromise required just to develop a sense of purpose that all parties can own calls into question their potential as efficient systems for policy delivery. Similarly, seamlessness is hard to achieve across these complex and diverse systems.

Palazuelos (2005) believes that the creation and development of clusters also involves potential risks, such as the increase of costs, the rise of free-riding behaviour, the risk of overspecialisation and other negative externalities resulting from excessive congestion in an area. Moreover, not many local economies possess the appropriate characteristics for cluster-creation to be successful as a local economic development strategy.

In a South African context, it is important to note that Feldman and Francis question the role of government as the main driver of cluster formation by stating that the cases where governments have established a cluster by fiat do not always generate mature, innovative, and profitable clusters. In many cases, the attempt to artificially establish a cluster where none existed previously or has resulted in failure or has spawned a completely different type of cluster from what was initially envisioned...Government has a role in providing infrastructure and other goods that markets fail to provide (2004).

2.5 Old and New World wine industries

Rebelo and Caldas (2013) state that until the early 1990s, world production, consumption and export of wines were dominated by southern European countries, the so-called “Old World”, particularly France, Italy, Spain and Portugal. However, in the last three decades, coinciding with the increase of market globalization, the supremacy of these countries on the world wine market has been threatened by the so-called “New World”, which includes countries such as Australia, USA, Chile, Argentina, South Africa and New Zealand.

Bernetti, Casini and Marinelli (2006) maintain that Old World wine supply, while notoriously fragmented, draws its strength from its wide variety of unique wines. They predict that a few big companies will emerge and others will strengthen their position, smaller producers may find that their survival depends upon a combination of tradition and innovation, adapting local know-how to the exigencies of the international market and producing high quality products.

Cambell and Guibert (2006) argue that it has been only since the end of the 1990's that Old World wine producing countries have started to act effectively to redress the twin problems of global overproduction and foreign competition. In traditional fashion, winegrowers in Old World countries have looked to government for protection and assistance. Some tactics employed are essentially defensive.

For Aylward (2003) New World wine industries effectively demonstrate the ‘innovation territories’ concept by establishing successful interaction between suppliers, producers, industry organisations, R&D institutions and government agencies at the local, regional and national levels. By supporting the sector and generating interaction between locations, these stakeholders help to foster an innovative culture. This approach is feeding a growing nexus between innovation and export

performance, a factor that is placing these operators in increasingly stark contrast with their Old World competitors.

Orth, McGarry Wood and Dodd (2005) posit that the idea that the place where a product is made affects the way in which consumers react is widely recognized. Nowhere is this recognition more established than in the marketing of food and drink products and especially wine. Indeed the “terroir”, as the French call the land where a wine’s grape is grown, not only provides a brand, but also, the producers would argue, imbues the wine with particular – even unique – characteristics. As a result, the description of wine from Old World producers focuses on where it comes from rather than the grape varieties used in its manufacture. This creates a distinction with most New World wines where the grape variety – Chardonnay, Merlot, etc. – is often dominant in the presentation.

For Cusmano et al., a number of different factors have contributed to the emergence in the international market of New World players and, among them, the late rapid expansion of developing economies. On the supply side, a process of technological modernization and pervasive organizational change has been spurred by consistent investment and research effort by newcomers and supported by the establishment of specialized research institutions. (2010)

Hollebeek, Jaeger, Brodie, and Balemi (2007) posit that with New World wine producing countries undergoing a rapid expansion in production it is becoming increasingly important for wine companies to achieve alignment with consumer preferences across their different market segments.

Touzard (2010) states that networking and sharing information are thus essential components in the innovation and learning processes and should lead to a “catching up” effort of the New World countries in the international wine competition. Contrary to simple analysis that explains the success of the New World of wine by liberal policy, the recent works on innovation are stressing the importance of public investment in research and education institutions and of their connection to firms and professional organizations.

2.6 New World wine clusters

This section will look at specific regions in New Zealand, Chile, South Australia, Canada, and California in terms of the specific characteristics of these clusters and what has made them effective. For Dana and Winstone (2008) the research on the Waipara cluster (in New Zealand) supports Porter's theory with regard to competition and cooperation, formation because of domestic forces and geographic concentration. However, it is inconsistent with his implied conceptualisation that clusters will compete more domestically and engage in more collaboration for internationalisation. This is similar to South Australia, where they have also found the export market challenging. The South Australian wine cluster constitutes the largest producer and exporter of wines in Australia. The cluster experienced tremendous, export-driven growth from the early 1990s to the contemporary period. However, in recent years the cluster has seen a decline in the value of its product overseas and now faces a number of challenges to its long-term viability in the global wine market (Nipe, Hogan, Faull and Baki, 2010).

Felzensztein, Deans, and Echeopar (2011) reflect on Chilean clusters by stating that location is an important aspect that determines the quality and features of the product and its resulting appeal to foreign markets. It seems that location benefits associated with collaboration and access to information and technologies are rarely considered compared to that of the specific benefits associated with terroir. This is in contrast to Canada where contrary to expectations firms innovate very similarly in the three wine-producing regions in spite of significant historical and territorial differences. Therefore, distinct regional characteristics do not lead to variations in innovation in the Canadian wine industry. (Doloreux & Lord-Tarte 2013)

Beebe, Haque, Jarvis, Kenney and Patton (2012) focus on the Paso Robles wine cluster in California. It evolved from producing grapes as an identity-less commodity whose juice was blended with that of the other regions, into a recognized American Viticultural Area (AVA) whose wine is well known to many connoisseurs. For them, the identity for Paso Robles was essential in this transformation and that this process has proceeded internally in shaping the behaviour of actors within the cluster and externally as the quality of Paso Robles wine became known to key opinion-makers and then the wine-consuming public.

2.7 Regional identity, wine and tourism

Marzo-Navarro and Pedraja-Iglesias (2012) state that there are many wine-producing regions trying to become new tourist destinations. For the tourism industry, wine is an important component of the appeal that a certain destination can have. Furthermore, it can even become the main attraction for visitors. The strategic development of wine tourism involves adapting the tourist product to the desires and preferences of the potential customers. Therefore, knowing what it is that potential wine tourists desire is a key element in the success of this type of tourism. However, in conjunction with this, it is also necessary to understand the factors that can act as barriers and to appreciate their importance.

For Segarra-Ona, Miret-Pastor, Peiro-Signes and Vehma (2012) regions need to be cooperating locally to compete globally. They also state that the existence of tourism clusters has proved to be a tool which is able to positively influence economic performance, and therefore, the competitiveness of the companies located inside these clusters. If future tourism policies are meant to be as efficient and effective as possible, the existence of tourism clusters will have to be taken into account, and the understanding and strengthening of these clusters will need to be advanced.

For McCutcheon, Bruwer and Li (2009) region of origin is an important consideration in the consumers' purchasing decision, particularly for certain consumer groups. Therefore, wineries and wine marketers should utilise strong regional branding in conjunction with other important intrinsic and extrinsic wine attributes in order to target particular market segments. This is supported by the findings of Hojman and Hunter-Jones (2012) who state that a wine tourist visiting a winery engaging in long-distance, possibly inter-continental relationship marketing expects rewards that are likely to be experiential, and not limited to the moment of the visit. The experience is a long-term one, including drinking the winery's wine when s/he is back at home.

Hashimoto and Telfer (2003) offer the example of the Niagara Valley in Canada, which segment their tourist market between international and local tourists. They posit that wineries in the east, which currently attract more international group visitors, primarily due to location, need to continue to be adaptable to different customs and establish links with tour operators who will place the winery on the tour itinerary. Continued efforts need to be taken to recognise the domestic market. In fact, many of the tourists to the wineries in the west cluster could be classified more as day-trippers or

local area visitors as opposed to tourists. It will continue to be important to develop strategies to promote brand loyalty for these local customers as a way of maintaining repeat visitors.

In the South African context, Bruwer (2003) states that the country's wine industry has an active wine tourism market and well-developed facilities and infrastructure. It was found that the average wine route estate in South Africa is generally a larger concern than for example is the case in Australia. However, despite the fact that the first South African wine route was already established in 1971, at present the associative networks are either non-existent or not strongly developed. Further research into this and the relationship marketing aspect within the wine tourism industry is recommended.

2.8 Generic marketing and regional identity

Hashimoto and Telfer (2003) state wine is very much tied to a geographic location, wineries can use this to their advantage. A winery for example can choose to market on its own or it can also choose to market jointly with the wineries in its immediate cluster. Hashimoto and Telfer's (2003) model explains the relationship between different geographic wine marketing levels and the effect it has on scale and increasing complex partnerships.

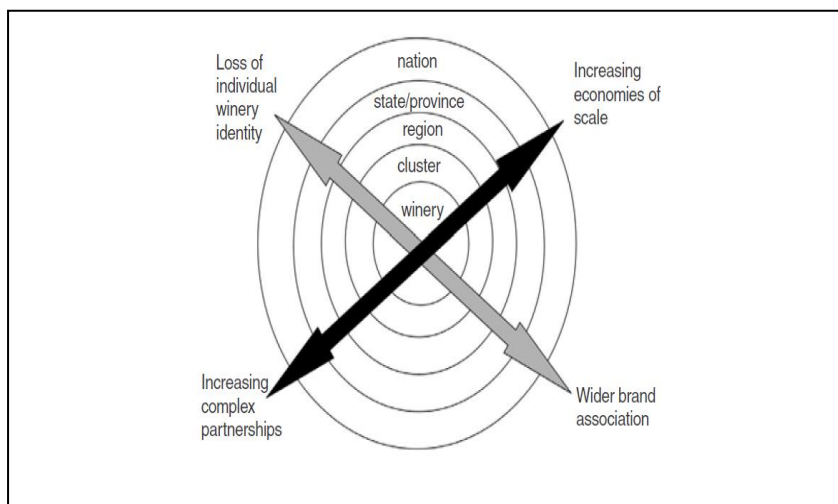


Figure 1: Advantages and Disadvantages of Different Geographic Wine Marketing Levels, (Hashimoto & Telfer, 2003)

As the brand association moves beyond the winery and out of the cluster to the region, province and nation, the more complex the relationship becomes, and the better the chance of increasing economies of scale, and the greater the potential of a loss of individual winery identity.

Kotler (1972) pioneered the concept of generic marketing. He suggests generic marketing takes a functional rather than a structural view of marketing. Four axioms define generic marketing. *Axiom 1*: Marketing involves two or more social units. *Axiom 2*: At least one of the social units is seeking a specific response from one or more other units concerning some social object. *Axiom 3*: The market's response probability is not fixed. *Axiom 4*: Marketing is the attempt to produce the desired response by creating and offering values to the market (Kotler, 1972, p. 53).

Morgan (2009) focuses on the concept of a lighthouse identity. A product or region has a lighthouse identity when the consumer notices it, even if they are not looking for it. Lighthouse brands offer the consumer an intense projection of who they are in everything they do. Lighthouse brands also offer salience, as they are highly intrusive, one cannot avoid noticing their activity, even if not looking in that direction. For Morgan, lighthouse identity is also built on rock, by that; he suggests that their product is built on a brand or product truth which is inarguable.

In an increasingly competitive environment, each location has recognised the economic benefits in establishing a clear and compelling selling proposition. Such a proposition makes it easier for potential purchasers to buy into the location, whether as a tourist destination, a place in which to invest or a source of desirable products and services (Hall, 2004).

Van der Lans, Van Ittersum, De Cicero and Loseby (2001) state that the region-of-origin cue and the Product Designation of Origin (PDO) label both influence regional product preferences indirectly, through the perceived regional product quality, but the effect is limited to (different) specific consumer segments in the market...At least some consumers thus use the cues to make inferences about the regional product quality. This complements the findings of Skuras and Vakrou (2002) which suggest that quality wines exemplifying origin characteristics will be more appealing to consumers with a higher education level. Certification in the form of a Product Designation of Origin (PDO), a Protected Geographical Indication (PGI) or the similar schemes applicable to wines clearly target a highly educated consumer. Thus for Skuras and Vakrou, education and income are the determining factors where customers make those inferences about regional product quality.

Schamel (2006) observes that there is a clear trend towards regional differentiation, reinforced by the protection of geographical indications. They provide for stronger property rights and value in regional names, thereby raising the rates of return on investments in regional promotion.

Because regional reputation is a public good, it may be useful to engage in activities to enhance the reputation of particular wine growing areas or regional varieties. This is supported by McCutcheon et al. (2009) who focus on a regional composite variable (region, style and variety). When this was ranked against the other attributes of importance in the consumer's purchasing decision, it ranked third after quality and price. These results show that region of origin and the regional composite attribute are very important factors in the purchasing decision.

Consumers who have a favourable attitude to the Product Designation of Origin (PDO) protection label are also more willing to pay something extra for the protected Peza (Greek) wine. In addition, consumers who are familiar with the region of Peza are also more willing to pay extra for the PDO Peza wine, a result which is in agreement with previous studies where consumers associated with the region of production are more attracted to the product (Botonaki and Tsakiridou, 2004).

Bruwer and Johnson (2010) state that the importance of regional wine brands, characterized as US counties, was shown by consumers' overwhelming ratings of quality, the true value of those brands has not been acknowledged by many of the grape growers and wineries that have spent energy and money branding the smaller appellations where they work. It is strongly recommended that wineries (in particular, wineries using little-known appellations), begin utilizing the brand power of the larger regions available to them when those regions have a positive brand image.

Orth et al. (2005) draw a distinction between a wine brand that draws on the established associations with a place (e.g. California, Australia) and a wine brand that is intimately associated with a particular place (e.g. Rioja, Champagne)...The question for marketers is whether there will come a time when the wine label proclaims "Napa Valley wine" rather than Californian wine? For this branding approach to work, it is necessary for the consumer to recognize (and respond positively to) the place brand.

2.9 Appellation and wine of origin

Combris, Lecocq and Visser (1997) indicate that the market price of Bordeaux wine can be explained primarily by the objective characteristics appearing on the label of the bottle. On the other hand, the quality of Bordeaux wine, as measured by a jury grade assigned by professional wine tasters, can be explained primarily by the sensory characteristics of the wine. Many variables that are important in explaining quality apparently do not play a role in the determination of the market price. Thus, appellations and wine of origin are critical when determining the value of a bottle of wine.

Results indicate that characteristics that are directly revealed to the consumer upon inspection of the bottle and its label (ranking, vintage and appellation) explain the major part of price differences. In contrast, sensory variables do not appear to play an important role...Wine prices are also hardly affected by the grades assigned by professional wine tasters. Although jury grades have a significant effect, their impact on prices is very small compared to the impact of ranking and vintage (Lecocq and Visser, 2006).

Angulo, Gil, Gracia and Sanchez (2000) validate this by stating results indicate that the wine growing area is the main determinant of wine prices. Wines from Rioja and Duero (Spain) are more expensive than those produced in other regions or counties. These are two of the regions with the oldest traditions in the production of quality wines. The efforts to promote a differentiated quality wine which has been able to compete in international markets with French and Italian wines has been located in these areas. The strategy was based on promoting the generic wine growing area (Appellation d'Origin). The success of such strategy was imitated by other producing regions with more or less success.

Cardebat and Figuet (2004) confirm the findings of Lecocq and Visser (2006) and Angulo et al. (2000) by stating that there is a predominant relation between wine price and reputation. However, the relation between price and quality is not negligible. There are two possible reasons for this: First, the reduction of asymmetric information between producers and consumers. Increasingly consumers try to collect relevant information about current wine quality. The increasing number of specialist wine guides and magazines is evidence of this. In the face of the diversity of supply, consumers do not simply use information on the label. Furthermore past quality is not a sufficient condition to justify a purchase. When the customer purchases a bottle, the consumer only knows past quality of the wine. Since the customer ignores present quality, the customer infers it from past quality, which is proxied by reputation.

Santos, Blanco and Fernandez (2006) describe a segment of consumers showing a higher degree of knowledge about the Appellation of Origin (AO), with higher levels of involvement with this brand. These consumers adopted a long and complex decision process when purchasing a wine and the AO took on an important role within it. Thus, different AOs were evaluated in this cluster, and different attributes analysed, which go beyond the region of origin and the variety of grape, and also

incorporate the period of ageing, the label, bottle, or composition. Moreover, they found it justified to charge a higher price for an AO wine, and preferred specialist stores for these purchases.

Famularo, Bruwer and Li (2010) state that as wine knowledge increases together with wine involvement, it develops into a greater understanding of a wine's region of origin, impacting positively on the consumer's wine decision-making process. They also maintain that a consumer's willingness to interact with wine-related motivations through wine tourism visitation has a profound effect on the importance of a wine's region of origin, therefore attributing to greater recall of wine region in the wine buying decision-making process.

2.10 South African wine industry competitiveness

Van Rooyen, Esterhuizen and Stroebel (2011) established that South Africa's wines are increasingly internationally competitive, with a strong positive trend since 1990. However, recently this trend has started to decline...The openness of the South African wine economy was confirmed as factors such as fluctuating exchange rates and changing market trends played an important role. The role of regulation and a supportive government policy environment were also found to be highly relevant for the competitive performance of the industry.

Wood and Kaplan (2005) state that the South African wine industry has undergone significant change over the past decade. Success has been the most evident in the production of bottled wines and in the substantial increase in export volumes, albeit from a low base. However, in comparison with other New World producers, growth in export value has been less impressive. South African producers have had limited success in the export of quality wines.

Van Rooyen and Esterhuizen (2006) state that competitiveness is critical for the long-term survival of the wine industry in South Africa. The competitiveness of the wine industry in South Africa will increase and be sustained when the business environment of firms in the industry will be dynamic, innovative, stimulating and intensely competitive. On the other hand the wine industry will have a negative trend in competitiveness if the local business environment detracts firms from a market focus, innovation and productivity.

2.11 Literature review summary

The literature review probed the relationship between regional development, clusters and competitiveness. The three focus areas of this research were analysed within the context of clusters. The review then flowed into the two different worlds of wine, namely Old World and New World. With South Africa being considered as part of the New World, the literature review focused on clusters in the New World. The literature review also examined generic marketing, branding, appellations and wine of origin, and how this can reinforce a point of differentiation. The final aspect of the literature review was a foray into competitiveness within the South African wine industry. This provides the link to the research questions and methodology.

Chapter 3: Research questions

There is one overriding research question:

Are regional groupings in general, and clusters in particular able to make the South African wine industry more competitive?

The research report will explore the potential of regional groupings and clusters within the South African wine industry and whether they can enhance the wine industry, and assist in making South African wine more attractive to the international market, through higher prices and larger quantities for exports. It will analyse the importance of technology transfer and research and development in the promotion of innovation, with particular focus on regional innovations. It will also consider the role of leadership and policy formation in driving regional groupings and clusters. The final consideration will be that of the role of branding and generic marketing in promoting competitiveness.

There are 3 questions which will be probed, which will reinforce the answer to the overriding research question.

3.1 Research question 1

Do wine routes hasten regional identity, and create an environment where generic marketing and branding enable increased competitiveness for the wine producers within that region?

3.2 Research question 2

Does South Africa have the required research and development components within its tertiary educational facilities and research centres to help calibrate clusters in the wine industry, and complement regional innovation?

3.3 Research question 3

How important is political, industry and regional leadership in driving competitiveness in the wine industry, and in creating an environment for regional groupings or clusters to succeed?

Chapter 4: Research methodology

4.1 Research design

Saunders and Lewis (2012) define quantitative data as data which is collected in a standardised way, such as by using questionnaires. These data are collected about different variables, which are the building blocks of quantitative analysis. The variables are usually described using numbers and analysed using diagrams and statistics. Qualitative data are collected in a non-standardised way, for e.g. interviews. These data are analysed by developing and testing propositions, which are described through words.

Saunders and Lewis (2012) split quantitative data into main types, that being categorical and numerical data. Categorical data can either be ranked or ordinal. Ranked or ordinal data can be put into a specific order. Numerical data can either be discrete or continuous. Discrete data is measured in discrete units while continuous data can take on any value.

The research design method was qualitative and exploratory. Saunders and Lewis (2012) state that an exploratory study is research that aims to seek new insights, ask new questions, and to assess topics in a new light. The title of the research project reveals that it looked at the potential of regional groupings, particularly clusters in the wine industry. Thus, as per, Saunders and Lewis's definition, this research project was well suited to an exploratory study.

A qualitative research design was chosen over that of a quantitative research design as the data collected was not in a categorical or numerical format but rather in a text format. The research design was not suited to the collection of categorical data as it would then need to have been ranked or ordinal and be put into a definite order. The research design could not be numerical as the data would then need to be continuous or discrete. The value of this research design was not suited to be measured numerically as quantities, and nor could it theoretically take on any value. The research design could also not be discrete as it was not measuring values numerically as quantities in discrete units which could only take a finite number of values.

Questionnaires and interviews were utilized which gave credence to the qualitative design. Questions were designed in a way to give new light onto a topic of which there is much academic literature on it across the New World and Old World, but at the same time, there has been little written about regional groupings and clusters in the wine industry in South Africa.

4.2 Population

Saunders and Lewis define a population as the complete set of group members. They also state that a population does not only pertain to people. It can also pertain to organisations or places (2012). The population for the integrative business research project were individuals who were purported to make a considered contribution to the wine industry and/or individuals who fall within in or near a regional association or grouping. This included commercial mass market wine farmers, boutique wine farmers, technical specialists and/or researchers who have a research and development link to the wine industry. It also included individuals involved in the marketing of wine, or a wine route. Another part of the population were elected officials or civil servants whose entities are connected to the wine industry, and/or are involved in local economic development or provide political facilitation to enhance regional groupings and/or clusters.

4.3 Sample size and method

Saunders and Lewis describe a sample as a subgroup of the whole population. It can be a subset of people, organisations or places (2012).

Due to the utilization of a qualitative research design, a non-probability sampling technique was enacted. Saunders and Lewis define this as a variety of sampling techniques for selecting a sample when you do not have a complete list of the population. You do not have a complete list of the population and thus cannot select your sample from the population at random (2012). Within the realm of non-probability sampling techniques, the snowball sampling technique was enacted. Saunders and Lewis define this as a sampling tool after which the first sample member; subsequent members are identified by earlier sample members (2012).

The sample was 17 people.

This was made up by:

- 5 senior managers of wine routes
- 3 boutique wine farmers
- 2 commercial mass market wine farmers
- 2 board members of the official trade, investment promotion and export agency of the Western Cape
- 2 local economic development managers of municipalities linked to the wine route
- 2 technical specialists involved in research and development in the wine industry

- 1 commercial mass market wine farmer who is also an elected member of a mayoral committee dealing with local economic development in their municipality which includes wine routes.

The entire sample resides in the Western Cape. Every respondent either lives in or near a wine route. Interviews took place in or near, Robertson, Bonnievale, Worcester, Aan De Doorns, Rawsonville, Tulbagh, Ceres, Riebeek Kasteel, Paarl, Stellenbosch and Cape Town. All these places have a strong association with wine. It was deemed necessary to conduct at least sixteen interviews.

Sixteen interviews were confirmed before departing for the Western Cape, with a seventeenth interview added when a boutique wine farmer was willing to avail themselves for an interview. From their various roles in, and experience with, the wine industry it was predetermined that many of the questions would be answered and that a broad range of opinions would be provided which would allow for greater clarity when analysing the research findings.

4.4 Data collection

Saunders and Lewis (2012) describe a semi-structured interview as a method data collection in which the interviewer asks about a set of themes using some predetermined questions, but varies the order in which themes are covered and questions asked. The interviewer may choose to omit some topics and questions, and ask additional questions as appropriate. The semi-structured interview was the method used for the data collection.

Prior research was done on the person, the area and the association before the interview. This helped ensure that as much relevant information which was of use to the interview was gathered beforehand. The researcher was in the Western Cape for work, and set aside time to travel to the wine regions, and conducted the interviews at a place where the individual felt comfortable and not inconvenienced. Face to face interviews took place for all seventeen interviews and telephonic interviews were not needed as a secondary resource.

The interviews were recorded with an MP3 recorder, which was backed up and saved and soon as the interview was completed so as not to compromise or put the data at risk of loss or malfunction. Before the semi-structured interview questionnaire was finalised, a pilot test was conducted. For Saunders and Lewis (2012) it is important to do a pilot test before conducting your interview with selected participants, to pilot test your interview and technique and check that your questions are

likely to be understood, are not leading and will provide you with the data you will need. The pilot tests were conducted on people who work in the research methodology arena, and have a good understanding of the wine industry.

The design of the questionnaire ensured that there was a clear link between the literature review gathered for both the research proposal and the integrated research business project and the questions being probed. The questionnaire was adapted from the feedback received during the pilot test period. The questionnaire needed to be relevant to those participants being interviewed. The semi-structured interview allowed for a focused digression to get the most out of the person interviewed. For instance, when interviewing the managers of the wine routes, there was a strong focus on whether wine routes are just geared for tourism, and whether they saw the wine route as having the potential to become a cluster.

Before the actual interview, prospective respondents received a brief motivation of the research and the reason for the interview. This not only allowed for a degree of preparation and research familiarity for the respondent, but for the researcher as well.

When interviewing the individuals who sit on the board of the trade, investment and export promotion agency, and the local economic development officials who have wine routes in their municipalities, the interviews were geared towards the role policy plays in enhancing regional development, clusters and competitiveness. It also attempted to determine what role elected officials, and civil servants play in the facilitation of regional groupings and cluster development, and whether they see the development of clusters as something organic or as something which needs to be led by a tier of government.

When interviewing the technical specialists and researchers, the interview focused on the role of tertiary and research institutions in the research and development aspect of innovation in the wine industry, with particular focus on clusters, regional development, technology transfer and innovation. It also probed whether clusters were possible without a focus on innovation and ties with research institutions.

It was important to interview wine farm owners and see whether they saw the relevance of regional groupings and clusters and whether it could enhance their competitiveness and lead to greater demand and price for their wine, and greater exports. The wine farm owners' questionnaire was

conducted in a manner which would see whether the wine farm owner has been encouraged to join a cluster, and whether they think universities, municipalities, wine routes, provincial government, and government have the will, and the capacity to help wine farm owners form regional groupings or clusters.

Due to there already being regional associations in the form of wine routes, it was best from a data collection point of view to focus on the individuals who drive the wine routes and the wine farmers who belong to a wine route, be that in a lay or a professional capacity. Hence, the justifiable bias here towards the wine routes and wine farmers.

4.5 Reliability and validity

Saunders and Lewis (2012) state that if research is to be reliable, it must employ data collection methods and analysis procedures which produce consistent findings. This consistency refers to other researchers, when using the same methods and procedures in the same way, producing similar results and then those supervising the research will see clearly how conclusions were reached from the data collected.

Saunders and Lewis (2012) define validity as the extent to which data collection methods accurately measure what they were intended to measure and that the research findings are really about what they profess to be about. For Holliday (2007), sources of validity for qualitative research include the choice of social setting and how it represented the research topic in its role in society and how feasible and substantial it was.

Every effort was made in this report on regional groupings, clusters and competitiveness in the wine industry to ensure that it is both reliable and valid. Both the data collection methods and analysis procedures were designed and utilised to produce consistent findings which would be replicated if the sample would be changed. For e.g. the wine farmers selected for the research project interviews were not selected to achieve a certain answer or objective. They were not selected to influence or temper the results of this research.

The data collection methods were also scrutinised to ensure that research findings were not misleading and that there was a clear link between it and the introduction to the research problem, the literature review, the research questions and the research design.

4.6 Ethics of research design

Silverman (2011) posits that if we ignore ethical issues or treat them simply as a matter of routine form-filing, we start to go down a slippery slope where 'doing a good job' is all that matters. He asks whether the research will contribute in some way to what is valued as common good, and whether the research can help or at the very least, protect the people being studied.

Silverman (2011) sees the following ethical pitfalls as particular features of qualitative research. These include exploitation, deception, researching vulnerable people, revealing people's vulnerable identities when they might not want it or not revealing people's identities when they expect it.

Kvale (2007) states the importance of informed consent when considering the ethical issues of interviewing. For Kvale, informed consent entails informing the research subjects about the overall purpose of the investigation and the main features, of the design, as well as of possible risks and benefits from participation in the research project.

Christians (2005) maintains informed consent and social science codes of ethics uniformly oppose deception and that even paternalistic articles for possible deception of criminals, children in elementary schools, or the mentally incapacitated are no longer credible.

Kvale (2007) argues that confidentiality in research implies that private data identifying the subjects will not be reported and that if a study does publish information potentially recognizable to others, the subjects need to agree on the release of identifiable information. Christians (2005) also suggests that ensuring that data are accurate is a cardinal principle in social science codes as well and that fabrications, fraudulent materials, omissions and contrivances are both non-scientific and unethical. The research methodology strove for accuracy, informed consent, where applicable confidentiality and no deception. This research was put under the requisite ethical rigour to ensure that no unethical means were utilized when conducting interviews, collecting data and writing up the report.

4.7 Data analysis preparation

The overwhelming bulk of the data received was data recorded with an MP3 recorder which was then transcribed. The data was analysed shortly after the interview process. This allowed the researcher sufficient time to follow up on observations and insights and gauge whether certain themes had been saturated and/or new areas of research relevant to the overall themes were introduced during the interviews.

Data had to be categorised in a systematic fashion in order to increase the level of consistency, throughout the recorded transcript, while at the same time noting date, time and place of collection of data. Transcripts were then scrutinized to find core themes emanating from each interview. The next stage of the data analysis process involved the grouping of themes into relevant and logical categories. Every effort was made to ensure that there was a link to the first three chapters and that that link would continue to chapter five and the rest of the research report. Upon completion of an interview, themes were held up against the body of literature assembled in the second chapter to see whether they reinforced the existing literature or contradicted it.

Chapter 5: Research results

5.1 Introduction

This chapter considers the outcomes of the research based on seventeen interviews conducted across the Western Cape province. Data was collected from semi-structured face to face interview sessions. During three of the interviews there were two people in the interview process. During each of those interviews, both respondents were asked whether the presence of the other would inhibit their ability to express themselves. In all three cases, both respondents did not feel inhibited or restricted by the participation of their colleagues. There were two likert scale questions in the interviews and only one respondent was able to give answers to both the likert scales, so that there would be consistency with regards to who was giving the ranking.

Each interview was done in an environment where the respondent felt they could articulate themselves without fear or favour. The interviews were conducted in offices, restaurants and on wine farms. When individuals who were not designated respondents entered the room, the interview would cease, and only continue once those individuals had vacated the room. The shortest interview was thirteen minutes and the longest interview was one hour and twenty six minutes. Each question in the semi-structured interview was linked to the themes and research objectives of the earlier chapters. The questions were also influenced and shaped by the literature review of this study.

5.2 Respondents

There were six categories of respondents.

Category	Number
Boutique Wine Farmer	3
Commercial Mass Market Wine Farmer	3
Local Economic Development/Municipal	2
Researcher/Technical Expert	2
Wine Route Manager/Representative	5
Provincial Export Promoter	2
Total	17

Table 2: Respondent Categories

The following interviews took place.

First Respondent - The first respondent is the local economic development manager of a municipality which has one of the biggest wine producing areas in the country in it. While, the respondent does not drink wine, s/he does see the immense value the wine industry brings to the region. The interview took place in their office.

Second Respondent : The second respondent is the manager of the wine route. S/he has a background in wine and studied B.Sci Agriculture, majoring in viticulture and oenology. This interview took place in their office.

Third Respondent: This respondent is a viticulturist and wine farmer who produces wine for the mass market. The respondent's family has been farming in the area for over seventy five years. Towards the end of the interview the marketing manager joined the interview. This interview took place in a corner of their restaurant on the wine farm and took place over lunch.

Fourth Respondent: This respondent is a boutique wine farmer who farms on a single estate. The respondent is the first wine farmer in the family, but a fifth generation farmer. This interview took place in the office area and the wine cellar.

Fifth Respondent: This respondent could qualify both for the local economic development category and for the commercial mass market wine farmer category, although the ultimate classification is that of commercial mass market wine farmer. Former head of the wine cellar and wine route, this respondent is also a member of the mayoral committee for the municipality where the family farms sits. This interview was conducted on the porch of the family home.

Sixth Respondent: The respondents are a couple who run a guest house, and play a role in the wine route which runs through the guest house. They were a last minute insertion as the chief exporter in the wine route cancelled the interview due to medical reasons. This was conducted in their guest house.

Seventh Respondent: The head of the wine route for their region. This respondent has a background in tourism and ran tourism for the district municipality, before moving on to the wine route. This interview took place in their office.

Eighth Respondent: The head of the wine route for their region. This respondent has a background in tourism. This interview took place in a coffee shop in an area where there was no interruption.

Ninth Respondent: This interview was arranged at the last minute. The respondent is a boutique wine farmer who consults to other boutique wine farmers as well. The respondent also produces wine beyond the region. This interview took place in the tasting room of the wine farm.

Tenth Respondent: This respondent is a local economic development officer. A wine region is part of the municipality. The wine region is not in the town where the respondent lives and works. This interview took place in their office.

Eleventh Respondent: A commercial manager of a commercial mass market wine cellar. The respondent did their MBA thesis on the wine industry, with a specific focus on wine of origin. The interview took place in their office.

Twelfth Respondent: The marketing manager for a boutique wine farm. The individual also lectures in wine at a university in the province. The interview took place in a secluded area of a coffee shop in a hotel.

Thirteenth Respondent: The head of the local wine route. This respondent has a background in tourism and works out of an office in the main town in the region which is removed from the main wine areas. This interview took place in a wine tasting room.

Fourteenth Respondent: These respondents are the respective executive manager and manager of an organization which oversees research and development and technology transfer in the industry. The interview took place in their boardroom.

Fifteenth Respondent: A technical specialist with over thirty years of experience in the industry. This interview took in their office.

Sixteenth Respondent: A board member of the investment and trade promotion agency for the Western Cape. This respondent does not have any background in the wine industry. The interview took place in their boardroom.

Seventeenth Respondent: A board member of the investment and trade promotion agency for the Western Cape. This respondent is also a member of the mayoral committee of the municipality where the interview occurred. While this respondent could have been listed as either a provincial export promoter or a local economic development/municipal respondent, they have been categorised in the former category. This respondent does not have any background in the wine industry. The interview took place in a coffee shop, in an environment which was not secluded but due to the noise, the respondent was able to respond without fear or favour.

5.3 Regional identity, wine routes and generic marketing

In order to introduce the concept of regional clusters to the interviewees, the first broad topic explored focused on that of regional identity. This includes one of the two likert scale questions. The interviews were also used to ascertain whether the already existing wine routes harnessed regional identity and whether they would be the natural starting point for clusters. The final focus point on

regional identity was whether there was brand value to the region because of the wine route and whether this reinforced the regional identity.

5.3.1 Regional identity-Is the sum greater than its parts?

A recurring theme from all the interviews was the importance of regional identity. It was a given that regional identity added great value to the wine industry and to the various actors responsible for the growth of the wine industry.

Is regional identity important?

Scale 1-5	Respondent																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1 Not at all																		
2 Not really																		
3 Undecided				X														
4 Somewhat		X											X	X				
5 Very much so	X		X	X		X	X	X	X	X	X	X	X			X	X	

Table 2: Regional Identity

Besides the fifth respondent being “undecided”, the remainder of the respondents either saw regional identity as “somewhat important” or “very much so”. This needs to be taken further as of the remaining sixteen respondents; thirteen of them saw regional identity as “very much so” important.

5.3.2 The role of the wine route in harnessing regional identity

The respondents who were employed by wine routes were, as to be expected, very favourable to the idea that the wine routes as they exist in their current form play a great role in harnessing regional identity. These respondents maintained that the wine routes made logical sense and were created for the very reason that the cultivars, climate, geography and terroir of that particular region correlated with the wine route.

Respondent Six *“The farmers here wanted to be demarcated as a wine of origin region as the climate and terroir differs to Worcester. They did a demarcation study and we were awarded a wine of origin status in 200. It is very important. Within my region, Slanghoek Valley has 1200mm rainfall a year, Rawsonville has 800mm a year, Daschbosch has 600mm rain and the wine route next door Worcester has 200mm-400mm. It shows you how different it is to Worcester. Our area is different.*

Our wines are different that is why regional identity is so important. We want to break away from that traditional idea that this is a bulk producing warm region."

It was also felt that even though scale was important, climate, geography and cultivars should take precedence when it comes to generic marketing.

Respondent Two states *"When you go overseas you will first be asked whether the wine is from South Africa and then from the region. It is very important. In 1983 we were part of Worcester. We split from Worcester because we are unique due to the type and quality of our wines. Any wine produced and bottled in Ashton, McGregor, Robertson and Bonnievale will use our generic marketing. There is a romantic notion of wine and where it comes from."*

Boutique wine farmers generally saw the wine routes playing a large role in their potential success. However, for them, the wine route had to make sense and have a very strong correlation with the geographic boundaries of the region.

Respondent Four *"My marketing consultant focuses on telling the customer that my wine is grown on the farm on single vineyards. We need to learn and understand our own terroir. I am proud of the Robertson Valley and its diversity in its soil. Hopefully, regional identity will become even more important, otherwise we won't be unique in South Africa. If you are not proud of the wines you producing in your region, then it is sad. It will be good for South Africa, because if everyone is proud of their regionality then we can show our diversity in wine. I recently produced four different Sauvignon Blanc's and they all taste difference. One can be from Darling, Elim, Elgin and here in the Valley."*

Respondent Nine puts greater emphasis on regional groupings than the wine route. *"I am also involved in the Swartland. They took three years to change the world's idea of the Swartland and they are now willing to pay 30 British Pounds per bottle. Farmers in that region stood together. They said there are certain varietals which they do well, and that they are not a rainbow nation of wines. They do experiments around those varietals they are strong on, and they get the key journalists to write about it. You can do the same with Tulbagh wine. I am experimenting with both Tulbagh and Swartland and it is sad to see how limited demand, passion or wish for standing together there is here in Tulbagh. As a wine farmer in this region, I have worked very hard over the last few years to get all the producers to stand together and get them to know each other. It is great to promote each other and not just yourself."*

For the commercial mass market commercial wine farmers, the measured impact of the wine routes on regional identity was less apparent. **Respondent Three** was matter of fact. *“We need the Robertson Wine Valley and they need us. The more cellars the region has, the more people are attracted to the region.”* **Respondent Five** elaborates on the impact of geography on identity. *“You must remember every area has its own identity. The weather patterns in Nonna are hot, but there are cool kloofs. It is very different to here at De Wet as we are flat and hot, next to us is Nuy which has hot days but cold nights. I worked with my cousin in Nonna. He harvests much later than me. We make different wines for the region. We are very diverse while Robertson is generally flat. Geography impacts on identity. We must work with the environment, not against it.”*

Respondent Eleven *“Literature talks about a regional composite variable, right at the top is region, and wine style and variety, those three factors combined are higher than brand and price. I would rather get the people to my region, with a lighthouse identity, either with the Chenin Blanc or we are trying with Shiraz, and get them to the region, and once they are in, it will be easier to sell to them and tell them our story, then just ride past here and see another wine region. Constantia creates a bottle which is unique to all Constantia wines. You need to be special, unique or different.”*

Technical experts see the function of the wine route as having more relevance to tourism than to terroir and that the main objective of wine routes is to drive tourists to the region. **Respondent Fifteen** *“SA has a lot of terroirs. We can use it to our advantage. But it affects our marketing. For example, Stellenbosch could be affected if their wine was not as good as you expected, and you had to bring in grapes from other regions. This has an impact on your wine of origin as the grapes come from beyond the region and then it is no longer Stellenbosch. If one considers South Australia, it is a very big area, so if an equivalent area size of Stellenbosch has a bad year, they can bring in grapes from other parts of the state. They will be fine. Breedekloof and Worcester could be one wine region. There is no need to have two wine routes there.”*

Respondent Fourteen sees the wine routes as being useful for marketing purposes which reinforce regional identity. *“Breedekloof is a different region to Robertson, but it is not so different from Worcester. Breedekloof broke away from Worcester because they felt like they were disappearing within the bigger wine region of Worcester. They are a good example of regional identity. They use it as a marketing tool. They marketing their wine better now that they are on their own.”*

5.3.3 Regional identity and uniqueness

All respondents articulated the view that uniqueness was a key factor in the defining of their regional identity. The ability to differentiate their region from other regions was both important from marketing and a wine making point of view.

Respondent Twelve *“People see the Swartland as one of the most vibrant wine regions in SA. It is because we are getting a lot of press. People are coming from all over the world to seek us out. They used to see this as a bulk producing area which was not making exciting wine. That is starting to change. Unlike Stellenbosch, we can’t afford tasting rooms and restaurants, and you need to make appointments to see many of the wine producers in the area here. We have formed the Swartland Independent to promote certain standards and set out quality wine guidelines. The Swartland Independent is like the appellation d’origine contrôlée (AOC). One thing which is fairly unique is that we work closely together. We share ideas. There is huge sharing of ideas. By starting the Swartland Independent, we believe certain ways of producing wines are best for the region. That makes us unique. There is lots of passion and belief here. The terroir is also unique.”*

Respondent Four believes single estate boutique wine farm owners are vital in putting the accent of uniqueness on regional identity. Here is a detailed description of why the geography of the region is unique and beneficial. *“You want to produce wine from the estate and from a single vineyard, and that will eventually tell you that Chardonnay on my farm will taste like this, Viognier will taste like that. All my white varietals are planted on the side where the morning sun shines, Chardonnay is there on the cooler micro climate, and the sun goes east to west directly over the vineyards, and the red varietals are facing the warmer afternoon sun, because you want the warm sun and the soil has more shale on that side. The Pinot Noir wants warmer day temperatures but cool overnight temperatures. We are not far from the coast, we are only one hour from Cape Agulhas and Struisbaai, which brings a cool south-easter wind which slows down the ripening and in the evening it cools down dramatically because it is also next to the Karoo. You have a fast growing season, but when it comes to ripening on later varietals like our reds, it is far slower than say your coastal regions, that is why in our valley, you find a lot of the wines are quite young, they are selling well cause they are pleasant to drink. I want to bring through the whole factor of terroir-the soil climate in a specific location.”*

All the wine route convenors spoke of unique characteristics and how it informed their regional identity. They focused more on factors such as legacy, size and tourist offerings. This differed from

the answers put forward by both the commercial mass market wine farmers and the boutique wine farmers who put a greater accent on terroir, climate and varieties.

Respondent Six *“We don’t have an art gallery or a museum here. We have mountains, vineyards and rivers. We don’t focus on the main town in the region. We focus on the rural areas for accommodation. Many of the farms are fifth to sixth generation farms. We are unique in that it is not only the farmers who are fifth or sixth generation in the region, but the farmworkers as well. This is a very Afrikaans area. Family values are very important here. You don’t find international wine farm owners in this region.”*

Respondent Five used the words “region” and “route” interchangeably when dealing with the question of uniqueness. *“We are small. We only have twelve farms who make up the wine route and you can cover the whole route in two days. You can cover this whole area in a very small amount of time. We offer authentic tourism. You will meet the wine owner personally. Unlike in Stellenbosch or Franschhoek, where you will have a student do the tasting for you, while here it will be the owner.”*

Respondent Two also focused on the legacy factor. *“Many farms here are still owned by the same family. They are seventh or eighth generation. The young farmers today played in the soil; much of what they were taught was not in the textbooks. They know the soils from their childhood. They know the history of their farm and the knowledge has been handed over generation to generation. In this part of the world, they are happy when a son is born, because it is an heir to the farm.”*

5.3.4 Benefits and drawbacks of wine routes and its effect on regional identity

All of the respondents bar one saw some kind of benefit from the wine route. They believed it aided the region when it came to tourism, sharing of ideas and cooperation amongst wine farmers in the area.

Respondent Five *“It works well for tourism. I was in Windhoek, Namibia on behalf of the district municipality. I was alone on behalf of the two wine routes-Worcester and Bredekloof. We got great responses, and unlike others I was able to represent the whole area of Breede Vallei which includes Bredekloof and Worcester”*

Respondent Two used a classic Afrikaans expression to show the benefits of the wine route. *“Boere wat laer trek”-During tough times, people in Robertson stick together. They pool resources to get wines into certain markets. They have similar aims to focus on the eastern market. They use one marketer when they go to China. The value of wine of origin Robertson needs to continue to be of benefit to our farmers. It gives them identity. You also need your big brands on board for the wine*

festivals, but at the same time you also need your smaller brands from the region. You cannot have the one without the other. Big guys are the lines; you need the smaller guys to complete the picture”

Respondent Eleven saw the value in the wine route assisting those in the region to cooperate with one another. *“It does support cooperation between the wine cellars. Even competitors work together. On a commercial side it is still us versus them, but by working together, there is more cooperation on the marketing side.”*

Respondent Twelve saw no benefit in the wine route and wondered what the value addition was to the region. *“I am not sure we have benefitted. When I used to do wine routes, I would go from farm to farm. I don’t think the visitors do that here. They will go to Allesverloren, but lots of people don’t know about us and don’t come to us. No one has ever come to us, who I have asked, cause of the wine route.”*

The respondents who did see benefits also saw drawbacks to the impact of the wine route on the region and its members. **Respondent Two** noted *“To try and accommodate everyone as far as possible is difficult. We want them to identify with the organization, what is right for one member might be completely wrong for another member. It is hard to find a middle ground for 48 wine farmers which they will be all happy about.”*

Respondent Five highlighted the challenge with cellars and wine farmers who don’t want to belong to the route, which impacts affects income and the scale of offering. *“Some of the cellars don’t want to be involved. They just serve the members of their cooperative. They don’t want to be open on the weekend. We don’t have money for restaurants in my area. We keep our wine inside the cellar and just sell it to big distributors. The workers don’t like working on the weekend. The farmers also don’t support our festivals here and they lack motivation to get involved. “*

5.3.5 Wine regions and generic marketing

In trying to understand the value of the wine routes, and the effect of generic marketing on a region, respondents were asked to comment on what they perceive the wine buying public responds to most, be it here in South Africa, or overseas. For example when wine is being promoted in South Africa, are the public most responsive to brand, cultivar or region? That same question was also put to the respondents, except this time in an international context. An additional area of probing is that of the value of the boutique wine farmer in an area, and whether their success with the top

end, discerning wine buyer could have a positive effect on other producers within that wine route, and help draw attention to the wine route.

Respondent Two sees generic marketing as the core mandate of the wine route. *“The reason for our split was largely based on the belief that the generic marketing of our area would improve. We do generic marketing for Robertson wines of origin which includes any wine produced and bottled in Ashton, Bonnievale Robertson and McGregor. The only thing in common of our original mandate to now is the issue of generic marketing.”* **Respondent Four** is a big believer in generic marketing, even if the wine farm is open by appointment only. *“If your neighbour is doing well, then everyone else will do well. If there is one guy doing well it is not as good as three guys doing well. If you open an ice cream shop, you will see another one opening. People normally see that as a negative, but if people see more of the same good thing then it will bring more feet to the Valley. The guy can come here and experience so many things by going to more than one place, you don’t want to visit one place, it is about the overall experience.”* However, **Respondent Twelve** is more cautious *“The knowledgeable wine buyer does not just want to import a South African wine. They want a good wine, with a story. They do not just want a generic story; they want to know of a husband and wife team who are producing great wines in a sustainable manner.”*

5.3.6 Generic marketing within South Africa: When promoting wine locally, do customers mainly buy because of the brand, cultivar, or region?

What motivates wine customers, who live in South Africa, but beyond the wine route was the next question posed to respondents. The respondents were asked to give a weighting to brand, cultivar or region. They could choose to weight them equally, or choose a combination of two of the options, or just choose one. A fourth category could have been added here. That category would have been price. The purpose of this question was to establish what motivates local buyers when buying wine, and what the significance of the region is when that decision gets made.

The first grouping to be analysed here was the wine route managers. **Respondent Seven** *“They are not buying because of the region, they are probably buying because of the brand or the cultivar, probably because of the brand. They want to drink Bergsig, Slanghoek and Dutoitskloof.”*

Respondent Five *“They don’t know about the wine route. They know we do good sweet wines. They go to drink wine or explore the geographic regions. I believe they come here because of the cultivar.”*

Respondent Two *“I think it is a combination of all three. Springfield does not do anything with the wine route, but they benefit greatly from it. People will come to the route with the idea of just going to Springfield, but then also explore other farms. At the same time people might just come to the*

route and then decide to go to Springfield. There is a strong link between the cultivars and the region. Robertson is associated with Chardonnay. People also know us for our Shiraz and Cabernet Sauvignon but we focus on Chardonnay.” **Respondent Thirteen** “Brand and region plays a role. Those who don’t know that much about wine will always go for Stellenbosch which is safe. Elgin has become known for its Pinot Noir. It depends on your knowledge. Price will also play a role.”

When considering the boutique wine farmers, the responses were a mixed bag. Brand was slightly more popular than the other two categories. **Respondent Four** “All my cultivars sell well. I don’t have a reserve wine in my range. So people will buy my entire range and not demand a single cultivar. My approach is single estate regional wine. I am trying to grow the local market through personal stories. I want to get feet through the farm. I focus on margins. My average selling price is R90 per bottle. Costs are R30 per bottle. I can cut out shops and distributors. When I sell it directly I can make it R50 per bottle instead of R15 per bottle. I say keep it local and focus on the regions.”

Respondent Nine “Our Spencer and single varietal Pinotage sell very well. I would say it is your cultivar. We are a new brand, packaging helps. We use recycled paper as it is more authentic. We don’t do wine shows. I market directly. I can sell more that way. The region does not matter much yet. We do very little as a region. That is sad, as there is marketing potential for that.” **Respondent Twelve** “Brand and region matter more than cultivar. They are excited by the Swartland producers. I would say it is brand first and then region.”

5.3.7 Generic marketing outside of South Africa: When promoting wine internationally, are customers mainly buying because of the brand, cultivar, or region?

The commercial mass market wine producers see generic marketing as a challenge on the international market, but believe that this can change. **Respondent Three** “We are very lucky if they know we are from South Africa. Some supermarkets will display us according to country. Most countries only know Stellenbosch. Maybe Sweden knows us? On the question of regionally, first we need to market the country. Supermarkets are driven by price points on promotion; they are driven by what will sell on deep discount. If we are on special today, they will buy us. However, if tomorrow, someone else is on special they will buy them. There is very little loyalty. That is a side effect of retailing which is coming to South Africa. There will be huge pressure on pricing.”

Respondent Eleven “Most of the public are not clued up about us. We are just another category. We start with South Africa, then the Western Cape and then the Swartland. We as a product are rooted

with lifestyle, terroir and the climate of the region. We are selling the valley with our higher end wines. I would say region is the most important”. **Respondent Five** “I would say it is cultivar and then price. A lot depends on where they are stocked on the supermarket shelf. Research shows that availability is vital. People are not loyal. Price and quality make a huge difference. When I go out I don’t drink my wine. I must drink other cellar wines, so I can compare my wine to theirs.”

There was some consistency in the responses of the three boutique wine producers. **Respondent Four** “I do my own marketing and this story is a holistic story of a single estate wine producer. 70% of my wine is sold in Europe. The markets found me. They arrived at Arendsig and started importing. If I arrive at someone and tell them to sell my wines they are not going to be really passionate about it. You must create a story and the product will sell itself. I just spent ninety minutes with four people. They will go away and tell a story to each of their friends when drinking my wine. There is value in the personal story and the regionality. When my wife and I go and drink wines at a tasting, we will always go to the place where we can meet the owner and taste it with him or her. So I would say it is brand and region.” **Respondent Twelve** “I would say it is brand, and then region. The Swartland phenomenon is far greater overseas than it is here. People want Swartland wine in their portfolio. The bulk wine, cheaper box wine connotation is still a negative for this region.” **Respondent Nine.** “I would say it is first cultivar, then the brand then the region. Packaging is important. We use wooden boxes in delivering our wine. South African wine is still way too cheap. It takes time. There are nine hundred brands trying to get exported!”

5.3.8 Boutique wine farmers and increasing regional awareness

There was general sentiment that boutique wine farmers can draw attention to a region, and help shape its identity. While their overall contribution to the regional economy would be small in comparison to the commercial mass market and/or bulk producing wine farmers, from a marketing and a public relations point of view, the focus on the boutique wine farmers often outweighs that of their larger competitors.

Respondent Nine “I do think we bring attention to the region, but there is only a small margin of people buying estate wines. There are only a handful of people looking to explore and find single estate wines. I am very fond of it, but it is not where the general public is. You need to do much more than just rely on single estate wines.” **Respondent Twelve** “Maybe the wine route is for amateurs. It is for the people who like drinking wine, like I did when I was in my twenties. The serious wine taster will have in mind what they want to see and taste. They know what is going on. They will have heard

of Fable and David Sadie. The wine anoraks are serious buyers. They will want our wines, even though they are so expensive. **Respondent Four** is more philosophical about the role played by their wine farm in increasing regional association, and elaborates why people are coming to seek out their farm. *Any viticulturist will tell that are 3 vitals factors in wine farming-soil, climate and location. I almost want to put soil first. I have made single estate vineyard wines in the Tradauw Highlands. The soil, climate and location was different. I do the exact same there as here and there will be two different products. I make wine in neutral vessels, not oak. I can fix any wine if I put in American oak and it will taste and smell the same. Look at our competitions and panels here, they go for the wine that stands out, the big wine, for me that is not balanced, sadly there you will seldom have a wine which is so terroir driven made with minimal interference. I don't participate in competitions. For me it is more important to focus on terroir and to go to regions and learn from them and tweak my wine so that I am happy with it.*

Respondent Eleven *"I don't know how strong the correlation between single estate wine producers and regional associations are. If I look at Swartland Independent and their success, it is just because they made a stand and said they would be different. They are different in their pricing strategy, packaging, wine styles. They make a Semillon in a wine barrel which was used for Port. The result is unexpected. It was totally different to what you are used to. The way they dress, the way they speak, Eben Sadie looks like a surfer. Adi Badenhorst just looks different."*

The wine route managers believe there is virtue to the work done by the boutique wine farmers, but that there could be a quandary if they choose to not belong to the wine route, and even set up a regional organization which works in parallel to it. **Respondent Seven** *"Estate wines can become a benchmark for the area. It is important. I wish other wine farmers in my area would be more focused on label diversity and do a few barrels instead of just containers."* **Respondent Thirteen** *"The boutique wine farmers have done a lot for the Swartland. They have a very clever way of marketing themselves. Callie Louw, Chris Mullineux and Adi Badenhorst are all members of the wine route. I also have a dilemma though. One of the big newspapers are busy doing an article on the Swartland Independent, and they approached me for advertising. I do not know what to do because my mandate is to promote my members, and while it will be good publicity for Swartland, it is still tricky as not all of the Swartland Independent members are members of the wine route. They have done a fabulous job in putting the area on the map, but we are not talking enough at the moment."*

On the technical side **Respondent Fourteen** states *“I think the Swartland Independent guys are doing very well, but some of their steps are very harsh. To prohibit people who export in bulk from becoming members is extreme, but it shows that they are serious about their image. They won’t survive if they do not have a very clear identity as their production is too low. They have to work on their identity. They are doing the right thing”*.

5.4 Does South Africa have the required research and development components within its tertiary educational facilities to help calibrate clusters in the wine industry, and complement regional innovation?

It is vital to understand the role played by universities, research facilities, research councils, technology transfer centres and technical specialists. If we are to become more competitive the role played by these research and development institutions is of great importance. Issues explored with the respondents included that of the need to work with a technical research facility, and whether there was something unique about the innovation within that particular region, and whether that was due to the complementary function of the technical specialists.

The state of South Australia is one wine region, and has one cluster. They work very closely with the University of Adelaide. This is different to the Western Cape, where there are many wine regions and there is only one university (Stellenbosch) and two research centres (Elsenburg and Nietvoorbij) which focus on wine research.

5.4.1 Technology transfer

The semi-structured interview format allowed for specific focus on the subject area of technology transfer to be directed at the two respondents who were researchers and technical specialists. Both respondents felt that South Africa was having little success in getting technology transfer to work and that the metrics used to measure academics was not giving sufficient incentive for the researcher to follow through on their research and put the research into practise.

Respondent Fourteen *“We are not succeeding with technology transfer. We spend a lot of funds and resources on research, but the problem comes in when we need to get it out to the end user. It is difficult; however, I think it is a universal problem. The only people who claim to be successful at it are the Australians. It is a problem both on the farmers’ side and on the researchers’ side. The mind-set is that I am a researcher and my job is exactly that. I expect someone else to make the link*

between the research and to something which will be relevant for the end user. Researchers are a different breed. Not all of them like to speak to farmers and focus on tech transfer. If they have to communicate with someone else, it might mean that someone is questioning their research. It is not part of their makeup. The researchers in oenology and viticulture are measured on three areas-1) research and getting published, 2) teaching and 3), is what they call community involvement, or what we call technology transfer. Most of the researcher's weakest legs are tech transfer. It is linked to their personality. The system also allows them to ignore community involvement and just focus on the other two key performance indicators. In America it is different. Their system is 50-50, but even they are now appointing specialists in tech transfer, whose function is to package the research and make it attractive to the end user. Do you know George Claassen on Radio Sonder Grense? His mission in life is to teach researchers how to communicate what they do to the public. Research needs to be translated to usable information. They must use words which the general public must understand."

Respondent Fifteen believes that we do not have enough personnel to work on research and in turn technology transfer. *"Human resources are a challenge. We, in South Africa know of the problem but we don't have the capacity to deal with it. I was in Australia once, and their setup is different to ours. They have a few very big companies which support the smaller guys. They don't care about the smaller guys as the smaller guy is no threat to them. The research is very impressive there. Their method of communication is different to ours. We don't like standing together. It is sadly the reality. We don't work together in the Western Cape. The Australians also do far more research than us. We have too little funds for research. They don't give enough of the sin tax revenue back to alcohol research and innovation. There is sadly no long term thinking."*

5.4.2. Research and development and the link to innovation

If farmers are going to be innovative with their wine making processes, they need to be able to test their experimentation and innovation with research institutions and facilities which have the infrastructure and the talent to assist them. At the same time, these research institutions also need to have the required investment to ensure that they attract top research talent and have the laboratories and research stations which are as good, if not better than those research facilities found in the Old World, California and South Australia.

Respondent Fifteen lamented about there being too little technical expert talent and too little investment in state of the art research laboratories. *"In 1995 or 1996 we started Winetech. It was a*

good idea to put everything from the research side together. When one looks at research and development, we have had small gains, but we have too few experts in the field. A research body like Nietvoorbij is not at the standard it should be for a variety of reasons. There are too few wine experts at that facility. When one looks at Stellenbosch University, you come to the conclusion that they do not understand classic viticulture well. We are in the habit of doing wine research which is not so relevant. I am a technical consultant who advises on problems in the industry. Lots of new innovations get handed to me and I see how they struggle to test their product and project how well it could do in the market. It is not just about innovation. It is also about getting the basics right. I get too much wine at the moment which is simply not marketable. They are getting the basics wrong. Research and development is critical. If you are competitive it means you must also be able to market your wine in a specific area. Germany and China are very different markets. It is sometimes very sophisticated analysis and if you can't do that analysis you cannot market your wine here. You need to analyse cyanide in wine. We don't have such facilities and we can't send reports stating that there is no cyanide in the wine, there is no need to ask it, but we still have to send that wine overseas. We don't have the labs to do that."

Respondent Fourteen made the connection between the importance of research and development, and innovation to that of competitiveness. *"Winetech is a technology transfer agent which uses service providers at the academic institutions and gives its technology transfer to VinPro. However, it is not done effectively. The challenge for Winetech and VinPro is to get that research to the end user. Farmers realise the importance of competitiveness. They make that connection, but don't make it much of a focus. They don't make that conscious link to research and development and competitiveness. The level of competitiveness is far greater now than in previous times."*

Boutique wine farmers appear to be at the forefront of innovation, particularly in areas such as the Swartland where much of the innovation is done without research institution collaboration.

Respondent Four illustrates how his innovative abilities are maximised when he is out of the region and the country, compared to when he is in the region. This respondent also has limited interaction with his tertiary institution, Elsenburg. *"We should cooperate but also think creatively. You still have to be open minded and think out of the box. I have learnt so much from the New World and from Europe. We need to go learn there, come back and all share our ideas and throw them on the table and then support each other locally. I studied at Elsenburg. I still use Morne Kemp on the chemical side of things. He gave us chemistry at Elsenburg. I use people I am more familiar with. When I have*

problems with my wine, I will give it to Loftie Ellis, who looks at things more scientifically. However, we are also creating new ideas in the region. I look at Abrie Bruwer from Springfield. He does things differently and we learn from him. My travels allowed me to experience the wine farms in Europe, and now I cut all my vineyards back like they do in Europe. My dad used to prune differently. They pruned normally for tonnage. Our approach is different. I saw it in Europe and I brought it back here to the Valley. “

Respondent Twelve made no connection between tertiary institutions and innovation. *“I don’t know of any work being done by the universities in the Swartland. We are highly innovative. We are looking at old ideas and making them work for us. You can grow Sauvignon Blanc in the Swartland but you are never going to make great Sauvignon Blanc. We are embracing the old methods of wine making. We make use of egg shaped containers and are seeing what happens there. We are making whites like reds and fermenting them on the skins, which gives it texture and tannins not usually associated with whites. I see Walker Bay is fermenting their wine under water. That is amazing, to see how the pressure or moist environment can make a difference in the wine making process.*

Commercial mass market wine farmers like **Respondent Eleven** believe that regions can play a huge role in fostering innovation, and it is not necessarily dependent on the research facility, but more dependent on the organizations and the individuals within a specific region. *“Winetech are very involved in research. Distell, Winetech, Stellenbosch, people like me do a lot of research but nobody reads the stuff. The South African Wine Industry and Information Systems (SAWIS) do a great job collating all the top wine papers, they charge a small fee, but nobody makes use of it. SAWIS and VinPro does a lot of research. Johann Rupert is going to build a wine intelligence centre. If I think of innovation, Eben Sadie is very innovative. He is leading the Swartland Revolution. His events are like rock shows. However, as a wine maker he realised that the Rhone varietals are very well suited here and that you must use your local attributes to be innovative. We have been very innovative with the Muscat grape. We are doing things totally different here.”*

Respondent Three, also a commercial mass market wine farmer believes that the soils and the wine farmer are critical for innovation. *“We in Robertson are one of the most innovative areas in South Africa. In the old days most wine was sold from here in bulk, in tankers. We started bottling our own wine and took it to the market. We have great soil here which is good for our Chardonnay, but Springfield does a great Sauvignon Blanc, and the red wine wants the heat. You see this is a fantastic area for apricots and peaches. You won’t find peaches in Worcester, but we are like the*

Mediterranean. This was never a Pinot Noir area, but we have great winemakers here, they use good techniques in the cellars, and are supported by good irrigation. Here you can control the water because of there being such little rain. We also have new trellising systems which allow you to get up to fifty tonnes per hectare, which requires less labour and is more economical.”

5.4.3 Wine route managers and the perception of the role of tertiary institutions

The wine route managers interviewed were less certain of the role of tertiary institutions in the area.

Respondent Two was the exception to the rule. *“We know when they are in the area for research purposes. On the technical side, we know Stellenbosch University is active here, as we have an amazing area for research. From an irrigation point of view, we have the Breede River, we can ensure controlled experiments for the researchers. This is also a great region for crop spraying research due to the low rainfall. We know of Winetech. They drive research and development in the wine industry. They provide the researchers with a funding structure and make the research available. The wine route itself does not work with the university on a business or commercial sense. We are the only wine route with such a big weather station network. We have weather data for 20 years from different locations scattered all over the valley. It is a big advantage for us when we launch new projects and initiatives in the area. VinPro and Winetech will often consider us first as we have data of over twenty years at our disposal.”*

All the other respondents from the wine route manager sample gave ambivalent or non-committal answers when pressed on the role of research institutions in the area.

5.4.4 Wine route managers and their perception of regional innovation

Many of the wine route respondents responded positively and saw examples of innovation on the festival and marketing side, before looking at innovation by the wine farmer. **Respondent Two** saw their region as the pioneer of festivals but also saw their region as innovative with wine trading. *“The guys in this area know that they need to stand together. Ten years ago they started focusing on wine tourism, and that is when we launched the Wacky Wine Weekend, which is today the biggest regional wine festival in South Africa. We changed festivals and regions to such an extent that every region today has its own decentralised wine festival. On an economic level we have a bulk wine project which is like a “Gumtree” for bulk wine where we cut out the middle man, and cut out the bulk traders. The farmers were losing twenty cents per litre because of one call by a bulk trader, and*

because there was an absence of information on who had excess of a particular wine. We saved the farmers a lot of money and that has now been rolled out to other areas.”

Respondent Eight did begin by honing in on the wine farmers but the main reference point to innovation was through the festivals. “Dewald Heyns from Saronsberg is very innovative. Saronsberg are very modern. We also have David Sadie from Lemberg, he is very talented. No other wine route does a Christmas in Winter, where we do food and wine pairings and make use of our historic Church Street. “**Respondent Thirteen** first focused on events run by the wine route before focusing on the wine farmers. “*We try and do new things, like our Swartland Market Day at Kirstenbosch, where we take many of our wine farmers and food producers to the southern suburbs of Cape Town and take the Swartland to the people there. On the wine side, the wine farmers are experimenting a lot with scarce cultivars. Through our support from Santam, we are able to research the effect of climate change on cultivars. The region also experiments a lot with blends. Babylon’s Peak recently won gold for their blend, Annex Kloof does an excellent Malbec, and there is also Eben Sadie’s Palladius.”*

5.4.5 Local government and their perception of regional innovation

Most of the local government managers and officials were unaware of the innovations by the wine farmers or research being conducted in the area by technical experts. One of the respondents made reference to an organic wine farmer, but the bulk of the focus was on the festivals, which is similar to the response of the wine route managers.

Respondent Ten did first focus on an innovation by a wine farmer before focusing on the festivals. “*We have Waverley Hills who are organic wine farmers. They are innovative. Our Christmas in Winter festival is unique. All our restaurants and most of our wine farms do Christmas lunches in winter with a wine and food pairing.” Respondent One “Definitely, we are innovative. We do wine and chocolate pairings. We have brought up a dairy industry because of the wine industry through our cheese and wine or chocolate and wine pairings. These initiatives attract certain groups to the area. If one looks at Van Loveren, they have become very well known in a short space of time. Their new restaurant is excellent.”*

5.5. Leadership, policy, and political facilitation and the potential for clusters

This section of the interview explores the importance of leadership within the wine region, thereby looking at anecdotal examples of leadership and its effect on the wine region and/or wine route.

This section also looks at the role of local government, provincial government and national government in the wine industry as a whole and/or in the wine regions. In turn it considers the role policy and government would have in the extension of regional groupings and clusters.

5.5.1 The importance of leadership within a wine region

A simple likert-scale question was used in the interview to measure the respondents view on the importance of leadership. It must be noted that due to the flow of the semi-structured interview, the two technical respondents either did not answer or were not asked about leadership. They were more interested in the role of policy and the different spheres of government. Thus, there are only fifteen respondents to this question.

	Respondent	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Scale 1-5																		
1 Not at all																		
2 Not really																		
3 Undecided	X																	
4 Somewhat			X				X	X				X						
5 Very much so		X		X	X	X			X	X	X		X				X	X

Table 3: The Importance of Leadership

Besides **Respondent One** being “undecided” about the importance of leadership, the remaining respondents either saw leadership as “somewhat” important or “very much so important”. Of the 15 respondents two-thirds (ten) saw leadership as “very much so” important with four respondents seeing it as “somewhat” important.

5.5.2 Examples of leadership within the wine industry and the wine route

Respondent Seven started by lamenting the lack of leadership, but after further reflection, provided examples of leadership within the region. *“Sadly there is not enough leadership within this region. We don’t have characters, or strong people in this area who take the required marketing initiative. We don’t have an Eben Sadie here. Swartland is a happening place more because of Swartland Independent than the Swartland Wine Route. We need Eben and a Swartland Revolution here.*

Having said that I do have younger guys coming up such as Attie Louw from Opstal. Then there are cellars like Goudini Cellar, even though they are bulk wine producers, they are winning award. We need leaders, especially in a region like this where the wine farmers are not that well known. Leaders can uplift an entire region. We have potential in guys like De Wet Lategan from Bergsig, Ivey Du Toit from Jason's Hill and Kobus Deetlefs from Deetlefs. Often it is your estates who have more of the personalities. It is their own wine farm. They know they need to market their own wine and that their vision will need to differ from the bulk producers."

Respondent Two believes leadership is not only about standout individuals but, that it is also about the collective. *"You need more than one person to show leadership. We need more than one leader to take the valley forward. For our sustainability we need to bring in the younger generations as well. The legends here were Wynand Retief (Van Loveren), Danie De Wet and the late Johnny Burger. Burger was a young "shotgun" kind of guy. He was a real legend. There are so many stories relating to him. A foul mouth, a real legend of the area. When those three guys and Lourens Jonker were in their twenties they got into a car and drove to Worcester. You must remember in those days, the Robertson guys were minute compared to Worcester. The chairman told Burger to sit down and have respect, Burger told him where to get off and that was the split from Worcester."* **Respondent Thirteen** states that leadership is not just about legend and inspiration but also about dedication and administration. *"People need to attend more of our meetings. Our marketing team is very effective in getting things done here. When one looks at Zakkie Bester from Riebeek Cellars, people respect him for his technical skill, he is great on young wines. He also helped us with our Black Economic Empowerment (BEE) wine farm. We are also lucky to have a young guy like Stefan Basson from Babylon's Peak in the Paardeberg. He is the new chair of the wine route and he has a great relationship with Eben Sadie. I am hoping that he will break the ice with the wine route and Eben."* The wine farmers-both commercial mass market and boutique put a strong emphasis on the pioneers and the innovators as examples of leadership and also focused more on leadership as a collective than just one individual leader.

Respondent Four, a younger wine farmer in the region looks at the leadership of the pioneers but also understands that his generation has a responsibility to step up. *"Yes, we need to be like the original guys. We need to have fresher, new ideas to keep on making this region a success. It is great to see guys like Phillip Retief, Kobus Burger from Rietvallei, and Phillip Jonker from Weltevrede continue from where their fathers left off. They are all involved in the Robertson Wine Valley. Leadership is massively important. Montagu always struggled to get onto the map. They don't finish meetings. They get cross with each other and the meetings are not professionally run. Here, we vote,*

yes, there are leaders, but everyone is equal, everyone has their say and then we go with the majority. “

Respondent Three maintains that when times are tough, the more chance there is of leadership stepping up. *“In the early days, when we were smaller, leadership was more important. That is when Danie De Wet and Johnny Burger stood up. Today a guy like Abrie Bruwer from Springfield is a leader in the field of Sauvignon Blanc. Danie De Wet started Chardonnay in this Valley and put it on the map in this country. The late Pon Van Zyl, from Robertson cooperative was behind the Colombard grape. Graham Beck put Champagne on the map here, and Bon Courage followed him. While we can learn from our neighbours, there is no one who goes out their way to make sure you look out for your neighbour.”*

5.5.3 Policy and political facilitation

Respondent Five sees local government playing a role in infrastructure support and tourist opportunities. *“We have a meeting this morning so that we can look at mutual opportunities and challenges such as roads and labour. We meet every two months.”* **Respondent Ten** highlights the need for infrastructure support and tourism development. *“We link the wine routes with funding. Festivals are a good strategy. It creates awareness for all the wine labels. We work with the district municipality as well. We also need to provide support capacity and improve the tourist offering, and help with the training of service providers. The other thing we need to work with them on is assistance with water and rates.”* **Respondent One** also focuses on support services and tourism. *“We were not involved in the formation of the wine route, but we do work closely with them. We collaborate on things like tourism. They do all the festivals without us, but we help them out with traffic and refuse services for the festivals.”*

When it comes to the wine farmers, they see very little support from local government and little interest from them in the success of the wine farmers. **Respondent Three** questions the final destination of the farmer’s rates and taxes. *“They should help us as we draw tourists. The roads and infrastructure should be good, and help us draw more tourists. Money generated from Langeberg (municipality) taxes does not come to us; it goes to other areas where they don’t produce wine. We subsidise other areas.”* **Respondent Four** states that local government can do more to support the farmers. *“They must play a role. The success of this valley depends on our roads. Robertson is far more appealing now. Every farmer did his bit to make it more appealing. The town is far more appealing also. Look at the generic effect it has on the long run. Initially it was a small investment for*

everyone, now everyone is benefitting from it. It is hard for the older guys to think differently some times, but you need the younger guys in the Valley as well to help them think differently. You need a broader vision. The same with Langeberg municipality, if we do well, so will they. They must get even more involved. I expanded here three years ago and used the Department of Trade and Industry. I would not be able to do what I am doing if it was not for that. Government gives you grants if you create jobs. That gives you the “oomph” to create jobs.”

5.5.4 Policy and the promotion of competitiveness

Most of the respondents show an antipathy to agriculture, and trade and industry policy in South Africa. They believe that the wine industry is not a priority area for government. **Respondent Four** “Twenty years ago we got the same amount of money for our grapes as we do now. Inflation just keeps on going up. SA has some of the best farmers in the world because of that. They are able to still be competitive and successful. Labour costs went up again. If government is not going to support the farmer, there is a big crisis coming. It is sad to see that they do not support the ordinary farmer. They often support the bigger farmer to mechanise, not realising that they are creating long term unemployment. The smaller farmer needs the labour in the vineyards and the orchards. That is where you going to create the jobs. We are going the same way as Europe did. At the end of the day the government is going to have to help and support the farmer. It is hard for us to compete in the world market. Chile and all these guys are supported by the government.”

The technical experts were critical about the government’s lack of support for research and development. **Respondent Fourteen** “We do very poorly with regards to government support. Their support is non-existent on both a national and provincial level. They do understand competitiveness, but politically support will not go towards areas which are seen as “non-transformation”. The world does not care about transformation. The government sees the wine and fruit industries as mature and you cannot argue with that, but in order to be competitive we need their assistance. In Australia, they get a lot of grants. There they get matched 1:1 by government. In South Africa I have failed to get money. We lack a central policy office where decisions can be made on behalf of the industry, where one person could engage with government and the province to enhance the industry as a whole. Regions can look after themselves. You must create an environment where they can prosper. However, if Winetech or SAWIS or Robertson has a problem they need one address, one central policy office. We used to have it fifteen years ago, I am not saying we need to go back to those days, as that was overpowering but look at Grain SA, they have one point man. Government knows who that person is.”

Respondent Fifteen believes both government and the wine industry need to take responsibility for the lack of competitiveness in the South African wine industry. *“We need a wine forum, not a WineTech, we need a separate wine forum to support our wines to help promote specific measures to advance the industry. You need someone on the technical side to handle that. We do not have that body. The Integrated Production of Wine (IPW) tells you that wine was produced in good conditions. We were the first to do it in the world. We were the first to adopt such green measures, but where are we now? We also have a good certification council. It is very effective but we don’t have that one person to give the industry the direction it needs.”*

Policy was also criticized by those who serve on the main trade, investment and export promotion office of the Western Cape. **Respondent Sixteen** *“Politicians across the country don’t understand commerce. They think they do but they screw it up. Where are the incentives for industry? The politicians are caught up in their self-importance and nothing gets done. They don’t get it. They want to promote small and medium enterprises (SMME), instead of the corporates. It is a load of “shit”. We need to promote the corporates who will create the jobs and then there will be service opportunities for the SMME’s to service the corporates. I have told Wesgro, that we need to become more business focused than trade mission and government focused. We have it the wrong way round again. If you look after the industry, the workers will have the jobs and the guys will be able to expand and employ more workers. Hello. You have it the wrong way around.”*

5.5.5 The potential for clusters

There was a surprising lack of knowledge of the concept of clusters by the sample. This includes a general understanding and not just the specific example of clusters in the wine industry. Only one respondent in the interview sample of seventeen knew about clusters, and was enthusiastic about it from the outset. While embracing the idea of regional identity and stronger regional cooperation there was an ambivalence to follow through on clusters.

Respondent Sixteen and **Respondent Seventeen** both board members of the main trade, investment and export promotion office of the Western Cape like the idea of clusters but seem reticent to promote them. **Respondent Sixteen** *“I was involved with Cape Town Partnership and the Central City Improvement District (CCID) for fifteen years. People laughed at us, but now we have a legal cluster, a creative industries cluster and cultural clusters. My company developed Design Quarter. It still works today. They still cluster in that particular node. If one thinks about food courts, clothing areas etc., we know the public likes to shop around. It is much easier when it is all in one region. I thought we had wine clusters? Please check at the Wesgro website.”* **Respondent**

Seventeen *“When I think of clusters, I think of Atlantis near Cape Town. It has been great for green tech. We also attracted Hi Sense (company) to Atlantis, and we also now want them to manufacture the component parts in Atlantis. We have not explored clusters in Cape Town for Constantia or Durbanville wine routes. This is something I think we as a City can explore in the future. We need to be aware of the incentives by the Department of Trade and Industry so that the City can explain it to our two wine routes.”*

The technical experts feel that there are currently too many regions for regional clusters to be successfully implemented. **Respondent Fifteen** *“The South African wine industry is not massive. It would be quite easy to connect the players with the relevant technology. We work closely with many players in the industry, I am one technical consultant but I work across the wine industry. You must remember that people are happy to share ideas which are not limited to wine region and go beyond that.”* **Respondent Fourteen** *“The wine farmer will tell you, I am not going into a cluster with someone else, if I am doing well, why should I? Bottelary, Helderberg are good examples. They are part of the Stellenbosch Wine Route and region and they want to go smaller, they do not want to go bigger. My identity matters to me. It is not just wine from South Africa, but wine from Stellenbosch and now wine from the Helderberg.”*

Respondents involved in local government supported the idea of collaboration and the pooling of resources. **Respondent Five** accuse the wine farmers and role players in the wine industry of having a history of short-sightedness and questions whether collaboration and cooperation could succeed in that regard. *“Overhex Cellars were struggling. We had four cellars in the region De Wet, Nuy, Overhex and Aan De Doorns. I was taking my grapes to De Wet. We wanted to work with Nuy and Aan De Doorns to buy out Overhex. At that stage, the chair of Aan De Doorns was an ‘ou oom’ (old man), and he said no, they want to remain on their own. Nuy said they are small and like a family and said they will also stay on their own. We as De Wet could then not buy out Overhex. The ideal would have been for the three of us to buy it out. The other guys did not want to join. . If I look at our farm; my grandfather produced 148 tonnes per annum my father did 500 tonnes per annum and bought a new car every two years and went overseas every year. I do over 1000 tonnes a year and 300 tonnes of peaches and lucerne. My family need to be bigger and bigger to make a success of the farm. We as a region need to go bigger and bigger. Currently our cooling systems, our tractors, and our grapes are great. That is why we started FirstCape to sell wine to Europe. The only cellar who joined us was Goudini Cellar (in Breedekloof), we got too big and we had to bring in more wine. We had to get more partners and brought in Badsberg (Breedekloof). We used to be the biggest exporter*

to the UK. We used Brand Phoenix. Distell joined us and bought wine from us. You can't just look at region. Economies of scale play a big role. Don't just be narrow. Van Loveren (Robertson) and those guys do all their bottling in Worcester. The more they bottle here, the more leverage they have."

Respondent Ten maintains that "Municipalities have a role in clustering. They can assist with rezoning, policy, and analysing future growth corridors and attracting investments from abroad. This is mainly a deciduous fruit area. I see it succeeding in the fruit cluster, but I don't know about wine. For me what makes the fruit cluster unique are the cooling facilities. They are pooling resources which bring down costs. The distributors ensure a lot of forward and backward linkages."

Respondents who are boutique wine farmers see value in clustering but are cautious about the chances of clusters being implemented on a regional level. **Respondent Nine** notes "Pride is a problem, people like to do everything themselves. We should have monthly "get togethers" in Tulbagh. It is the way to go. Clustering would be great for marketing, however, there is lots of outside investment here and not everyone shares the same ideas. We might operate out of Tulbagh but we still do our bottling in Worcester. One of the areas where we could become more competitive is to enhance the reputation of our export wines. Sadly, a lot of "plonk" has been exported for many years. Lots of companies still export wine at very low prices and it gets to be perceived as the norm. This has gone on for way too long. There is a global perception of where our wines should be priced at. Clients do not see our wines retailing for more than 25 Euros. However, I believe regions can change perceptions. Look at Fable, up the road from here. They are a small farm who has opened their own distribution network in the USA as there are no preconceived ideas of South African wine in that market."

Respondent Twelve believes in cooperation but also calls for realistic expectations. "I don't see us clustering on those commercial terms. Sharing facilities is a great idea. Growing the number of smaller producers is a good idea. I believe we should cluster on the production side, but not on the selling side. We love our neighbours but we are still in competition with them."

Considering the commercial mass market wine farmers, we see a divergence of opinion on the matter. **Respondent Eleven** sees the values in clusters and shows enthusiasm for them. "You can get money from the Department of Trade and Industry (DTI). They can fund up to 80% of your infrastructure costs. I cannot believe how wine farmers have not come to the table and talked about this grant. They should be planning how they will build a local distribution centre. This is money for jam. Wine Cellars SA has had two presentations by a director general of the DTI and he told us where

you could get money from for clusters. I am surprised that no one else has taken this further. When I think of clusters I think of the Paarl Valley Bottling facility. If one thinks of a bottling line and you look at Paarl Valley Bottling's financials, you will see that their turnover is the same as ours. We spent R2.5 million on maintenance, which is too low, we also spent R2.5-R3 million on infrastructure. Paarl Valley Bottling, on the other hand spends R800,000 on maintenance but R16 million on infrastructure. They are scrapping old lines and bringing in more efficient technology. If I had to combine Swartland Cellars, Kloovenberg, Mullineux and Allesverloren we would be doing about 6, 7 million litres of wine per annum. I reckon at R6 million you break even and then everything else is money for jam. We should also use clusters for marketing. It is expensive and takes so long to build a brand.

Respondent Three believes that the wine route could be the conduit for clustering, but provides anecdotes which do not bode well for future cooperation. *“Strictly speaking that is what the Robertson Wine Valley is. They are not just a marketing office. It is also a technical, sales, and research institution. They have become too focused on tourism and festivals. We have committees who are supposed to work on collective bargaining. There is a lack of commitment. In the early days they were only focused on the technical aspects and not really on tourism. The region worked on attracting experts from Napa Valley (California) in the early days, and there was much more of a technical focus and less focus on marketing. There are only two people in the office. With all the festivals going on, they can't do much more, but if the members got more involved, they could do more technical activity. I remember the Sinia label. Each farmer in the Valley was supposed to give grapes to produce the ultimate wine of origin from Robertson. Many farmers gave bad grapes. Even though the branding was well established, it was a poor experience for the area as the wine quality was shocking.”*

All the wine route managers were either non-committal, unaware or ambivalent about the chances of success for clustering in the wine industry.

5.7 Conclusion

This concludes the chapter on the results of research. The research results were grouped around three areas which all relate back to the research questions of chapter three. These included the concept of regional identity, which explored the “sum being greater than the parts”, the role of the wine route in harnessing regional identity, uniqueness and the benefits and drawbacks of the wine

route and its effect on regional identity. In addition, the research examined the generic marketing of wine in both local and international markets. First to determine whether it had the potential to advance the wine routes and their respective producers, and second, to examine whether the international or the local market would be more responsive to the brand, cultivar or region of wine from the Western Cape, or whether they would put an equal weighting on two or all three of the attributes (region, brand, cultivar). It also considered the role of boutique wine farmers in increasing regional awareness.

The second area of focus was on the research and development components within South Africa's tertiary educational facilities and whether they could advance clusters or complement regional innovation. The research results honed in on technology transfer, research and development and the link to innovation. It also considered wine route managers and their perceived role of tertiary institutions. It also probed wine route managers and their perception of regional innovation and finally, local government actors and their perception of regional innovation.

The research results final area of concentration was centred on leadership, policy, political facilitation and the potential for clusters. The research results began with the general idea of leadership and its importance in wine regions. It then specifically focused on examples of leadership within the wine industry and wine route. Other areas scrutinized included policy formation, policy and the link to competitiveness and the potential for clusters.

Chapter six will analyse and scrutinize the research results at greater detail, which will lay the foundation for the conclusion of this research project.

Chapter 6: Discussion of the Results

The rationale for chapter six is to analyse and interpret the findings from chapter five using the literature review of chapter two, the research problem of chapter one and the research questions set out in chapter three.

The three questions to be discussed are:

- Do wine routes hasten regional identity, and create an environment where generic marketing can enable increased competitiveness for wine producers
- Does South Africa have the required research and development components within its tertiary educational facilities and research centres to help calibrate clusters in the wine industry, and complement regional innovation?
- How important is political, industry and regional leadership in driving competitiveness in the wine industry, and in creating an environment for regional groupings or clusters to succeed?

6.1 Do wine routes hasten regional identity, and create an environment where generic marketing can enable increased competitiveness for wine producers?

Regionality concerns itself with the reputation a wine region has for producing wines with a recognised and appreciated style. It is most associated with 'Old World' wine regions such as Chablis and Rioja, which have established reputations for their particular styles of wine. In contrast this is much less common in the New World (Easingwood et al., 2011). While regionality has been less successful in the New World, can South African wine routes succeed in harnessing regional identity, thereby establish recognisable regional wine comparable to Old World regional wines which are renowned for their style, terroir and/or quality?

To answer this question, comments made by the respondents in chapter 5.3 will be assessed.

6.1.1 The effect of wine routes on regional identity

The research illustrates that the concept of regional identity is important. Besides one respondent being undecided the remainder see regional identity as either "somewhat important" or "very important". This is promising for the motivation behind wine routes in the Western Cape. The research suggests that new wine routes have been created by the wine producers because they saw

their region as different to the larger, more established wine routes they originally belonged to. The pioneers of Breedekloof saw differences to Worcester, with regards to climate, rainfall levels and terroir. The wine of origin status gave credence to the idea that the region should have its own wine route. Thus climate and geography can help shape regional identity which can be reinforced by the wine route. Another wine route which broke away from Worcester, said the move was vindicated because of the soil types and the quality of the wine.

Wine farmers had positive feelings about the role wine routes played in fostering regional identity. The research indicates that for some there is pride in belonging to a region and in the terroir it possesses. The Swartland was used as an example to show how wine farmers could use their regional identity to make a name for themselves and get good prices for their wine by producing top quality wines, suited to the terroir. There was general enthusiasm for regionality to continue to grow so that wine farmers could show the diversity of South African wines. It was also found that geography had a strong impact on identity. This complements the findings of Schamel (2006) which observes that there is a clear trend towards regional differentiation, reinforced by the protection of geographical indications (PGI). They provide for stronger property rights and value in regional names, thereby raising the rates of return on investments in regional promotion.

6.1.2 Generic marketing and regionality

The literature states that that as wine knowledge increases together with wine involvement, it develops into a greater understanding of a wine's region of origin, impacting positively on the consumer's wine decision-making process. (Famularo et al., 2010). A consumer's willingness to interact with wine-related motivations through wine tourism visitation has a profound effect on the importance of a wine's region of origin, therefore attributing to greater recall of wine region in the wine buying decision-making process. (Famularo et al., 2010). Literature speaks of a segment of consumers showing a higher degree of knowledge about the Appellation of Origin (AO), with higher levels of involvement with this brand. These consumers adopted a long and complex decision process when purchasing a wine and the AO took on an important role within it. (Santos et al., 2006)

This would complement the idea behind wine routes. The research indicates that wine routes were formed because of the very belief that generic marketing of a region would improve if they had their own wine route, and had the brand to distinguish themselves from other wine routes. From an experiential point of view, a region can also offer more than a standalone wine farm; hence the

overall experience of a region will be greater than just that of visiting one wine farm. It would also assist the producers if all wines from that region would be on the same shelf in a supermarket, as this would provide for easy reference

6.1.3 Influence of generic marketing on the local market and on the export market

The literature speaks of a regional composite variable (region, style and variety). When this was ranked against the other attributes of importance in the consumer's purchasing decision, it ranked third after quality and price. These results show that region of origin and the regional composite attribute are very important factors in the purchasing decision. (McCutcheon et al., 2009) The research shows that buyers in local and international markets respond differently to the use of generic marketing in the promotion of South African wine. Three categories were examined: region, brand and varietal. Admittedly, a fourth category should have been added, that of price. It was important to ascertain whether one of these three categories was more influential than the other, or whether a concept like the regional composite variable would be more influential, then just the region, or just the brand or just the varietal.

The research suggests that only one of the wine managers put forward the idea that varietal, region and brand have equal weighting on the local market. The research gathered from wine route managers suggests that region, as a standalone factor, is not the main determinant for those buying wine locally. The results from boutique wine farmers were inconclusive as well. The three factors were not given equal weighting by any of the respondents and there was no consistent pattern with regards to the same one or two factors standing out. This does not correlate with the findings of Angulo et al. (2000) which posit that the wine growing area is the main determinant of wine prices. Wines from Rioja and Duero (Spain) are more expensive than those produced in other regions or counties. These are precisely two of the regions with the oldest traditions in the production of quality wines. Perhaps the research findings are inconclusive and do not complement the current literature because of the strong tradition of regionality in the Old World, whereas in South Africa, a New World region, the concept of regionality is newer.

The research illustrates that commercial mass market wine producers see generic marketing as a challenge on the international market but see potential for change. However, for these producers, price is a key factor in making wine from South Africa more attractive to overseas buyers, and that this takes precedence over regional branding. If a particular wine brand or a particular region's

wines are on special, the greater the possibility the wine will be bought on that day over another country, label or region. International customers will first start with South Africa, and then look at distinguishing between provinces and then drill down to the region. Thus while regions do play a role, this pales in comparison to that of price.

The research gathered from the boutique wine farmers showed some consistency in suggesting that brand and region are vital. However, the minority view of the research gathered suggested cultivar was more important. There is good reason why the responses from commercial mass market wine farmers and boutique wine farmers would be different when it comes to the international market.

The literature predicates that there is a distinction between a wine brand that draws on the established associations with a place (e.g. California, Australia) and a wine brand that is intimately associated with a particular place (e.g. Rioja, Champagne). (Orth et al., 2005) Thus, the wine buyer who would seek out wine from a particular place is seemingly more likely to spend more on that bottle of wine, which differs to the commercial mass market wine farmers approach which is to compete on price and compete for space on the supermarket shelves. Thus, the literature puts forward the idea that quality wines exemplifying origin characteristics will be more appealing to consumers with a higher education level. Certification in the form of either a Product Designation of Origin (PDO) or a Protected Geographical Indication (PGI) or the similar schemes applicable to wines, clearly target a highly educated consumer (Skuras & Vakrou, 2002).

Boutique wine farmers need to compete on margin, not on volume, thus for them to be successful in Europe, the assertion by Skuras and Vakrou would tend to be correct as highly educated wine consumers are willing to spend more on wine and thus there is a premium on the brand and region of the wine. For the commercial mass market wine farmer, it is easier to compete on volume, thus price points become crucial in making their wine attractive to the supermarkets and getting shelf space. They will be targeting the customer who wants to buy a wine at a low price.

The literature states that “terroir”, as the French call the land where a wine’s grape is grown, not only provides a brand, but also, the producers would argue, imbues the wine with particular – even unique – characteristics. As a result, the description of wine from Old World producers focuses on where it comes from rather than the grape varieties used in its manufacture. This creates a distinction with most New World wines where the grape variety – Chardonnay, Merlot, etc. is often dominant in the presentation. (Orth et al., 2005) This complements the research on boutique wine

farmers tending to be most successful when focusing on brand and region when exporting, and varietal being less relevant.

The research also suggests that boutique wine farmers punch above their production weight when drawing attention to not just their wine farm, but the region as well. Boutique wine farmers are image conscious and realise that they need to differentiate themselves if they want to have any chance of success. Initiatives like the Swartland Independent appear to be not only of benefit to its members but to the region as well, as attention is now drawn to the region. The Swartland Independent has been a success because they made a stand and said that they would differentiate themselves on pricing, packaging and wine style.

In conclusion, wine regions in particular, and wine routes to some extent hasten regional identity. Generic marketing plays a key role in driving tourism to wine routes in the local market. Generic marketing is more important for boutique wine farmers on the international market, then for commercial mass market wine farmers. The generic marketing of regionality has a limited impact on competitiveness when it comes to commercial mass market farmers, but complements that of boutique wine farmers who are trying to compete for the discerning, well-educated wine consumer.

6.2 Does South Africa have the required research and development components within its tertiary educational facilities and research centres to help calibrate clusters in the wine industry, and complement regional innovation?

The literature on innovation stresses the importance of public investment in research and education institutions and of their connection to firms and professional organizations. (Touzard, 2010) In order for the South African wine industry to be continually competitive, it needs to be determined whether the research results of chapter 5.4 complement the literature, and whether the research and development components of the wine industry are effective, well-resourced and supported. This section will then analyse whether regional innovation is flourishing in the South African wine industry, and if it is flourishing, what are the determining factors of these pockets of innovation.

6.2.1 Research and development, technology transfer and the link to innovation

South Africa is part of the New World wine market. New World wine industries effectively demonstrate the 'innovation territories' concept by establishing a successful interaction between suppliers, producers, industry organisations, R&D institutions and government agencies at the local, regional and national levels. These stakeholders help to foster an innovative culture and are feeding a growing nexus between innovation and export performance. (Aylward, 2003) Cusmano et al., (2010) support the findings of Aylward by making reference to the New World and a process of technological modernization and pervasive organizational change that has been spurred by consistent investment and research effort by newcomers and supported by the establishment of specialized research institutions.

The research results found in this thesis do not support this theory. While South Africa is considered part of the New World, the research does not reveal any findings of specialised research institutions or collaboration between R& D institutions, government agencies and industry in developing innovation territories.

When it comes to technology transfer, there are concerns that research carried out was not being made available to the potential end user. While, the research suggests that this problem was not unique to South Africa, there was still not enough being done in South Africa to incentivise the researcher and their institution to champion technology transfer. Research suggests that South Africa should emulate California in changing the measurement metrics for researchers from three areas which are equally weighted, namely, 1) research 2) teaching and 3) community involvement (technology transfer) to the California model which has two metrics 1) research and teaching 2) community involvement. There is a perception that South African researchers focus more on publishing and teaching than on technology transfer.

Research also suggests that countries like Australia are far ahead of South African when it comes to technology transfer and research and development. While Australia earmarks some of the earnings from alcohol tax for research and development within the wine industry, none of that is done in South Africa, and due to a shortage of resources being set aside to promote research and development within the wine industry, South Africa will continue to struggle.

The research finding show that research institutions like Nietvoorbij are not of the same standard as more successful institutions in South Australia and California. While Stellenbosch is producing a lot

of research, much of it is not relevant to the market. There is an impression that there is a dearth of technical experts within the industry, and that there is a tendency to put the cart before the horse, where winemakers are attempting innovation, before mastering the basics. The research informs us that the specialised research institutions which Cusmano et al. (2012) reflect on, might be prevalent in the New World, but these are not prevalent in South Africa. It is felt that it is difficult to conduct sophisticated technical analysis on South African wines to ensure that they comply and meet various regulations. If that research cannot be conducted here, it would either become harder to find a market for some South African wines in countries or regions where regulations were strict, or the cost of production would go up as wine samples would need to be exported to a laboratory beyond South Africa to determine whether the wine complies with the requirements.

The research also advances the idea that farmers are failing to make the needed link between competitiveness and research and development, and that in order to be competitive, there needs to be a favourable appetite for increased research and development which could then be used to market their wines

The research shows a general lack of knowledge from the wine route managers of the role that was needed to be played by researchers, and research and development institutions. Only one of the wine route managers interviewed made reference to the importance of research activity within their region. Wine routes are constituent bodies which encompass many of the wine farmers in a particular locale. Whilst understandably, the role of the wine route manager is chiefly to market the wine farms in the area and promote tourism, it would be pertinent for them to show an interest in research and development which is being conducted in the area, as it could be shared amongst the members.

The general view held by the respondents does not complement the findings of Perez-Aleman (2005) who posits that development associated with clusters will depend on building institutions that foster collective learning and firm capabilities. These institutions emerge from the interactions between private and public actors. It seems as if wine routes in their current form are not the ideal tool to facilitate research and development findings to their members and their region. This could be because they do not have such a mandate. If the potential for clusters existed, representative bodies like that of, or similar to the wine routes will need to put more focus into collaboration with researchers to facilitate learning and proliferate the findings which would be relevant to their wine route.

6.2.2. Regional innovation

Literature speaks of regional innovation as the way firms learn in innovative clusters embrace user-producer relationships, formal and informal collaborations, interfirm mobility of skilled workers, and the spin-off of new firms from existing firms, universities and public research centres (Breschi et al., 2001). The idea of formal and informal collaboration is supported by Asheim and Coenen (2005) who state that regional innovation system (as well as regional innovation policy) is to support and strengthen localised learning of an existing industrial specialisation, i.e. to promote historical technological trajectories-based on sticky knowledge.

The research results seem to complement the idea of regional innovation, but much of the research ignores the role of universities and public research centres in the regional innovation process. This could be explained by the fact that there was only one respondent who lived in Stellenbosch, which is next to the main university and research institution. However, the concept of innovation in general and regional innovation in particular was all devoid of pointing to the need of collaboration with universities and public research institutions.

The research suggests that the role of boutique wine farmers in driving regional innovation is not fully appreciated by the available literature. The research gathered from the technical specialists speaks of boutique wine farmers being at the forefront of innovation, especially in an area like the Swartland. The research gathered from one of the respondents who is involved in a boutique wine farm in the Swartland alludes to their entity having no knowledge whatsoever of what role universities are currently playing in the area, and that the actors who are at the forefront of innovation and regional innovation are boutique wine farmers. Through bodies like the Swartland Revolution and The Swartland Independent, certain wine farmers were taking on old methods of wine making.

Research gathered from another boutique wine farmer points to how innovation is both global and regional, and that in order for the wine farmer to be continually innovative, there was a desire to travel to the Old World, the New World and parts of the Western Cape to see what is being done there. At the same time, key innovations had emanated from the region. In addition, this boutique wine farmer works with a researcher from a tertiary institution and sees value in the role of the research facility.

The consensus from the commercial mass market side is that regions can play a key role in fostering innovation, and that it will happen with or without research houses. Innovation is more dependent on the wine farmers and institutions housed in the specific region. Knowledge of local attributes is a key driver of regional innovation. Local attributes include soil and climate, thus if a region has a unique soil and climate, farmers in those areas are bound to be exchanging ideas and build on innovations which are not only beneficial for their farm, but could be used by the region as a whole.

The research seems to complement the literature which states that spillovers, particularly those associated with new technological knowledge, tend to be geographically localised (Baptista and Swann, 1998). The idea of unique regional conditions being a protagonist for regional innovation also complements the findings of Maskell and Malmberg (2007) who state that social or technical innovation, selection, and retention lead to the gradual build-up of routines that allow actors to economize on fact-finding and information processing. Thus, while the research does not complement the idea of universities and research institutions being critical to regional innovation, it does support the notion of unique regional conditions creating a climate for spillovers which will be geographically localised.

In conclusion, the research suggests that South Africa's research and development components have begun to lag behind that of other New World wine producing nations, and that the disconnect between the role of research and development facilities and regional innovation amongst wine farmers will make it challenging for clusters to develop. It also appears that regional innovation will continue to happen, regardless of the role currently played by the universities and the research houses.

6.3 How important is political, industry and regional leadership in driving competitiveness in the wine industry, and in creating an environment for regional groupings or clusters to succeed?

According to the literature, clusters rely on a collaborative relationship between the state and business. Thus, leadership is vital if regional groupings are to succeed. Using the research of chapter 5.6, this section will show how it is important both from a political point of view and from a wine industry point of view that there is leadership to drive the regional grouping and create conditions that improve its competitiveness.

6.3.1 Regional leadership

The research results show that much of the success of the wine regions and wine routes depended on leadership amongst the wine producers. It is important to note the value placed on leadership by the respondents. Of the fifteen respondents, only one respondent was undecided on the importance of leadership, and in the context of this research project, it must be noted that this was the first interview conducted by the researcher and that the question might not have been explained as thoroughly to the first respondent as it was to the subsequent respondents. The majority of the respondents saw leadership as very important and the remainder saw it as somewhat important. If regional groupings are going to succeed, and if clusters are going to come into fruition, industry leadership and regional leadership are absolutely vital.

This seems consistent with the findings of Bailey et al. (2010) who stipulate that place-renewing leadership tends to cover a regional rather than a local space in order to allow for the strategic coordination of trans-systemic synergies. Thus, a good leader of a wine farm has the potential to have the effect of their leadership transcend the borders of their wine farm and affect the region as a whole. This supports the idea of wine farmers being enamoured by the idea of a wine route and belonging to a wine region, where they are able to come to meetings and events and share information and knowledge, and for leaders to put their energies and efforts into an area or a project that much bigger than their operation. Even when high profile wine makers like Eben Sadie opt out of wine routes and choose not to invest their energies there, that energy was found to not just be reserved for his wine farm, but also into initiatives such as the Swartland Independent and the Swartland Revolution. Both are groupings which operate beyond the formal, existing structures, but are still part of a region, or a regional entity. This seems to complement Harmaakorpi et al. (2007) who point out that network leadership can help avoid regional lock-ins and aid development.

6.3.2 Leadership context

If one considers the findings of the research, it speaks to two of the Sydow et al. (2011) pathways to organize for leadership of and in clusters. The two pathways which complement the research include that of, starting from a personal approach via organizing certain locales to formalized governance, and by creating locales that provide for an intermediate degree of institutionalization. None of the research collected spoke of the second pathway offered by Sydow et al., namely, that of setting up formal cluster governance. The research shows that wine farmers who broke away from more

established wine routes to form their own wine routes often used personal approaches to do so, or by forming locales which allowed institutionalisation to take place. While it was deemed important to form locales, and to ultimately institutionalise, in none of the research collected, was it seen as necessary to go beyond that and form a cluster.

Bass (1985) finds that charisma could be necessary to an organization's success and the ability to inspire and arouse emotion is an important aspect of charisma. Conger and Kanungo (1987) speaks of leaders creating charismatic images of themselves during times of crisis, or during times of tranquillity being able to create the need for change. Avolio et al. (1999) also show how leadership needs to go beyond that of simply being transactional and become more inspirational, intellectually stimulating and charismatic.

This complements the research collected. While the questionnaire was semi structured and allowed the respondents to be anecdotal about the environment in which leaders operate, and with regards to specific leadership traits, one sees a pattern emerging which transcends beyond terroirs, beyond wine routes and beyond regions. Respondents who were not in an area with charismatic or innovative leaders looked to areas that do have charismatic or innovative leaders for inspiration, and hoped that the potential charismatic and/or innovative leaders would follow the example of the regions where those leaders have come to the fore. While another respondent cautioned against giving too much credit to specific individuals, and put forward the idea that leadership is also about the collective, other answers provided by the same respondent spoke about the pioneering spirit of the founders of the wine route, who certainly used charisma and bravado to create an identity for themselves which saw the wine route as not only different to the wine route they used to belong to, but also saw that the leaders of their wine route were different to the leaders of the wine route they used to belong to.

A respondent also made mention that it was not simply enough to be charismatic, and that leadership needed to be administratively competent, dedicated and responsible. However that respondent also stated that it was good to be in a region where charismatic leaders operated and were succeeding as it not only brought positive attention to themselves but the region as a whole. Another respondent, who happens to be a first generation wine farmer, but who has lived in the wine region their whole life, spoke fondly about the pioneering spirit of the founders of that wine route, and how it was good to see the next generation continue the work done by their pioneering parents. The research results show that it is not just a region which gets credited for the success of a

cultivar, but in much of the research, the cultivar is associated with a specific individual. Graham Beck and Champagne, Danie De Wet and Chardonnay. For some of the respondents, Beck and De Wet are seen as transformational leaders who imbibed charisma.

6.3.3. Policy competitiveness and political facilitation

The research results point to local government actors taking on less of a strategic role and more of a support role in working with the wine routes and wine industry. None of the respondents who were local government actors said that the municipality was involved in the formation of the wine route, and none of the other respondents in the sample knew of local government taking an active role in the formation of the wine route and the promotion of wine from that region. There were also challenges as some of the municipalities had more than one wine route in their municipal boundary, and while they found it hard to favour certain wine producers, it was equally hard to favour one wine route over another. The local government respondents generally felt that it would be better for all parties if the wine routes which overlapped in the same municipality amalgamated, and/or they also took on the same name as the municipality as this would advance the branding of the region, as it would be easier to make the connection between the area and the wine route. This does not take into account the difference of regions in terms of geography and climate, something which the wine farmers feel strongly about.

Local government's role is simply to help and support the wine routes when they put on festivals, such as providing additional police and municipal services, and assisting with the marketing of that particular event. Some wine routes receive financial support from the municipalities, but this is negligible. Some also provide office space. Those municipalities who receive support from municipalities are grateful for it, but see it as negligible.

When one considers the role of the provincial government, which has a mandate to promote agriculture and oversee the growth of that sector in the province, respondents agree that the provincial government needs to do more. The research suggests that provincial government is not sufficiently effective in providing incentives and promoting policies which would make the industry more competitive. Some of the research results show that the blame for the lack of support from the province does not fall squarely on the provincial government, but on the national government as well. There is a dim view taken on trade and industry, and agriculture policy. There was a general perception that the wine industry is not a key focus area for the government and that it was an

industry which was established, and still largely the preserve of those who also benefitted under *apartheid*. Some of the research points to the Western Cape being a political hot potato as it is the only province which is not governed by the African National Congress, and that the national government would be willing to take decisions which would not be in the interest of industry, but rather in the interest of the workers and those who are unemployed.

Paradoxically, some of the research points to the wine farmers being successful, not because of the government, but in spite of the government and that while European, Chilean and Australian farmers received support from the state, the South African wine farmer had to be additionally resourceful and competitive because of the lack of support from the state. Some of the farmers felt that the industry was heading to a critical point if the government did not step in and aid the farmers.

Some of the respondents put forward a case that the provincial government becomes more business and corporate friendly, and that if incentives are put in place and business would see the province as their ally, then more investment would come in and in turn more jobs would be created and services generated.

This does not resonate with Porter (2000) who believes that all government policies that inflict costs on firms without any compensating, long term competitive or social value should be minimized or eliminated. Upgrading clusters, then, requires going beyond improvements in the general business environment to see how policies and institutions affect particular concentrations of related firms and industries. Ketels (2006) supports the view of Porter by that competitiveness is a key issue for policy makers in many countries and regions. Its growing importance is fuelled by changes in the nature of global competition that have increased the pressure on many locations to design sustainable strategies to support and improve prosperity.

For Porter, it would seem that policy makers have a duty to be rational actors, and make the decisions which would be best for the economy and the best to support industries which are competitive and robust. While it would seem logical for policy makers to work with the industry to promote an environment which would be conducive to competitiveness, this does not seem to be the case in the Western Cape. The research also challenges Ketels's assumption as there is a general feeling that the government is not willing to work with the industry to implement sustainable strategies.

The findings of the research also do not complement that of Van Rooyen et al. (2011) who emphasises that the role of regulation and a supportive government policy environment were also found to be highly relevant for the competitive performance of the industry. The respondents in the sample did not see the policy environment as supportive nor did they see the government as responsible for the competitive performance by the wine industry in South Africa.

The research results show a negative view from the technical specialists when it comes to providing funding for research and development and that there was no support from either provincial or national government. While there is an understanding of why the government would perceive the wine industry as mature, there is not a strong correlation between industry maturity and competitiveness. While Australia are matched 1:1 with government funding when it comes to grants for research and development within the wine industry, South African research institutions face a constant struggle for grants. The research also points to certification and regulatory policies within the production of wine not being considered of the same standard as it was a few years ago, and that as export regulations become more stringent, South Africa will continue to struggle getting their wine into markets with stringent import criteria.

6.3.4 The potential for clusters

If one had to look at the geographic areas of the wine routes which were sampled for this research project, it would complement the Porter (2000) idea of clusters, as geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions in a particular field that compete but also cooperate. The only area where the wine routes would be at an immediate disadvantage is that of tertiary institutions. Most of the research institutions would fall into the Stellenbosch Wine Route. However, the universities and colleges do work with the various regions. There was also sentiment that the wine routes per se would not automatically translate into viable clusters. For e.g. the Bredekloof Wine Route's principal town is Rawsonville, which has very few facilities, and they would always need to rely on their bigger neighbour Worcester. However, the general feeling was that in an ideal world clusters could be viable, but they were not necessarily a current priority.

Many of the wine routes would also complement Rosenfeld's (1997) understanding of clusters as concentrations of interdependent businesses that are intrinsically linked through common or complementary inputs, innovations, processes, or products and that it is no coincidence that

furniture companies tend to cluster near timberland. Much of the research points to the wine farmers being near the grape growers and close by to bottling facilities. While some of the bottling facilities fell beyond the borders of the local municipality, they were still in the borders of the district municipality. Cook and Memedovich (2003) support the findings of Porter, and Rosenberg, by stating that clusters encompass all economic actors who directly contribute to the dominant production process of a region are partners in this network, including manufacturing companies, supply and marketing companies, financial institutions, research institutes and technology transfer agencies, economic associations and unions, training institutions, the regional government and even informal associations.

Clusters seem to be a very attractive offering for the wine industry. Most of the wine routes have what Maskell and Malmberg (1999) describe as specific localized capabilities of the area of location which represent a combination of assets of significant value and rareness. The wine routes certainly display “rareness” as some have succeeded in being renowned for unique cultivars, terroirs and climates. The collective contribution of many of the wine farmers also adds value and gives the area specific localized capabilities.

There is much literature on clusters and other New World wine producers. Nipe et al. (2010) state that the South Australian wine cluster constitutes the largest producer and exporter of wines in Australia. Beebe et al. (2012) make mention of the cluster in Paso Nobles in California where identity for Paso Robles was essential for this transformation and that this process proceeded internally in shaping the behaviour of actors within the cluster and externally as the quality of Paso Robles wine became known to key opinion-makers and then the wine-consuming public. These are two examples of the successful implementation of clusters in the New World, yet it remains a concept which is little understood by the respondents to this research. Clusters, and its Afrikaans translation-*groeperings*-were not familiar concepts to many of the respondents.

There was limited awareness of incentives offered by the Department of Trade and Industry (DTI), and that was reason enough for a small group of respondents to respond favourably to the idea of clusters, and being willing to explore the idea. Those who were willing to explore the idea were attracted more by the incentives put forward than by the belief that it would drive competitiveness. Some of the research supports the idea for trying out clusters so that a local distribution centre could be built. After having considered clusters, and knowing that there is support from the DTI, the

idea of a bottling facility appealed to a respondent as it would be financially viable, and make the area more competitive.

The technical respondents believe that there are too many wine routes for clusters to be viable, and that the wine routes are more about destination tourism than areas which are fit for purpose for regional clusters. There was also a disconnect between belonging to a grouping which would be financially viable as opposed to feeling a kinship with an area which was too large.

Some of the wine farmers believed that their fellow wine farmers are too short-sighted and unwilling to try new concepts or ideas, as their neighbours are perceived more as competitors than as potential collaborators. Some of the research indicates that clusters would be good on the demand side and work for marketing initiatives, and that farmers in the region should consider greater regional cooperation to increase competitiveness when it comes to exporting wine. Regions have a better chance of improving the perception of South African wine on the export market than standalone wine farms. This was contradicted by some of the other research which indicated that they would be more attune to the idea of sharing facilities within the region, but standing alone when it comes to marketing. It must be noted that the research which contradicts here are both from boutique wine farm actors.

While Spencer et al. (2010) state that clustering seems to have a generally positive impact on the performance of specific industries and, as a result, the locations in which they operate, they also state that local economic performance is determined not only by the presence or absence of clusters locally, but also by the type of cluster that predominates. If clusters are to ever become a viable option for the wine industry in South Africa, they need to be large enough to have a realistic chance of working and succeeding. Many of the current wine routes are there more to drive tourism than to drive regional cooperation and lay the platform for clusters. The research suggests that many of the current wine route areas are not large enough in their current form to be the automatic starting point for greater regional cooperation, and the eventual launching pad for clusters.

In conclusion, the research suggests that none of the current key players, regional leaders, and industry leaders are likely to create favourable conditions for clusters to develop in the short to medium term. While there are moves to make regional groupings more effective, there will not be the drive from the various role players and leaders to turn those regional groupings into clusters.

6.4 Conclusion

The objective of this chapter was to analyse the findings of the research in relation to the literature reviewed. While the findings show that regional identity is hastened by wine routes, and that generic marketing is able to assist wine producers in attracting or drawing attention to brands within the wine routes. It was also able to assist boutique wine farmers when trying to compete on an international level.

It also showed that the Porterian idea of clusters was difficult to implement in South Africa due to the challenges faced by research and development institutions and the lack of interest and/or combative approach from various political role players. Those two factors will prevent regional groupings from having the potential to form clusters in the short to medium term. These findings will all be brought together in the final chapter which follows.

Chapter 7: Conclusion and recommendations

This is the final chapter in the research project. It brings together all the findings of the research and ascertains whether the research project was consistent with its original objectives. It indicates where the project has assisted in building on the existing body of literature. It also makes recommendations for stakeholders involved in wine routes, and policy makers on a local, provincial and national level as well. It also offers future areas of potential research.

7.1 Summary of key findings

The study conducted was an exploratory investigation into regional groupings, and the potential for clusters within the wine industry and whether this would impact on competitiveness within the South African wine industry. The intention of the study was to determine whether regional groupings such as the wine routes merely act as entities to promote tourism to the area and/or bring attention to the area, or whether they have the potential to former regional groupings which could result in the formation of clusters, and whether this would make the wine industry more competitive.

This study was motivated by an OIV study which suggested that of the 10 major wine exporters, only South Africa, Argentina, and the USA saw its wine exports decrease between 2008 and 2011. It was also done at a time when the wine industry had just started recovering from labour unrest, which had received global news coverage. The study considered whether the wine industry, the various tiers of government and tertiary institutions could collaborate to form clusters and make the industry more competitive. It also considered whether regional identity and generic marketing could enhance competitiveness in the industry. The key findings were expanded upon in chapter six. They will summarised below.

7.1.1 The effect of wine routes on regional identity and the use of generic marketing to enable competitiveness for the wine producers within that wine region

The first key finding is that wine regions in particular, and wine routes to some extent, hasten regional identity. Generic marketing plays a key role in driving tourism to wine routes in the local market. Generic marketing is more important for boutique wine farmers on the international

market, then for commercial mass market wine farmers. The generic marketing of regionality has a limited impact on competitiveness when it comes to commercial mass market farmers, but complements that of boutique wine farmers who are trying to compete for the discerning, well-educated wine consumer.

7.1.2 The role of research and development institutions in driving regional innovation and creating a platform for clusters

The second key finding is that South Africa's research and development components have begun to lag behind that of other New World wine producing nations, and that the disconnect between the role of research and development facilities and regional innovation amongst wine farmers will make it challenging for clusters to come into fruition. Regional innovation will continue to happen, regardless of the role currently played by the universities and the research houses.

7.1.3 The role of leadership in driving competitiveness in the wine industry, and in creating an environment for regional groupings or clusters to succeed

The third key finding was that none of the current key players, regional leaders, and industry leaders are likely to create favourable conditions for clusters to develop in the short to medium term. While there are moves to make regional groupings more effective, and competitive, there will not be the drive from the various role players and leaders to turn those regional groupings into clusters in the short to medium term.

7.2 Recommendations to the wine routes and to the wine industry

More new wine markets will continue to develop. Demand for wine in countries like China, India and Nigeria will continue to grow, and opportunities for New World wine producing countries to gain a foothold and capture significant market share in these countries will be crucial. There will also continue to be interest from discerning wine buyers to place emphasis on source, and origin of the bottle of wine and thus wine producers need to make a clear and consistent decision to associate themselves with a particular region and use that region as a mark of quality to complement their marketing activities, both in South Africa and internationally.

While it is too early to write the success story of the Swartland Independent and the Swartland Revolution, it will be interesting to observe the direction and progress of these initiatives and whether existing wine routes could lose relevance to wine buyers and more importantly other wine producers who will perceive greater benefit in belonging to organizations which have strict membership criteria and production guidelines.

- There needs to be coordination between the Wine and Spirit Board's Wine of Origin Scheme and the various wine routes to standardise the certification and labelling process. The names of the wine routes need to be synonymous with the wine region at best, or at the very least the wine district. The name of the wine route should be on every bottle exported. This would be a far easier process if the names of the wine routes were synonymous with the wine regions or wine districts.
- The role and function of wine routes should not simply be for tourism and marketing purposes. They should play a greater overarching role in helping drive greater competitiveness in the region, and create a platform which facilitates strategic discussion and direction for the region as a whole.
- Wine routes should position themselves as attractive destinations for researchers, and research and development institutions, as research done in particular areas of the wine route could translate into research which could have regional significance.
- Wine routes should lobby local and provincial government for greater financial and material support. Wine tourism is a key magnet for local and international wine tourists to particular regions. With more resources at their disposal, there would be a greater possibility to have a sustained campaign to draw tourists into the route.
- Wine route managers should play a greater role in coordinating the activities of the wine farms. The research suggested that wine farms did not want to open up on Sunday because of operating costs and excessive wages. Wine routes need to bring all members of the wine routes together and get them to agree on weekend rosters so that there will always be wine farms to visit on weekends, and that potential visitors will be certain of wine farms being open for tasting.
- Incentives need to be provided for boutique wine farmers to be a part of the wine route. It is apparent that well educated wine consumers who are willing to spend money on unique single estate wines are willing to travel to particular wine farms just to taste and sample that wine. While boutique wine farmers are not in a position to handle busloads of day visitors who are doing wine tastings, they are in a position to put a region on the map and

attract the more discerning wine buyer to a particular region. This has been the case with the Swartland, and there is little doubt that this could extend to other regions.

- Greater attempts need to be made by wine routes to establish what their points of differentiation are. It is not just about offering different festivals, but also in the way they market themselves, and with the ancillary activities offered within the region. Thus, when consumers drink the wine of the region, or visit that wine route they know that the overall experience will be different to that of another region.
- Wine routes need to work with all stakeholders in the region to see how they can extend the value chain and the supply chain of wine production so that as much of the production process as possible could utilise local inputs, as this will reinforce their regional identity and extend the points of difference between it and the other competing regions.
- Where possible, and it is not always possible, because of differences in terroir, climate, and rainfall, there should be attempts to make the wine route borders, mirror that of the municipal boundaries. This would make it easier to market one wine route. Instead of local economic development resources and funding being diverted to more than one wine route, it should go to one wine route. This would also eliminate confusion amongst tourists and visitors. The Darling Wine & Art Experience should join the Swartland wine route, as they both fall under the same municipality and do not have a vastly different climate, or terroir.

7.3 Recommendations to policy makers

Wine farmers and the wine industry need to be reassured that the three tiers of government have the interests of the industry at heart, and also have the capability and the desire to support the development of the industry. There needs to be an improvement in the relationship between the wine industry and national, provincial and local government which would result in the success of the wine industry because of the support of government and not in spite of government.

- The Department of Agriculture, Forestry and Fisheries, and the Department of Trade and Industry need to engage with the wine industry on issues pertaining to export competitiveness. The current impression is that government has an adversarial relationship with the wine industry and that it primarily engages with it on labour and social issues. The long term survival of the wine industry depends on government understanding the trends in the global wine market and understanding why South Africa's export levels are declining and what can be done to assist them in exporting more to traditional and new markets

- The Ministry of Finance needs to earmark a percentage of sin tax revenues and allocate it to research and development and technology transfer. It is clear that South Africa is lagging behind in this area of the wine industry and that more funds and resources need to be made available to ensure that South African wine stays ahead of ever changing regulations and trade barriers which will curb the potential of their wine to be exported.
- In a South African context, the wine industry is mature and developed, but in a global context it is not perceived that way. The government must have a global context when analysing whether to provide support for the wine industry or not, or otherwise, the industry will continue to struggle.
- The Western Cape Department of Agriculture and Rural Development needs to be more effective in providing support to the wine industry. There needs to be more faith in the powers vested into the provincial department to help aid the industry. Agriculture is a significant job creator and driver of rural development in the province and the province needs to envision its success is dependent on the industry's growth and development
- The local economic development arm of the municipalities currently see their mandate towards the wine routes limited to assistance with tourist activities and infrastructure services. This mind-set needs to change and more strategic support should be provided to the wine routes to enhance their competitiveness.
- Policies should be passed which will make it easier for wine producers to operate and compete successfully. Wine farmers need to be assured that policies will exist which will make their on-going success possible.

7.4 Recommendations for future areas of research

The aim of this research project was to get insight into the effectiveness of regional groupings within the wine industry in South Africa, and to ascertain whether the prevailing environment was conducive for the implementation of clusters in the wine industry. This body of research has provided opportunities for other areas of research.

- There is need for research into whether clusters can be successfully implemented in environments where government agencies are adversarial to the industry itself. It would also explore whether clusters can be formed without the active participation of government.

- Another area of research is whether regional growth is impacted in areas where different tiers of government are controlled by different parties and whether political obfuscation can retard growth.
- The cluster theory seems to be a solid framework for advanced economies, can the theory be applied to economies which are less advanced, or does the theory need to be adapted to the economy where it operates?
- A case study can be written about the Swartland Independent and the Swartland Revolution, to see whether informal regional groupings have the ability to make an area succeed without the initial backing of commercial mass market wine farmers or the wine route in the area
- Another area of research is the use of generic marketing for appropriation of a unique food or beverage product by a town or region and whether this can become a point of differentiation for the town and increase economic growth and tourism for the area. Examples are *mampoer* and Groot Marico.
- Another area of research is the use of generic marketing for appropriation of a well-known person or celebrity by a small town or region and whether this can become a point of differentiation for the town and increase economic growth and tourism for the area. Examples are Nelson Mandela and Qunu, rugby player Breyten Paulse and the Koue Bokkeveld
- The link between technology transfer funding and innovation, and whether incentives for technology transfer will result in heightened innovation.
- The role of the Western Cape wine industry in rural economic development and whether alternative land use would add or detract from rural economic growth
- The mandate of local economic development and whether the objectives of social development and economic development are contradictory, and constrain local economic growth.

7.5 Concluding remarks

While the South African wine industry is not yet destined for cluster formation, it is clear from this study that regional groupings such as the wine routes have a vital role to play in the growth and the development of the wine industry in South Africa. In order for those wine routes to continue to be successful, they need to create a platform for collaboration between members where knowledge is shared amongst members. The wine route must also make geographic, economic and political sense.

Wine routes should not be solely focused on tourism, and should orientate themselves to develop a competitive mind-set. Political challenges and lack of investment in research and development can curtail the potential success of the wine regions and the industry as a whole. Sound policy and increased funding for wine research allows for the potential of an industry where producers, suppliers, research institutions and government agencies work together to ensure that the industry as a whole improves and ultimately becomes more competitive globally.

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Appendix A-Map of South African wine regions

WINEGROWING AREAS OF SOUTH AFRICA

WESTERN CAPE

COASTAL REGION

Districts:

- SWARTLAND
- STELLENBOSCH
- TYGERBERG
- CAPE POINT
- CONSTANTIA (Ward)
- TULBAGH
- PAARL
- FRANSCHHOEK VALLEY
- DARLING

KLEIN KAROO

Districts:

- CALITZDORP
- LANGEBERG-GARCIA

CAPE SOUTH COAST

- OVERBERG
- WALKER BAY
- SWELLENHAM
- CAPE AGULHAS
- PLETTENBERG BAY
- ELGIN (Ward)

OLIFANTS RIVER

Districts:

- LUTZVILLE VALLEY
- CITRUSDAL VALLEY
- CITRUSDAL MOUNTAIN

BREEDE RIVER VALLEY

Districts:

- BREEDEKLOOF
- WORCESTER
- ROBERTSON

WARDS NOT PART OF A REGION

- CERES
- CEDERBERG
- PRINCE ALBERT VALLEY
- SWARTBERG
- LAMBERT'S BAY

NORTHERN CAPE

- CENTRAL ORANGE RIVER (Ward)



www.wosa.co.za
www.varietyisinournature.com



Retrieved from www.wosa.co.za

Appendix B- South African wine regions, districts and wards

Region	District	Ward
Breede River Valley	Robertson	Agterkliphoogte Bonnievale Boesmansrivier Eilandia Hoopsrivier Klaasvoogds Le Chasseur McGregor Vinkrivier
	Worcester	Aan-de-Doorns Goudini Nuy Scherpenheuvel Slanghoek
	Swellendam	Buffelsjags
Klein Karoo		Montagu Tradouw
	Calitzdorp	
Coastal Region	Paarl	Constantia Durbanville Franschoek Wellington
	Stellenbosch	Jonkershoek Valley Papegaaiberg Simonsberg- Stellenbosch Bottelary Devon Valley
	Swartland	Groenekloof Riebeekberg
	Tulbagh	
Olifants River		Koekenaap Lutzville Valley Spruitdrif Vredendal
	Overberg	Walker Bay Elgin

	Piketberg Douglas	
		Andalusia Benede-Oranje Cederberg Ceres Herbertsdale Rietrivier OVS Ruitersbosch Swartberg
Boberg	(For the use of fortified wine from Paarl and Tulbagh)	

TABLE 1: Production areas demarcated according to the Wine of Origin Scheme (Anon, 1996)*.

* Western Cape is an umbrella geographical unit which encompasses all regions, districts and wards, except Andalusia, Douglas, Benede-Oranje and Jakobsdal-OVS, which are situated in the Northern Cape and the Free State Provinces.

(Retrieved from Saayman, 1999)

Appendix C Interview questionnaires

Questionnaire for wine route managers

1. Please describe the origins of this wine route and region?
 - 1.0 When did it come into existence?
 - 1.1 What makes this wine route and region unique?
 - 1.2 How did the wine farm owners and drivers of the wine industry in this region respond to the formation of the wine route and region?
2. What have been the benefits, and what has positively changed since the formation of the wine route?
3. On a scale of 1-5 how important is regional identity with one being of low importance and 5, of supremely high importance
4. What have been the drawbacks since the formation of the wine route?
5. What kind of support have you received from the provincial government, district municipality and local municipality?
6. Is there any collaboration with a tertiary research facility? If not, then, do you see a need to work with a tertiary research facility?
7. Would you describe your region as innovative? If so, please provide examples of innovation?
8. How critical is leadership in this wine route? Scale 1-5 Who are the people who are instrumental in the growth of this wine region?
9. What have been some of the positive externalities of the wine route? How do you see the link between regional groupings and tourism?
10. Has there been a request of those in this wine region to take the grouping further?
 - 10.0 Has the idea of a cluster ever been explored?
11. How would you define a cluster and do you know of examples of clusters?
12. How important is generic marketing for the wine route?
13. When promoting your wine at wine festivals across South Africa, do you see demand for the region, for the varietal or for the label, or a combination of all of the aforementioned?
14. Have you ever promoted your wine overseas? If yes, do you see demand for the region, for the varietal or for the label, or a combination of all of the aforementioned? If no, what have been the drawbacks of this wine route promoting their wine overseas?
15. Please give examples of collaboration within the different stakeholders of your grouping?
16. What kind of activity do you conduct on behalf of the region? Is there an export component

Questionnaire for local economic development managers or members of the mayoral committee

1. How important is the wine industry to your municipality?
2. How is the municipality able to work with the wine farms in the municipal boundaries?
3. Were you involved in the formation of the wine route and region?
4. Do you see the wine route and region as critical to the advancement of job creation? Economic activity? Tourism?
5. On a scale of 1-5 how important is regional identity with one being of low importance and 5, of supremely high importance
6. Do you use the wine route conveners as a facility to engage with the wine producers in your municipality?
7. What do you see your role as, with regards to the advancement of the wine route?
8. What have been the benefits, and what has positively changed since the formation of the wine route?
9. What have been the drawbacks since the formation of the wine route?
10. Is there any collaboration with a tertiary research facility and the wine route? If not, then, do you see a need to work with a tertiary research facility?
11. Would you describe your wine region as innovative? If so, please provide examples of innovation here?
12. How critical is leadership in this wine route? Scale 1-5 Who are the people who are instrumental in the growth of this wine region?
13. Has there been a request of those in this wine region to take the grouping further?
- 13.0 Has the idea of a cluster ever been explored?
14. How would you define a cluster?
15. Do you know of examples where clusters have been implemented?
16. What would the role of local government be in cluster formation?

Questionnaire for board members of provincial trade and export body

1. How important is the wine industry to the province?
2. How is the province able to work with the wine farms, and is there an overarching body your department goes through?
3. Was your department involved in the formation of wine routes and regions?
4. Do you see the wine routes and regions as critical to the advancement of job creation? economic activity? tourism?
5. On a scale of 1-5 how important is regional identity with one being of low importance and 5, of supremely high importance
6. What other roles do you see for the wine routes and regions?
7. What do you see your role as, with regards to the advancement of wine routes?
8. What have been the benefits, and what has positively changed since the formation of wine routes, across the province?
9. What have been the drawbacks since the formation of the wine routes across the province?
10. Would you describe the wine regions as innovative? If so, please provide examples of innovation here? Why have some surged ahead with innovation, while others lagged behind?
11. How critical is leadership in wine route development? Scale of 1-5
12. Who are the people who are instrumental in the growth of wine regions?
13. Has there been a request of those in this wine region to take the grouping further?
- 13.0 Has the idea of clusters ever been explored?
14. How would you define a cluster?
15. What is the provinces view and policy on clusters in the wine industry?
16. Do you know of examples where wine clusters have been implemented?
17. What would the role of provincial government be in cluster formation?

Questionnaire for wine farm owners

1. Your wine farm is part of the _____ route. Please describe the origins of the _____ wine route and region?
 - 1.0 What makes this wine route and region unique?
 - 1.1 Why did the wine farm owners and drivers of the wine industry in this region decide to form a wine route?
2. On a scale of 1-5 how important is regional identity with one being of low importance and 5, of supremely high importance
3. What have been the benefits, and what has positively changed since the formation of the wine route?
4. What have been the drawbacks since the formation of the wine route?
5. What kind of support have you received from the provincial government, district municipality and local municipality?
6. Is there any collaboration with a tertiary research facility? If not, then, do you see a need to work with a tertiary research facility?
7. Would you describe your region as innovative? If so, please provide examples of innovation here?
8. How critical is leadership in this wine route? Scale 1-5 scale Who are the people who are instrumental in the growth of this wine region?
9. What have been some of the positive externalities of the wine route? How do you see the link between regional groupings and tourism?
10. Has there been a request of those in this wine region to take the grouping further?
 - 10.0 Has the idea of a cluster ever been explored?
11. How would you define a cluster?
12. Do you know of examples where clusters have been implemented?
13. When promoting your wine at wine festivals across South Africa, do you see demand for the region, for the varietal or for the label, or a combination of all of the aforementioned?
14. Have you ever promoted your wine overseas? If yes, do you see demand for the region, for the varietal or for the label, or a combination of all of the aforementioned? If no, what have been the drawbacks of this wine route promoting their wine overseas?
15. Please give examples of collaboration within the different stakeholders of your grouping?
16. Do you think the wine route can assist you with export promotion?

Questionnaire for industry technical specialists and researchers

1. How important is technology transfer in the wine industry?
2. What is the link between tech transfer and innovation?
3. How would that compare to departments at UC-Davis in California, Adelaide, and Auckland
4. How many wine regions do you collaborate with?
5. How critical is the research and development component in making our wine industry more competitive?
6. On a scale of 1-5 how important is regional identity with one being of low importance and 5, of supremely high importance
7. Do you see the wine routes and regions as marketing initiatives, or do you see research value in the geographic boundaries of the wine routes?
8. What other roles do you see for the wine routes and regions?
9. What have been the benefits, and what has positively changed since the formation of wine routes, across the province?
10. What have been the drawbacks since the formation of the wine routes across the province?
11. Would you describe the wine regions as innovative? If so, please provide examples of innovation here? Why have some surged ahead with innovation, while others lagged behind?
12. Has there been a request of those in this wine region to take the grouping further?
 - 12.0 Has the idea of clusters ever been explored?
13. How would you define a cluster?
14. How critical is the research and development in clustering?
15. Is there sufficient political support for clusters in the wine industry?