Marketing Opportunities for Small-scale Organic Wine Producers in Slovenia: Proposing a Wine Cluster Model

A Thesis Presented for the

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DEDICATION

This thesis is dedicated to my dear friends Lydia Pulsipher and Mac Goodwin who made my education and this work possible by giving me the opportunity to attend graduate school in United States. They teach me every day that the only boundaries that exist are those we make ourselves. Without their sterling example as scholars, their tireless hours of guidance and long conversations over bottles of delicious wine, none of this would have been possible.

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ABSTRACT

The organic wine sector provides high quality artisan products as well as public goods and services and is gaining an importance in a global context. As such, this approach to wine production is seen as a potentially significant source of economic development and an initiator of change in local, rural areas. However, despite recent growing public and scientific interest in alternative approaches farming, organic wine production is still poorly researched.

This thesis focuses on examining the characteristics, challenges, and goals of the organic wine sector in Slovenia through the eyes of ten participant winemakers. Each participant winemaker is a small-scale organic producer that is a member of a “cluster.” The study’s participants’ responses indicate that while clustering presents an important marketing aspect for organic wine producers in Slovenia, the current clustering practice utilized by winemakers is ineffective. One of the biggest barriers that prevent organic winemakers to cluster is the sheer diversity of production approaches that they are practicing. Understanding of organic wine sector is rather simplistic and assumes that different approaches like organic, biodynamic and natural all fall under the same name “organic”. This heterogeneity creates fracturing within the organic wine community: winemakers who practice different production approaches are not motivated to collaborate with others whose approaches differ. This problem is compounded by the fact that there are lax certification and regulation standards for organic wines, thus allowing broad discrepancies in the qualities of wines and cause value loss. The conclusions of this study suggest that Slovenian organic wine sector requires careful attention in order to understand the complex nature of different production approaches and enhance the future development.

This study of the wine cluster model and its application will contribute to further research on agriculture clusters. It will also set a good example for other wine growing regions where small-scale wine production could be perceived as a niche marketing opportunity instead of a frustrating barrier.

Keywords: Organic Viticulture, Wine Cluster, Economic Geography, Europe - Slovenia

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CHAPTER 1
INTRODUCTION

The organic wine sector in Slovenia is expanding and gaining an importance within country's broader wine industry (Brejc, 2010). The number of organic winemakers who are producing high quality wines is growing every year and attracting others to convert from conventional to organic wine production. The acreage devoted to certified organic vineyards has expanded from 67 acres in 2005 to nearly 733 acres in 2010 (STAT, 2012). In 2009, there were around 180 organic winemakers in Slovenia, 75 percent of whom grew their grapes on an average of less than 1.25 acres (ibid). Although this acreage represents only a tiny percentage of the total space occupied by organic vineyards in Europe, the growth represents a significant step for the Slovenian organic wine sector. These small-scale organic vineyards are worked manually, using sustainable practices that require minimal intervention by winemakers. Despite the growing interest in producing organic wines in Slovenia, several factors have slowed the industry's growth, including the persistence of conventional approaches to wine production, issues with the certification of organic wines, and inadequate approaches to marketing (Brejc, 2010).

Although organic winemakers in Slovenia face numerous barriers, their inadequate approaches to marketing present the greatest concern (Bojnec & Jurincic, 2009; Brejc, 2010; Marks, 2011). As such, I asked the following research questions: Why do organic winemakers in Slovenia have such a hard time marketing and selling their high quality artisan wines? What are the sources of their marketing challenges and how do winemakers overcome them? By asking these questions I was led to seek the

understanding of whether clustering or forming associations of organic winemakers in Slovenia provide an adequate understanding of the marketing practices of small-scale wineries? Specifically, I focused on investigating the wine cluster approach by analyzing the applicability and potential effectiveness of this approach to small-scale organic wine producers in Slovenia. The results of this study are based on interviews conducted with ten small-scale organic winemakers who are located in two wine regions in Slovenia.

In this chapter I will first briefly explain the significance of this thesis' topic and how it fits into and contributes to knowledge production within the discipline of geography. I will describe a few gaps in the existing literature and highlight the areas where there is a need for a future research. I will also describe this thesis' research questions and explain its theoretical and methodological framework. Following the framework, I will provide brief background information on wine industry in Slovenia with the special emphasis on organic wine sector. This chapter concludes with an overview of the thesis.

1.1 Significance of the Topic

Geographers have consistently been interested in production of wine as an agricultural activity that both reflects and defines the characteristics of local places and yet still impacts global economic activity (Dougherty, 2012). The aspect of wine industry's local-global relations and its position in the context of ever-changing economic and regional characteristics has spurred substantial interest, especially in the discipline of economic geography (Sommers, 2008).

Amongst their many endeavors, economic geographers seek to understand the phenomenon of economic agglomeration, networks, and clusters as they form within the

wine industry (Dougherty, 2012). Wine cluster studies contribute to the field of geography because of its tendency to agglomerate and connect on a national and international level (Centonze, 2010; Giuliani, 2007; Turner, 2010). Even so, the recent geographical interest in agglomerations in relation to the wine industry is relatively insufficient (Centonze, 2010). The majority of previous research of clustering within the geography discipline has focused on examining industrial clusters (Gruber & Soci, 2010). This focus has unfortunately neglected the importance of agricultural agglomerations of economic activity such as wine production.

1.1.1 Do Wine Clusters Initiate Economic Growth?

Although geographers are interested in understanding the phenomenon of wine clusters, the bulk of research on wine clusters pertains to the fields of economics and business (Centonze, 2010). Their research focuses primarily on wine clusters in New World wine producing countries1 with the intention to examine their viability and potential for future economic growth (ibid). The application of cluster model has proven successful for many large New World wine producing countries. (Aylward, 2004; Gálvez-Nogales, 2010; Giuliani & Bell, 2005; Mytelka & Goertzen, 2004; Porter, 1998). Many of these countries now have highly developed wine clusters, which have been the subjects of studies (ibid). The bulk of these studies have followed the theoretical framework of Michael Porter's study of agglomerations of economic activity (Porter, 1990) and his successful work on Californian wine clusters (Porter, 1998).

[1] Included in "New World" wine producing countries are mature economies such as United States, Australia and New Zealand as well as the developing countries of Argentina, Chile and South Africa. New World countries have played a leading role in the wine industry since 1990s (both in production and exports) and challenged the so-called "Old World" countries in Europe, such as France, Italy, Spain, and Portugal (Giuliani, 2007; Rebelo & Caldas, 2011).

According to Porter's study, the cluster approach has the potential to greatly enhance the economic development of wine regions (Porter, 1998). Specifically, this approach proposes that an application of the cluster model could promote innovation, productivity, competitiveness, economic growth, and the development of specific winegrowing regions (Porter, 1990; 1998). Although Porter's cluster model has proven effective for many high-volume wine producers around the world, it is not yet clear whether this approach would be suitable for small-scale wine production. This study addresses that gap by exploring whether the cluster approach as proposed by Porter (1990; 1998) provides a viable method for small-scale organic wine producers in Slovenia.

1.1.2 Organic Wine Clusters - Do They Matter?

Within the context of emerging interest and research on organic wine production, the clustering of this sector is important yet under-investigated area of the research not only in geography discipline but broader (Krzywoszynska & Bouzdine-Chameeva, 2011). Although there are a few studies that focused on examining clustering among small-scale wine producers, they never addressed the organic wine production in particular (see Bélis-Bergouignan, 2011; Ditter, 2005; Zanni, 2004). The lack of research extends to the organic wine sector as a whole. This is rather surprising, considering the recent shift in the global wine industry and increased interest in organic wines. This lack has created a notable absence of any discussions about the nature of the organic wine sector and the role that organic wine makers play in the global wine industry.

While some may choose to lump organic winemakers in with conventional winemakers in studies, differences in lifestyles, production techniques, and professional

interactions warrant a completely different categorization. The difference of lifestyles between organic wine producers and those following conventional production was one well described by one of the most prominent wine journalist Christine Pickard (as cited in Bergman, 2013; 30) saying:

> "A far cry from the suited and booted clean-shaven managers who greet you at the golden gates of a many marble - floored wineries, natural winemakers are their tattooed, pierced cousins, the vagabonds of the wine industry…They are the colorful characters making wine in the way that is turning the industry on its head."

Understanding the nature of the organic wine sector is important because of its fragmented nature caused by different grape and wine production techniques. These techniques can be subdivided into organic, biodynamic and natural approaches.[2] Fragmentation is confusing for producers, consumers and policymakers, and is further compounded by insufficient labeling and certification rules for organic wines. (Krzywoszynska & Bouzdine-Chameeva, 2011). This approach advocates a simplistic understanding of organic wines by masking their true characteristics (ibid). By examining the geographic characteristics of organic wine clusters, this thesis highlights the specifics of the organic wine sector and presents a new perspective on clustering within the wine industry.

1.2 Research Questions

This thesis' main goal is to understand the nature of clustering amongst organic wine producers in Slovenia, and how clustering influences their marketing decisions. With this understanding, this thesis will identify problems and suggest solutions to their

[2] Throughout this thesis, the term "organic," when referring to wine production, encompasses organic, biodynamic, and natural wine production. Chapter 3 explains each approach in greater detail.

marketing issues. I began this research with two primary assumptions: 1) that organic wine producers can form beneficial relationships because of shared values and approaches, and 2) that marketing methods that have proven effective for conventional wine producers may not be the best marketing methods for those intending to market organic wines. The first assumption is based on the notion that conventional clusters are unattractive to organic wine producers. This is because organic wine producers share the perception that the use of artificial fertilizers and pesticides is environmentally destructive, and that conventional winemakers tend to place profits and sales before quality and safety.

Armed with these assumptions, I sought a better understanding of the clustering phenomenon within the organic wine sector. In addition to the primary research question - does the cluster concept provide an adequate understanding of the marketing practices of small-scale organic wineries in Slovenia? Keeping this in mind, the following research questions framed this study:

1. Does the cluster concept provide an efficient marketing solution for small-scale organic wineries in Slovenia?
2. What are the different economic and socio-cultural forces that initiated the formation of organic wine clusters in Slovenia?
3. What are the different types of clustering in which organic winemakers engage in?
4. What are the benefits and drawbacks that organic wine producers are facing when they cluster with other organic winemakers?
5. What are the different approaches that an organic wine cluster could use to differentiate itself from other conventional wine clusters?

I sought to answer these research questions and understand the clustering phenomenon by following the theoretical approach proposed by Porter (1990; 1998). By

conducting interviews with ten organic winemakers who are members of clusters, I was able to gather results. With these results, I suggested answers to these research questions. In Chapter 4, a review of the analysis suggests that Porter's model is not the optimal approach for understanding clustering phenomenon as it relates to small-scale organic wine producers. Because Porter's clustering approach was not optimal in this situation, I applied a grounded theory approach, which provided insight into the individual winemakers' perceptions of clustering and their underlying motivations. This approach revealed their perceptions of themselves as winemakers, marketers, and members of clusters. The findings of this study will provide a better foundation for future research in this area.

To utilize a grounded theory approach, one must first have an understanding of the subjects' qualitative surroundings. For the purpose of contextualizing the cluster model and cluster members within the Slovenian wine industry, I have included some background information on Slovenia's wine production.

1.3 Slovenian Wine Industry - Background Information

Slovenia's wine tradition dates back approximately 2,400 years (Prunk, 1994). Accounting of modern Slovenia's viticultural acreage varies depending on the source, but there are between 40,000-60,000 acres of vineyards and over 25,000 individual grape producers in the country supporting over 40,000 wineries (STAT, 2012). Most of these wineries are small-scale family operations making wine for home consumption. The entirety of the country produces approximately one hundred million liters of wine annually. Of the total produced, at least 90% is consumed domestically (STAT, 2012).

In the last two decades, the Slovenian wine industry has positioned itself as one of the leading wine producers in Central and Eastern Europe (Marks, 2011). The former-Yugoslavian Republic of Slovenia is a tiny Central European country situated on the Adriatic Sea and sandwiched between Italy, Croatia, Austria, and Hungary. Today, Slovenia is the point of intersection of four major geographic macro regions: the Alpine, the Pannonian, the Dinaric, and the Mediterranean (Azman & Kladnik, 2009). This four-part identity contributes to the physically fragmented landscape that contributes to Slovenian wine regions' distinct character. Slovenia gained its independence from Yugoslavia in 1991 and has experienced an unprecedented era of agricultural transition.[3] This transition within the wine sector marked is by the country's consistently high quality wines. The qualities of these wines reflect the distinctions of indigenous grape varieties, the knowledge of wine makers, and the distinctive character of the region (Brejc, 2010; Jurincic & Bojnec, 2009; Marks, 2011). The combination of rich soil characteristics, specific location, and moderate climates enabled a production of wines with unique characteristics that utilize organic and other sustainable approaches in their production.

Over the last two decades, Slovenian wine growers have proven they can produce high quality wines that are internationally competitive. In fact, their production methods are considered to be among the best in Central and Eastern Europe (Marks, 2011). Much of Slovenia's success can be contributed to their Italian and Austrian neighbors, as those countries have successfully produced and marketed wine for many

[3] Agricultural transition period in Slovenia describes the processes and changes in Slovenian agriculture in the context of the socio-economic shifts in post-socialist European states in the 1990s (Lorber, 2009).

generations (Marks, 2011). Although Slovenian winemakers have enjoyed relative success in the region, ineffective marketing remains the single greatest obstacle to global recognition (ibid).

Over the last twenty years, the focus of the commercial wine industry in Central and Eastern Europe has shifted from producing the highest quality grapes to producing the highest yielding crops (Marks, 2011). This recent change in priority has been heavily influenced by the development of “New World” wine producing countries whose success stories are owed to the mass production of grapes and wine. New World countries currently lead the world in wine production (Marks, 2011). Driven by a desire to compete with New World wines, Slovenia’s three largest wineries have largely discarded their traditional production methods in favor of mass-production (Brejc, 2010). Consequently, Slovenia’s three major wineries produce 83% of the country’s exported wine. Still, most wine produced in Slovenia is consumed domestically, with total overall exports accounting for a modest 6% of total production (ibid).

Effective exporting of Slovenian wines and enhancement of the country’s name recognition would require a fundamental restructuring of production and a renewed marketing strategy. Slovenia’s fragmented landscape renders the majority of Slovenian wine producers unable to produce wines in large enough quantities to remain competitive in a global marketplace where sales volume is the primary metric for success (Marks, 2011). As such, small-scale production of high quality wines remains the most effective method of production. To monetize the unique high-quality and strong winemaking history behind the country’s wines, traditions and sustainable approaches

need to be acknowledged and emphasized in the future regional economic development of the country (ibid).

1.4 Overview of the Thesis

This thesis is divided into five chapters, including this introduction (Chapter 1). Chapter 2 contains a literature review, which provides the theoretical framework for my study of wine clustering in relation to organic wine production. This chapter has been bifurcated into two distinct and separate sections: 1) characteristics of organic wine production, and 2) clustering, specifically as relates to the wine industry.

Chapter 3 contains the presentation of thesis' methodology and describes each stage of the research process. This chapter details where the research was conducted, how participants were recruited, and how the data was collected. Chapter 3 concludes with a brief overview of how the data was analyzed.

Chapter 4 presents the analysis of the data sets presented in Chapter 3. The data sets are organized and presented in the context of a framework that is divided into four primary themes and sixteen secondary subthemes.

Chapter 5 concludes this thesis with a discussion of the results and analysis of the field research and its broader implications. This chapter details how participants' personal epistemologies grounded in their mental preconceptions influence their personal beliefs, and discusses the implications of these findings. This chapter concludes with a foundation for possible new research opportunities that could further examine the distinctions between organic winemakers and proposes the establishment of a new research approach, specifically tailored for organic, biodynamic, and natural winemakers.

CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

This chapter aims to theoretically frame the thesis's research questions on how the cluster concept could be applied to agricultural activity, specifically to the small-scale production of organic wine. The structure of is literature review is organized into two major topics: 1) the existing research on organic wine production, and 2) the existing research on clustering. This literature review will conclude with a discussion of the application of the cluster concept to wine industry.

The first section focuses on organic wine production. This section examines the existing research on organic wine production within the field of geography, followed by a brief description of organic wine's environmental, cultural, social and economic characteristics. The main objectives of this section are to emphasize the importance and advantages of organic wine production and to highlight the need for a holistic approach to future studies.

The second section of this chapter focuses on clusters. This section relates the important contributions of the cluster concept to geography as a discipline, analyzes different research approaches, and provides a detailed description of the cluster model proposed by Michael Porter. This part of the literature review identifies what is lacking in existing literature, while examining potential research areas in geography where the cluster concept could be applied in the future. The need for developing an agricultural cluster is further discussed and put in the context of the contemporary globalization effects on agricultural activities that are situated in local environments.

In the third part of the literature review, the wine cluster concept is applied to the wine industry and illustrates this application by examining the main characteristics of wine clusters. This chapter illustrates how the cluster model, when applied to agricultural activities like grape and wine production, might serve as a tool for geographers to study regions and understand their physical and human characteristics. This chapter concludes with a brief summary of the literature review.

2.2 Organic Wine Production: The Need for a Holistic Approach to Research

The last few decades have seen an increased interest in alternative food production due to environmental awareness, health concerns, and the desire to produce high quality food (Darnhofer, 2010; Goodman, 2004; Pollan, 2012). Because of this, local and organic agriculture has expanded at an unprecedented rate, exceeding the expansion of the food industry as a whole (Pollan, 2012). These local agricultural activities are no longer considered mere producers of raw materials for the food industry; they now provide artisan products and public goods and services (Darnhofer, 2005; Pollan, 2012). Furthermore, locality-based agricultural processes are gaining importance in a global context and are seen as potentially significant sources of economic development in rural areas (Butler et al., 1998; Darnhofer, 2005; Preston, 2008; Vastola & Tanyeri-Abur, 2009).

Despite the recent considerable public and scientific interest in several alternative agricultural activities, production of organic wine is still poorly researched (Bouzdine-Chameeva & Krzywoszynska, 2011; Preston, 2008; Visconti, 2010). This lack of research is evident in the field of geography, where the majority of research on organic

wine production focuses exclusively on the environmental aspects of this activity by primarily scrutinizing its economic, social and cultural implications. Alternative consumables like organic wines are often lumped into the category of “sustainable development,” which focuses primarily on reducing the environmental impacts of this agriculture activity and neglects the important economic, cultural and social factors (Darnhofer, 2005; Santini & Cavicchi, 2011).

Sustainability, however, is a complex matter and researchers should acknowledge that there are many paths and approaches to study and understand sustainability within the context of alternative agriculture (Santini & Cavicchi, 2011). Sustainable agriculture is comprised of three goals: environmental health, economic profitability, and social equity (Zucca, 2008). In this context, geographers, academics, and policy makers should make a clear distinction between these approaches and develop a way to apply the three goals of sustainable agriculture to alternative agricultural activities like organic wine production (Gold & Gates, 2007). According to Visconti, “[T]here is a growing need to focus on sustainable wine growing practices that are environmentally and socially friendly as well as economically viable.” (2010; 46). Sustainable viticulture aims to “avoid [] any form of environmental degradation and maintain[] the economic viability of the vineyard.” (Robinson, 2006; 12).

A holistic understanding of the organic wine sector is necessary for the development of its sustainability and viability (Darnhofer et al., 2010). Organic wine production should be perceived and studied as an interdependent system of environmental, economic, social processes that are defined by specific regions (Darnhofer et al., 2010 ; Vastola & Tanyeri-Abur, 2009). The understanding of this holistic and integrative approach is of

paramount importance, as it will begin to reveal the full impact that organic wine production can have on rural and peripheral areas (Pugliese, 2001).

According to Zucca, there are numerous different criteria with which to assess the current sustainability of the entire wine sector (2008). For the purpose of this study, a holistic approach would encompass four major perspectives - organic wine as an environmental, economic, cultural, and social good.

2.2.1 Environmental Perspective

Organic wine production reflects sustainable agricultural methods based on the responsible use of natural resources and minimal human intervention (Vastola & Tanyeri-Abur, 2009). This alternative approach developed as a response to the prevalent mass production of conventional wines that “impacted an increasingly disrupted natural environment through amplified carbon output, overuse of synthetic chemicals such as pesticides, fertilizer, herbicides, excessive topsoil erosion, and water mismanagement.” (Sommers, 2008). Recently, grape growers and winemakers have started to pay attention to these damaging practices and some are beginning to follow more organic approaches (Zucca, 2008; 2). These alternative agricultural approaches “treat the farm or vineyard as a self-sustaining ecosystem” by using natural predators instead of harmful pesticides, using compost instead of chemical fertilizers, and ensuring that all varieties that are grown are appropriate for their local environment (Gleason, 2006; 6). These environmentally friendly approaches to wine production also “respect water sources, buil[d] healthy soil, work in harmony with nature, and preserve biodiversity and reduce health risks from pesticides.” (Organic Trade Association, 2008 in Visconti, 2010; 46).

Organic practices benefit vineyards and surrounding areas because they improve the soil fertility that provides the foundation for healthy grape vines; as a side-effect, these practices also help to prevent the erosion that is usually caused by conventional farming (Vastola & Tanyeri-Abur 2009; Visconti, 2010). Also, organic wine growers pay a lot of attention to selection of grape vines because "one of the fundamental requirements for producing distinctive organic wine is the ability to match the unique characteristics of each growing region with the most suitable varieties of grapes (Visconti, 2010; 47). However, each approach that aims to preserve natural resources is considered to be a "main environmental imperative for the wine industry; not only to provide long-term viability and security, but also to maintain the long-term integrity of all ecological and agricultural processes." (Visconti, 2010; 54).

Organic wine producers aim to produce high quality wines by allowing their wines "to express their terroir as purely and as honestly as possible." (Jancou, 2012; 2). Winemakers must conduct soil examinations to find which breeds of grapes will be most unique and express the personality of their vineyards. (Gleason, 2006; 6). Careful selection combined with the prohibition of any use of harmful chemicals will ensure that the quality of the soil and health of the grape vine is sustained (Sommers, 2008). When plentiful microbes combine with the necessary nutrients to create unique wine grapes, grapevines will absorb the proper amount of nutrients, water, and microbes to grow at a natural rate (Visconti, 2010; 46). This natural rate will produce the highest quality grapes that have the most distinct terroir (ibid). Devout organic winemakers and scholars call any departure from this method a "falsification," especially if the resulting wine is tweaked in such a way to increase sales or artificially inflate review scores by wine

critics (Jancou, 2012). Accordingly, Joly (2007) postulates that the use of artificial fertilizers and sprays in conventional wine production completely eradicates the power of terroir and consequently the character of organic wines.

2.2.2 Social Perspective

The ongoing debate about the health effects of conventionally produced wines have recently caused a lot of attention among consumers (Visconti, 2010). This awareness is a consequence of growing consumer awareness of environmental degradation and how conventional agricultural production methods and products might be harmful (Zucca, 2008). Many consumers desire safe ways to access food that is healthy, which they often associate with terms like “organic” or “sustainable.” (Zucca, 2008). In the context of growing consumers awareness, consumers want to know how their purchases holistically affect their quality of life (Visconti, 2010; 79). Organic wine production therefore has the potential for social influence that may significantly define our everyday decisions and lifestyle. This agricultural approach may also attract a new generation of farmers who recognize it as positive and beneficial for society and the environment (Vastola & Tanyeri-Abur, 2009).

2.2.3 Cultural Perspective

Compared to other agricultural products, wine is perceived as a cultural good and not a mere commodity (Marks, 2011). In other words, wine is a cultural good “that embodies more than the sensory characteristics of other consumables.” (Aylward, 2008 as cited in Marks, 2011; 6). This is especially true for organic wines that are made with minimal vineyard intervention and are able to express the distinct characteristics of the environment by preserving cultural, local and traditional agricultural systems (Vastola &

Tanyeri-Abur, 2009). According to Visconti, “In many respects, organic winemaking represents a return to the traditional approaches to winemaking which once facilitated wines of great distinction.” (2010; 47). Distinction and unique character are a reflection of a vineyard’s soil and climate as well as tradition and culture and present one of the most important characteristics of organic wine. Just as there is more to organic wines than an organic label, “there is certainly more to incorporating sustainable business practices than strengthening a brand or capitalizing on the growth of the lucrative green market.” (Visconti, 2010; 62).

2.2.4 Economic Perspective

Over the past few decades, organic wines have been gaining noticeable attention from consumers and have become profitable in both domestic and foreign markets (Bouzdine-Chameeva & Krzywoszynska, 2011; Vastola & Tanyeri-Abur, 2009). Despite their improving successes, organic wines still represent only a small share of the global wine industry. Small-scale organic wine producers face substantial barriers in meeting their goal of producing internationally recognized wines. Small-scale producers lack many of the advantages that large producers enjoy, such as “low labor cost, scale economies and fragmented ownership of land.” (Marks, 2011; 15).

Developing a stronger organic wine market requires the implementation of several strategies (Bouzdine-Chameeva & Krzywoszynska, 2011). First, detailed research of consumer expectations of the organic wine market in the USA, Japan, and Europe must be conducted (Bouzdine-Chameeva & Krzywoszynska, 2011). This research would enable winemakers to more easily access foreign markets and strengthen their competitiveness (Hussain et al., 2008). Second, a strong connection between organic

wines and quality must be established in the mind of the consumer (Bouzdine-Chameeva & Krzywoszynska, 2011). According to several scholars, the mental association of quality and organic wines is one of the most decisive factors in the process of attracting consumers and distinguishing alternative wines (Aylward & Zanko, 2008; Flint & Golicic, 2009). Finally, a new certification system for organic wines must be created. Currently, a confusing and inefficient certification system for organic wines presents a barrier for producers and consumers, and impedes the successful exchange of goods (Bouzdine-Chameeva & Krzywoszynska, 2011; Vastola & Tanyeri-Abur, 2009).

Despite this barrier, "[T]he international wine industry seems to understand the benefits of organic farming." (Visconti, 2010; 49). In addition, the organic wine sector has been promoted by applying environmental marketing, which is "a viable and important option for generating salient consumer appeals as well as for differentiating goods and services from competitors' offerings." (Kilbourne & Carlson, 2008; 106). Local agricultural activities like organic wine production are no longer considered mere producers of raw materials for the food industry; they now provide artisan products and public goods and services (Darnhofer, 2005; Pollan, 2012). Also, these locality-based agricultural processes are gaining importance in a global context and are seen as potentially significant sources of economic development in rural areas (Butler et al., 1998; Darnhofer, 2005; Preston, 2008; Vastola and Tanyeri-Abur, 2009).

2.2.5 Understanding Organic Wine Production in the Global Wine Industry

The global wine industry is substantially affected and characterized by the seemingly contradictory processes of globalization and localization (Anderson, 2003; Murray & Overton, 2011). Locations of wine production around the world have significantly

changed with the division of New World and Old World wine producing countries (Marks, 2011). Within this broad and complex industry, wine is considered a global commodity as well as a product that reflects locality (Murray & Overton, 2011). Also, “winemakers are beginning to see more natural farming techniques as a way to produce wines so unique as the soil beneath the grapes.” (Gleason, 2006; 37). These unique, artisan wines that have been crafted organically seem to gain a lot of attention from consumers (Darnhofer, 2005).

While there certainly is a niche demand for local alternative products like organic wine, consumer awareness and appreciation of the unique features of these products are not sufficient to sustain a current alternative wine enterprise on a local-global level (Darnhofer, 2005). Indeed, the alternative wine movement in its current form has limits within the global wine industry (Pollan, 2012). Local and organic products like wine generally demand higher prices and are therefore not universally affordable (Pollan, 2012). Also, globalization of the wine industry compounds this problem by allowing the emergence of mass-produced wines to undercut the price of those that are locally produced (Marks, 2001; Zanni, 2004).

Somewhat counter-intuitively, the trend toward globalization has produced some hidden benefits for those that adopt sustainable agricultural practices, as the niche products actually become competitive in a global marketplace (Vastola & Tanyeri-Abur, 2009). Those who produce organic products benefit because “globalization is actually increasing rather than reducing the importance of location, which is promoting greater regional economic distinctiveness.” (Martin & Sunley, 2003). Therefore, a timely recognition by winemakers and policy makers that “winemaking is also a business,

beyond a life-style and tradition, [which means that the] environment of such businesses is changing" is crucial (Ditter, 2005; 41). Organic winemakers, alternative food producers, and policy makers must develop new approaches that will provide for the economic and social sustainability of farms, enhance rural development, and enable easier access to niche markets (Darnhofer et al., 2010).

Despite the long history of traditional sectorial approaches that are used for enhancing economic development and efficiency, scholars are still debating which approach is the optimal. The method that seems relevant but doesn't follow traditional sectorial approaches is the application of cluster concept. This thesis is particularly interested in understanding the processes that cause the formation of clusters within the wine industry and the forces that initiate the interaction and cooperation among organic wine producers. In the next section this study is first going to examine how the concept of the cluster has been used, shaped and challenged by numerous scholars and policy makers and what it its position within the geography discipline.

2.3 The Cluster Concept

The cluster concept is imperative to understanding the characteristics of the wine cluster and the way that geographers analyze them using different techniques and models (Dana & Winston, 2008). This concept has an important and long tradition in geography discipline, and is originally linked to location theory and regional sciences in the late 19th century (Martin & Sunley, 2003; Vorley, 2008). Later, as the study of human geography evolved, the cluster concept became central to the sub-discipline of economic geography (Aoyama et al., 2011). The concept of cluster, in its most basic terms, refers to agglomerations of economic activity in a specific geographic area and

“reflects the relationships between actors and agency in space.” (Vorley, 2008; 790). The cluster concept relates to the notions of place and space, and as such received a lot of interest from other disciplines, becoming popular “as a tool for promoting competitiveness, innovation and growth at local, regional and national scales.” (Asheim et al., 2006; 1). Thus, the nature of the cluster concept is interdisciplinary. It has been widely studied, used, and applied by several other social science disciplines like regional planning, economics, and others (Hofe & Chen, 2006; Vorley, 2008).

Before taking a closer look at how the concept of clusters has been used in the context of various disciplinary paradigms, it is important to understand that “cluster” terminology [4] is relatively new to geography discipline. This “cluster” terminology was first introduced and used by economist Michael Porter in the 1990‘s and significantly influenced the field of cluster studies (Ditter, 2005; Martin & Sunley, 2003). Consequently, the notion of clusters became widely used among geographers as well as scholars and practitioners who were interested in various forms of spatial agglomerations (Martin & Sunley, 2003). However, before the popularization of cluster terminology, geographers developed and used a “whole series of neologisms to capture and represent the spatial form and nature of local business concentrations, including: ‘industrial districts’, ‘new industrial spaces’, ‘territorial production complexes’ “ and others (Martin & Sunley, 2003; 8). All of these geographical concepts have their origins,

[4] In the following chronological review of the cluster concept this section is using the term ‘cluster’ or ‘cluster concept’ also when describing older geographical traditions that used different neologisms for economic agglomerations. This theoretical approach is also used by numerous authors who wrote about economic agglomerations in geography discipline prior to the wider use of cluster terminology. Also it will provide better understanding and consistency of this section.

to some extent, in the Alfred Marshall's work on regional agglomeration (Hofe & Chen, 2006).

2.3.1 Alfred Marshall's Work on Regional Agglomeration

The phenomena of 'agglomeration economies' and 'industrial districts' were first introduced by a famous British economist Alfred Marshall in the late 19th century in his study The Principles of Economics (Montgomery, 2011). While Marshall never specifically referred to the cluster concept, his empirical research focused on industrial agglomerations and economies of scale in industrialization, specifically textile industries, potteries, and metallurgies in Britain (Vorley, 2008). According to his research, Marshall described clusters as local production systems benefitting from aggregation in the same area (Ditter, 2005). In order to explain the clustering of specialized industries concentrated in particular areas, Marshal "identified the importance of both business and socio-cultural relationships within communities of the industrial districts." (Vorley, 2008; 743). Marshall argued that there were competitive advantages to firms and businesses that agglomerate in a specific locality due to access of available "skill[ed] labour, shared technologies and inter-trading between firms." (Montgomery, 2011). According to Martin and Sunley (2003), Marshall's research was the "first formal recognition of the 'external economies' associated with industrial localization." (as cited in Vorley, 2008; 793). External economies reflect the process of industries that "seek to extend and refine social and economic relationships, as well as physical infrastructure, through the scale of production" and importantly "distinguish agglomeration economies form simple regional collocations." (Phelps, 1992 as cited in Vorley, 2008; 743). Further, Marshall's early work on economic agglomerations influenced the understanding of the

cluster concept and “underpinned much of the cluster literature” in economic geography and beyond (Vorley, 2008; 739).

2.3.2 The Concept of Third Italy

Another important contribution to understanding the contemporary cluster concept was made by Italian economist Giacomo Becattini. In the 1970’s, Becattini, “reactivated the Marshallian idea of the ‘industrial district’ in an effort to account for the dramatic rise of neo-artisanal manufacturing in Northeast Italy.” (Becattini 1978 as cited in Ditter 2005; 41). Becattini suggested that ‘industrial district’, named Third Italy, is an accurate representation of a “local production system.” [5]

The concept of Third Italy is critical to understanding the basics of the cluster concept. Third Italy represented a postwar industrial cluster of small family-based firms and artisan workshops in Northeast Italy (Boschma, 1998, 1999; Boschma & Kloosterman, 2005, Montgomery, 2011). Those were spatially concentrated forms of small and medium-sized firms emerged mostly in rural areas that primarily specialized in leather, textile, furniture, and ceramic manufacturing (Criscuolo, 1999). Clustering of these specialized enterprises enabled rapid growth, opened access to global markets, developed new niche markets, and offered various employment opportunities (Boschma & Kloosterman, 2005; Montgomery, 2011).

Becattini in his study on Third Italy substantially emphasized the importance of wider institutional supports of clusters and personal relations between cluster members and

[5] Emphasis added. The term “local production system” is used in regional studies literature and refers to the local aggregation and embeddedness of related small and medium companies in a specific region that are involved in both cooperative and competitive relationships (Boschma & Kloosterman, 2005; Ditter, 2005; Waters, 1999).

local community (Boja, 2011). According to Becattini this social capital of the clusters created trust between members and therefore presented a crucial key to their success (Boja, 2011). Following the success of Third Italy, numerous small and medium-sized clusters spread throughout Italy and the rest of Europe (Montgomery, 2011).

2.3.3 From "Industrial Districts" to "Knowledge Driven Economy"

Economic geography from the late 1980's through the early 1990's was influenced by a shift from an earlier interest in the agglomeration and creation of 'industrial districts' toward a "knowledge driven economy." (Mackinnon et al., 2002; 296). Extra-economic processes such as learning and innovation were perceived as the main source of competitive advantage of regions in the context of globalization (MacKinnon et al., 2002; 294). Geographers who adopted this perception stressed the importance of knowledge, and learning was perceived as rebirth of economic geography (i.e., the "new economic geography") (Aoyama et al., 2011; 7). These geographers focused on social and institutional conditions within regions and their direct influence on economic development (MacKinnon et al., 2002).

Undisputedly, this "knowledge driven" approach had an important impact on cluster formation and the 1990's were one of the most proliferate decades for the development of the cluster concept for two reasons. First, economic geographers became extremely engaged in the study of clusters, and according to Mackinnon et al., this was the result of "the resurgence of interest in the region as a scale of economic organization and political intervention." (as cited in Benneworth & Henry, 2003; 1013). Second, the work of economist Michael Porter crucially popularized the cluster concept through his critically-acclaimed works: Competitive Advantage of Nations (1990), and Clusters and

the New Economics of Competition (1998) (Martin & Sunley, 2003; Lazzeretti et al., 2012).

The majority of contemporary economic geographers since the 1990's is interested in the growing salience of regions in the global economy and has shifted the attention "from economic to social, cultural and institutional dimensions of clusters." (Aoyama et al., 2011; 3). According to Martin and Sunley (2003), economic geographers in the last few decades have been emphasizing the need and importance to understand "the process of localized learning and innovation" and while doing that, "looking at the micro level determinants rather than institutional, meso-level characteristics." (as cited in Zanni, 2004; 32). This approach is known as "relational turn" known as "an expression used to indicate the fact that the relational dimension among economic actors has progressively become unit of analysis in the study of economic geography." (Giuliani, 2007; 142). Also, geographers in the last decades recognized that local and regional areas reflect unique sources of competitive advantage in the globalization process, ensuring that "the significance of spatial concentrations in particular locations remains a topic of debate." (Vorley, 2008; 791). Today, the cluster model mainly represents a "vital economic development strategy to boost competitiveness within global economy." (Hofe & Chen, 2006; 2).

2.3.4 Michael Porter's Cluster Model

To better understand the phenomenon of economic agglomeration or clustering of firms that are performing activities in the same field, researchers and policy makers have developed different cluster models (Boja, 2011). For the purpose of this study this chapter is describing a cluster model defined by Michael Porter (1990). This model is

one of the most widely used and applied to myriad of agglomeration industries and firms in national and international level for analyzing their performance in terms of competitiveness and innovation (Boja, 2011). In his work, Porter (1990; 1998) defined a cluster model based on several factors, related to production capacity and links between companies and supporting institutions. This model is known as Porter's Diamond and is according to Porter "the engine that drives the cluster at microeconomic level." (as cited in Boja, 2011; 38).

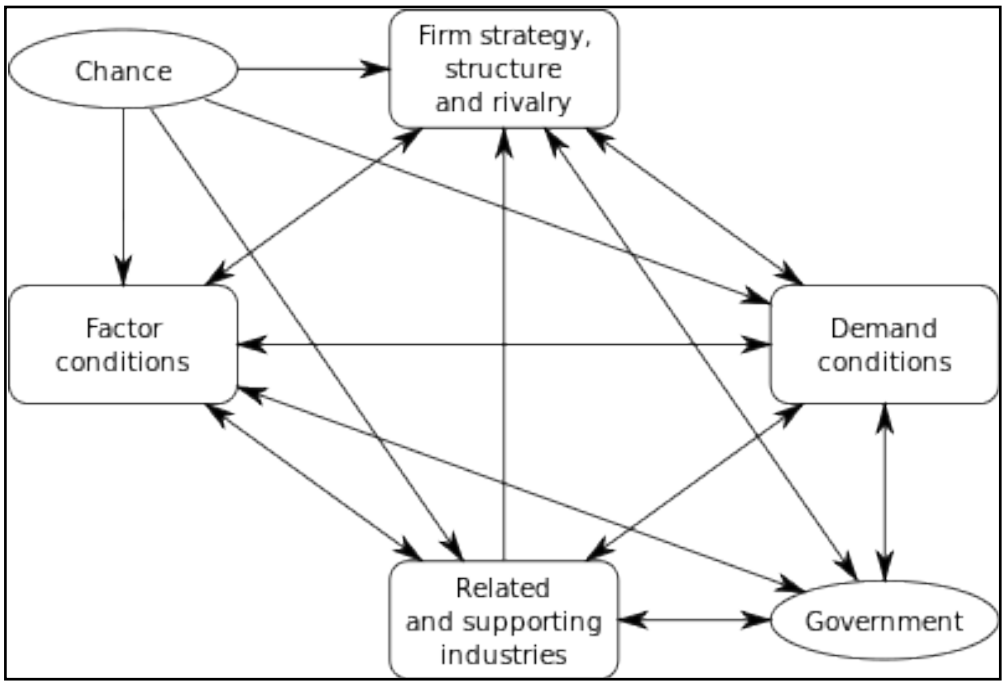

Figure 2.1. Porter's Diamond. (Porter, 1990; 127)

Porter's Diamond model consists of six broad phenomena or factors which are used as tools for analysis and interpretations of firms' competitiveness and innovation. As summarized by Boja (2011) those phenomena are:

1. Factor Conditions - relate to original or preexisting resources: physical, human, knowledge, capital, infrastructure etc. Those indicate conditions that initiate new businesses and entrepreneurship activities in the specific area.

2. Demand Conditions - describe the situation when the local or regional market for particular products of services is growing and consequently increase the demand or consumers needs. This increased demand on the micro level later leads to competitive advantage of the locally based firms and encourage them to export.

3. Related and Supporting Industries - relate to institutions like universities and research centers which may offer a financial support and invest in new technology or other development needs. This support help industries and firms maintain their competitive advantage and stimulate the innovation in their sister's industries.

4. Firm Strategy, Structure and Rivalry - those factors relate to the way in which firms are established and managed; if the goals are high, the company will produce high quality services and product. Also, rivalry between firms creates pressure and an environment of strong competition which consequently force them to innovate and maintain competitive advantage.

5. Government - its role is to support and encourage firms to expand and improve their performance and innovation. This can be created by establishing strict goals, future visions and production standards.

6. Chance - this phenomenon relates to the occurrences that are outside the control of a firm; wars, natural disasters, or some other unprecedented events that affect the performance of the firm.

According to Porter, the optimal performance of the cluster is created when all the factors in the Diamond model are connected and therefore influence the cluster growth and evolution (Boja, 2011). Porter's Diamond model is representing "the link between firms and country-specific sources of competitive advantage" which consequently

enables them to “gain the international competitive advantage.” (Smith, 2010; 121). According to Zanni (2004; 50), clusters in Porter’s model can influence the competitiveness of firms (and regions in which they are situated) by:

- Increasing productivity, efficiency, and performance;
- Stimulating and enabling innovations, and;
- Facilitating commercialization/ marketability/ reputations.

Clusters are formed for many reasons, three of which Porter (1998) identifies: historical events, complex local demands, and the former existence of similar occupations that encourage new growth. These historical facts about the competition in a specific sector are of great importance because they can help with the interpretation of its contemporary competitiveness or shortage of it (Porter, 1990; 1998).

The cluster structure does not consist only of cluster members. Rather, the structure includes all interrelated companies and institutions (Dana & Winstone, 2008). Often, clusters include public institutions such as universities, which provide training or encourage research (Porter, 1998). This interaction between public and private sectors generate an innovative and productive environment that is attractive to a broad range of related industry sectors (Aylward & Glynn, 2006). Also, this interaction adds a value to the cluster and encourages competition and cooperation within the cluster, hopefully creating a “self sustaining momentum.” (Porter et al., 2004). Furthermore, competition within the cluster has an essential role without which the cluster would not be able to survive (Porter, 1999). Among other benefits, clusters are also interesting for customers

and often attract the cooperation of complementary fields such as tourism and transportation industries (Dana & Winstone, 2008).

There are also some drawbacks of the formation of clusters. One is the tendency of the members to be prone to group thinking and collective inertia (Zanni, 2004). For example, too rigid and conservative operational approaches within the cluster could delay innovation and development, and prevent opportunities to compete with others outside of the cluster (Porter, 2000). Also, the competitiveness within a cluster can become too intense and can damage members who are not able to compete or contribute to realization of radical and progressive ideas (Porter,1998).

Despite the fact that Porter's cluster concept presents a base concept in many fields, alternatives to his approach exist. These alternative approaches to study clusters are used for different purposes by a wide variety of researchers and vary depending on their scientific background and the focus of their research (Nooteboom & Klein in Boschma & Kloosterman, 2005).

2.3.5 Confusions, Limitations, and Misunderstandings Related to the Cluster Concept

The increasingly interdisciplinary appropriation of the cluster concept produced confusion and created inconsistency of its use in the field of geography (Asheim et al., 2006; Hofe & Chen, 2006; Martin & Sunley, 2003). This "chaos, diffusion, and misinterpretation" relates mainly to the various definitions of cluster, appropriate methodologies, and their application through policies (Hofe & Chen, 2006; 3). The

interdisciplinary nature of clusters begs a number of approaches, so that any “ultimate definition” of the term cluster is a mere vanity (Malmberg, 2002).

Seeking the clarification, geographers unfortunately dedicated more time to researching the existing confusion and definitions within the literature (terminologies, origins, applications, and types of clusters) and therefore neglected studying important operational aspects of clusters (Benneworth & Henry, 2004; Bethelt, 2005; Malmberg, 2002; Martin & Sunley, 2003; Phelps, 2004; Vorley, 2010). In Deconstructing Clusters: Chaotic Concept or Policy Panacea, Martin and Sunley (2003) emphasize the gap between economic geographers and note their ability to recognize the cluster concept as a powerful tool for studying economic agglomerations. The increased popularity and interdisciplinary nature of the cluster concept has caused much ambiguity within economic geography and has raised questions about the significance and added value of this concept (ibid). Interestingly, a few scholars have developed a different understanding of the interdisciplinary nature of cluster concept; they argue that “eclectic assembly of a diversity of perspectives” from different fields and disciplines provide new “possibilities for theoretical, empirical and policy cross-fertilization” of the cluster concept within economic geography (Benneworth & Henry, 2003; 1011). The two most important contributions to this alternative understanding of cluster concept are given by Benneworth and Henry (2003) and Lazzeretti et al. (2012).

Nonetheless, the most biting critiques, confusions, and limitations of clusters are, according to (Hofe & Chen, 2006), that there is still no answer weather the general

confusion around the cluster concept relate to ontological and epistemological questions or if “there is a lack of understanding as to how this methodology can help practitioners improve locational competitiveness.” (3). As they described further, “[so far] there is no conceptual and analytical framework” that, “when correctly applied, will help identifying regional industrial clusters.” (ibid). Also, “there appears to be little evidence in the literature on how the conceptual framework and its cluster definition(s) are translated appropriately into a methodological approach which in return allow an identification of industrial clusters useful for shaping economic development policies.” (ibid).

Furthermore, some critics have characterized clusters as “static, instead of dynamic entit[ies]” that are “often taken for granted and examined as being in a perfect state.” (Boschma & Kloosterman, 2005; 1). On the contrary, the cluster concept reflects the unique economic agglomerations that are affected by numerous human and physical influences. “Because the cluster concept is so elastic, it cannot provide a universal and deterministic model on how agglomerations are related to regional and economic growth.” (Brosnan, 2007; 14). This criticism is focused specifically on Porter’s cluster concept (1990) because “it has been considered as a concept that takes away all alternative or complimentary reflection, favoring one unique ‘one size fits all’ formula while lacking solid theoretical base.” (Martin, 2000 as cited in Ditter, 2005; 43). Despite the fact that there are numerous scholars who develop a strong critique of Porter’s work on clusters, critics agree “the main value of the concept is that is simple and appealing and therefore useful as a tool.” (Boschma & Kloosterman, 2005; 55).

The understanding the interdisciplinary nature of cluster can provides new opportunities for geographers to recognize the significance and potential of the cluster concept, allowing them to get vigorously engaged with the research clustering and agglomeration activities (Lazzeretti et al., 2012). The “cluster can be also understood and used as a powerful economic development tool”; therefore, it is “both empirically and conceptually significant” within contemporary economic geography (Vorley, 2008; 791). In addition, Martin suggests that “thinking in terms of clusters should be a part of a long term and integral vision of local economic development that takes into special account specific institutional situations and various strategies and operational instruments.” (Martin, 2002 as cited in Ditter, 2005; 43).

2.3.6 Agricultural Clusters

Although substantial research has been conducted on industrial clusters, little attention has been given to agricultural clusters (Ditter, 2005; Muller, 2006; Gálvez-Nogales, 2010). This is rather surprising since the research on agglomeration and spatial organization in relation to agriculture has a long history and was primarily studied by Johann Heinrich Von Thünen (1826) and Alfred Weber (1909) (Gruber and Soci, 2010). They were interested in studying the location of agricultural activity and transport of goods in relation to the nearest marketplace, town or city (ibid). According to Gruber and Soci (2010) there is a growing need to expand our knowledge about the processes between agricultural activity and formation of agglomerations and clusters.

Clusters are generally perceived as being competitive and innovative, terms generally reserved for industries such as information technology and manufacture (Gálvez-Nogales, 2010). However, “although the concept of clusters is mainly applied to industrial - based businesses, it is used as analytical tool in many agricultural and food industry businesses (Ditter, 2005; 43). Many scholars have identified a lack of literature and research on the role that agricultural clusters plays in the context of economic development of agriculture and development of rural areas (Gruber & Soci, 2010).

Like other related industries, contemporary agriculture is experiencing significant changes prompted by globalization, production of high-value products, rapid growth, and changes in customer values (Ditter, 2005). To enhance competitiveness and innovative capacity in agriculture, establishment of clusters is highly promoted and recommended (FAO, 2010; Gruber & Soci, 2010). The cluster-based approach is considered to be most effective for small-scale farmers and agro-businesses because it helps them become more productive, and it enhances their access to markets (Theus & Zeng, 2012). Also, agricultural clusters provide an important tool for economic and social development by increasing employment opportunities and enhancing the overall well-being of members (Gálvez-Nogales, 2010; Theus & Zeng, 2012).

2.4 The Wine Cluster - Applying the Cluster Concept

In the context of a highly competitive international wine market, winemakers from all over the world have realized that cluster approaches can be quite beneficial to their businesses (Ditter, 2005; Zanni, 2004). Among other advantages, the creation of a wine

cluster can improve the performance of the winemakers, encourage the exchange of knowledge, and introduce innovative approaches to marketing (Porter, 1998; Muller & Sumner, 2006). While there is no widely excepted definition of wine cluster, Zanni (2004) provides descriptive but rather long and complex definition. According to Zanni, wine cluster can be defined as:

> "a peculiar rural local system, constituted by related firms and associated institutions, wine focused, spatially contiguous and linked by elements of complementarily and community. A system where rurality becomes the foundation of contextual knowledge and determinant for the production and market differentiation, resulting from the overlapping, with the same territory - of agriculture, manufacturing and service activities." (Zanni, 2004 as re-adapted from Cecchi, 2001; 334 and Porter, 2001; 199).

Despite the fact that the wine industry's activities reflect a strong tendency to agglomerate, there is a shortage of literature and research on the topic of wine clustering and agglomerations (Larreina et al., 2011; Turner, 2010). However, one of the most important researches on wine clusters was done by above mentioned Zanni (2004) who in his book Leading Firms and Wine Clusters introduced the concept of cluster as a successful interpretation of the wine business, specifically in Tuscany, Italy. In his research he examined the nature of the wine clusters related to both, functioning cluster mechanisms and the role of that cluster members play within the cluster (ibid).

Other important contributions are done by following researchers Harfield (1999), Aylward (2004), Porter and Bond (2004), Ditter (2005), Aylward and Glynn (2006), and Dana and Winstone (2008). These researchers have performed cluster studies in the context of the wine industry in several countries, mostly using Porter's cluster model to

study strengths and weaknesses of particular wine clusters. They have conducted their research in wine regions in Australia (Aylward, 2004), Chile (Gálvez-Nogales, 2010, Giuliani & Bell, 2005), Canada (Mytelka & Goertzen, 2004), France (Ditter, 2005), and California (Porter, 1998). Collectively, this research forms the much of the basis of wine cluster studies.

2.4.1 Wine Cluster Characteristics

Wine clusters are different from industrial and other agricultural clusters because they influence the physical landscape as well as the social characteristics of their region; therefore, when discussing wine cluster formation, the "complex and over-lapping series of economic, political and social processes" in specific regions needs to be taken into account (Overton & Heither, 2008; 449). Wine geography allows for the study of complex wine clusters in terms of the physical characteristics of the vineyards and wine-making processes in the cellar. Also implicated are the economic issues of production, marketing, globalization, politics, and market demand (Dougherty, 2012).

The natural propensity of the wine industry to cluster is due to its "site-specific," natural resource based economy and the "pre-existing local circumstances" that are native to the area (Centonze, 2010; Glynn, 2006; Mytelka & Goertzen, 2003; Porter et. al., 2004). Geographic proximity has a significant effect on cooperation within a cluster, facilitating close, personal relations among the members while enabling the efficient access and exchange of information and knowledge (Porter, 1998). Other scholarly works on wine industrial and agricultural clusters have reached similar conclusions

(Dana & Winstone, 2008; Harfield, 1999; Mytelka & Farinelli 2000; Mytelka & Goertzen, 2003; Porter, 1998; Porter & Bond 2004,).

However, some scholars disagree with the idea that geographic proximity is a core criterion for development and cooperation within every wine cluster (e.g. Porter, 1998; Giuliani, 2007). They contend that the wine cluster is instead dependent on the industry sector, and that the embeddedness of firms and businesses in the diverse networks drive the distribution of knowledge and collective learning (Bélis-Bergouignan, 2011; Boschma, 2005; Giuliani, 2006; Martin & Sunley, 2003; Mytelka & Farinelli, 2000).

Studies on wine clusters vary significantly, with some wine cluster analysts glorifying the competitiveness and innovation of clusters. This approach was promoted by Michael Porter (1990) in his famous study on the wine clusters of Californian winemaking industry. These so-called "Porterian clusters"[6] are common in the New World wine producing regions where winemaking focuses primarily on the advantages related to high-scale production or with other words - on profit over quality (Aylward, 2004; Centonze, 2010; Ditter, 2005; 40; Zanni, 2004). "In a Porter-like cluster, wine production contributes to the dynamism of many related local businesses such as glass making, barrel making, farming equipment." (Ditter, 2005; 49). Furthermore, large wine clusters mainly in New World wine regions enable investment in "research and development of viticulture and oenology, brand promotion, and other marketing activities as well as distribution." (Anderson, 2001; 4). Critics assert that despite the fact that this model has

[6] According to Ditter (2005; 50), Hall and Mitchell (2008; 263), the term 'Porterian cluster' is used to describe a cluster concept as defined by Michael Porter (1990).

been very successful in the New World, that “such a model cannot be considered as a miracle solution to other regions” in the Old World (Ditter, 2005; 49). Now, however, the need for small businesses to export and be represented on a global scale drives cluster formation (Dana & Winstone, 2008).

Researchers focusing on Old World wine clusters praise the territorial aspects and winemakers’ commitments to the quality and cultural characteristics of the final product (Ditter, 2005). This approach stems from the treatment of winemaking as an art and cultural activity rather than as a business activity (ibid). Unfortunately, this view has precipitated the decline of the Old World wine industry’s presence in the global market (ibid). Fortunately, however, as, some New World wine producing countries have begun to recognize terroir as a marketing tool (Overton & Heither, 2008). As such, New World wine clusters have started using regional descriptions of their wines as marketing material and have begun promoting certain regions as having special qualities. Such marketing strategies on wine clusters help create regional or brand identity and recognition among the consumers (Gálvez-Nogales, 2010). The term terroir wine also has an important marketing connotation because it “may also communicate an artisanal quality of a product” which customers often associate with higher quality wines (Spielmann & Gélinas-Chebat, 2011). This method is not free from critics, however, as according to Bélis-Bergouignan, using the term terroir when referring to products made in New World countries confuses the New and Old World principles, ultimately misleading the customers (Bélis-Bergouignan, 2011).

Undoubtedly, the concept of clustering has an important position within the wine industry (Muller & Sumner, 2000). The same conclusion was found by Zanni (2004; 32) who in his research came to the conclusion that wine clusters and other ”spatial agglomeration of firms in the wine business” definitely contribute to “economic advantages of wine industry” as well as other related industries like tourism and agriculture. Generally, grape growers and wine makers who are organized in clusters “have evolved a network of enduring relationships” that enables them to minimize financial risks, enhance their access to foreign markets, and encourage better productivity and quality of their winemaking process (Muller & Sumner, 2000; 12). However, one of the most important things that scholars and policy makers need to acknowledge when studying wine clusters is that “re-growth or sustainability of wine industry lies in the resilience of the cluster.” (ibid).

Resilience thinking is an approach that is “based on an understanding of the world as a system that is both complex and adaptive, that is, where subsystems co-evolve, and where change is the only constant.” (Darnhofer et al., 2010; 5). In other words, resilience thinking is “[an] understanding of the world as a complex adaptive system.” (Manson, 2001; Olsson et. al., 2004; Rammel et al., 2007). Therefore, according to Jones, scholars and policy makers “must take into account the intricate, multi-directional, and ever-changing relationships that exist between” the agricultural activity of grape and wine production and clusters that develop in specific location (Jones, 2011; 51). This ever-changing relationship includes issues such as “national and

international food and agricultural policy, local to regional land use issues, national and migrant labor issues, how rural agricultural communities are both preserved and developed, and how consumers influence the food and beverage system through their purchasing power." (Jones, 2011; 51). As the wine industry faces on-going change on a local and global scale, applying a resilience thinking approach into wine cluster studies can enable scholars to develop a more sophisticated understanding of the sustainability of wine production in relation to cluster formation (Darnhofer et. al., 2010).

2.5 Conclusion

Economic geographers have dedicated a considerable amount of effort to understanding clusters and the closely related concepts of industrial localization and spatial agglomeration of economic activity. By doing so, they aim to identify and understand economic, social, and institutional processes and assist policy makers with designing numerous development models (Martin & Sunley, 2003). After reviewing the literature on cluster studies I came to the understanding that the central argument by many scholars is that clustering of economic activities indisputably provides several economic advantages that are "based upon processes of local accumulation of knowledge and collective learning." (Becattini, 1989 & Camagni, 1991 as cited in Zanni, 2004; 32). Furthermore, the analysis of cluster models encourages strategic initiatives and potentially "enhance local, regional and natural growth and competitiveness at all levels." (Centonze, 2010; 253). However, despite the myriad of studies on clusters, renewed interest in cluster research and the wide popularization of the Porter's cluster

concept, there are still many gaps that the cluster literature needs to address in future research.

One of the most important gaps highlighted in this literature review is the prevalence of studies on industrial clusters and almost a complete neglect of other agglomerations of economic activities, specifically in agro-food enterprises located in the local environments (Ditter, 2005; Gálvez-Nogales, 2010; Muller, 2006; Zanni, 2004). Another pivotal finding in the review of the literature on clusters reflects the lack of empirical work studying contextual characteristics of small and medium size clusters. Those characteristics include understanding of linkages and relationships between cluster members, social, political and cultural background and historical events that importantly influenced the nature, character and performance of the cluster (Zanni, 2004). However, the limitations of cluster studies that emerged from this literature review suggest the need for more detailed and specialized research on clustering within the agricultural sector that will provide deep understanding of this agglomeration phenomenon.

One of the good examples of agglomeration of small-scale agro-food activities is organic wine production. This is an agricultural activity, situated in local environments and yet strongly affected by globalization processes that often represent a barrier for viable development of the winery or a farm (Darnhofer, 2005; Marks, 2001; Pollan, 2012; Zanni, 2004). On the contrary, many scholars are recognizing the importance and potential of organic winemaking as a niche, which has recently been gaining a strong within the global context (Butler et al., 1998; Darnhofer, 2005; Preston, 2008; Vastola &

Tanyeri-Abur, 2009). Due to this growing interest in production of organic grapes and wines, several researchers have identified the need to find an appropriate economic development tool or model that would help organic winemakers enhance their performance (Bouzdine-Chameeva & Krzywoszynska, 2011; Darnhofer, 2005).

The last part of this study's literature review focused on the wine cluster model since this is according to many one of the most efficient tools for boosting economic development within a specific wine region (Aylward, 2004; Ditter, 2005; Muller & Sumner, 2006; Porter, 1998). However, despite the advances on the wine cluster studies this literature review revealed that so far there is no research that would take into consideration the nature and characteristics of agglomeration of small-scale organic wine producers. This is one gap this study aims to address by exploring how the concept of clustering applies to the applicability and effectiveness of the cluster model and its usefulness to small-scale organic wine production in Slovenia. Drawing on this micro-level perspective, this study raised five questions, presented in the following chapter three.

CHAPTER 3
METHODOLOGY

In this chapter, I provide a detailed description of methods and tools that I used during my research process. The described methods are based on research that I conducted during a year-long study in Slovenia. The main research question that guided my study was: Does the cluster concept provide an adequate understanding of the marketing practices of small-scale organic wineries in Slovenia? Additionally, the main research questions that I initially posed and present in the introductory chapter of this thesis are:

1. Does the cluster concept provide an efficient marketing solution for small-scale organic wineries in Slovenia?
2. What are the different economic and socio-cultural forces that initiated the formation of organic wine clusters in Slovenia?
3. What are the different types of clustering that organic winemakers engage in?
4. What are the benefits and drawbacks that organic wine producers are facing when they cluster with other organic winemakers?
5. What are the different approaches that an organic wine cluster could use to differentiate itself from other conventional wine clusters?

These questions remained consistent with my research objectives when exploring the tendency of wineries to form clusters. However, during the process of data collection and analysis, these questions later evolved into a broader set of inquiries. The latter set of inquiries explored in this thesis is as follows:

6. What is the nature of clustering in the Slovenian organic wine industry?
7. What are the motivators or driving forces that generate clustering with organic winemakers?
8. How does the clustering phenomenon influence marketing decisions?

In this chapter, the qualitative methods used in all five stages of my research project are developed. The chapter begins with a brief overview of the purpose why I chose to study and understand the clustering phenomenon of organic wineries. Second, is the development of the importance of clustering and the reason Slovenia was selected as my site location. Next, the qualitative methods used during my fieldwork stages, the designing of a study sample, and the process of data collection are explained and justified. Finally, I describe the process of coding and analyzing the data, before closing with a description of my position as a researcher in the field.

This close examination of the study's research methods contributes to a better understanding of the approaches used in different stages of my research. This chapter also provides a basis for further analysis of factors (discussed in Chapters 4 & 5) that reflect the nature of the wine clusters in Slovenia and highlight main research problems of this study.

3.1 Site Selection

There are several reasons why I decided to conduct my research on organic wine production in Slovenia. First, I am originally from Slovenia where grape and wine production represents one of the country's most prominent agricultural activities. Because organic wine production in Slovenia has expanded so significantly over the

past decade, I developed a particular interest in understanding the reason wineries tend to cluster and form associations with other members of the organic winemaking community. The desire to improve marketing and economic activities and adopt innovative approaches in winemaking has lead several Slovenian winemakers to establish their own wine clusters – or wine consortiums as they are called in Slovenia (Jurincic & Bojnec, 2006). A consortium is a cooperative of ten to twenty of the largest wine producers in the wine districts. Their membership is open to local winemakers who wish to join and contribute to the production of high quality wines (ibid). So far, leading wine producers in the three wine growing regions of Slovenia have created six wine consortiums (ibid). The primary goal of these consortiums is to ensure specific rules and guidelines are followed to guarantee the production of high quantity wines, which reflect the brand name and quality of the consortium (ibid). The quality and style of the wines are usually influenced by current demands and trends from domestic and international markets (ibid). According to Jurincic and Bojnec (2006), consortiums provide better brand recognition in foreign markets, demand higher prices for wine, and enhance cooperation among wine producers and the rest of the wine-related industry. This activity, however, tends to have a spillover effect on other wine producers in the region who may not be able to follow the intensity of production required by the consortium (Jurincic & Bojnec, 2006). One such group of producers are those that create the region's organic wine, because they tend to produce lower yields of grapes and, consequently, smaller quantities.

Figure 3.1. Organic vineyards in Slovenia are small and usually located on the steep slopes. (Source: Photo taken by the author, 08/13/2012)

Second, I choose this site because I had previously conducted fieldwork in Slovenia for my Bachelor's degree research project entitled: Geographical Aspects of Organic and Biodynamic Wine Production in Slovenia. During my research as an undergraduate student in the Geography Department at the University of Primorska, I obtained detail knowledge of the characteristics of organic wine production in Slovenia. Above all, my educational background provided two things that would prove crucial to these studies: first, the enhanced ability to network in this region, which allowed me make initial contacts with ease; and second, a deeply instilled awareness and sensitivity to potential issues.

3.2 Incorporating Qualitative Research Methods

Throughout this study I used inductive, qualitative research methods to obtain detailed information about wine clustering characteristics. I performed my research through the eyes of individual decision makers in the Slovenian organic wine industry. Geographers have used different approaches in an effort to understand clustering and other forms of economic agglomeration phenomena, yet qualitative approaches are particularly useful because they provide the most pragmatic means for cluster analysis (Austrian, 2000). Specifically, the employment of qualitative approaches "provides much flexibility both in the conduct of data collection and subsequent analysis" which is particularly useful for geographers who aim to understand the relationships of social actors in a business setting (Yeung, 1995; 1). According to Winchester (2005), qualitative methods provide the researcher an opportunity to understand a number of

different angles of “human environment, individual experiences and social processes.” (as cited in Hay 2005, 3).

After selecting a qualitative approach, my intent was to follow a well-regarded and rigorous research tradition for collecting, analyzing, and interpreting qualitative data. For this purpose, I chose the grounded theory approach (Glaser & Strauss, 1967; Strauss, 1987; Strauss & Corbin, 1990). Grounded theory is a research tradition that is both inductive and deductive in nature and reveals how social actors interpret their environments, solve their problems, and act within society (DeLyser et al., 2010). Throughout this study, I describe only the basic tenants of grounded theory. In this study, I adopted aspects from two approaches: the “Glaserian” approach to grounded theory (due to the interpretive freedom it allows) (Glaser, 1992; 2001), and the “Strauss and Corbin” approach (1990), which offers a particular guiding framework for interpretation.

Grounded theory is a crucial methodological approach to qualitative research (DeLyser et al., 2010). The primary goal of this approach is to examine the broader context of a particular study, which later reveals some detailed aspects of observed activity or phenomena through analysis. The main approach in this methodology is to build the theory up from data, rather than the other way around (DeLyser et al., 2010). In other words, grounded theory aims to construct substantive theory grounded in field data (i.e., from the bottom up) that draws on a solid foundation in both sociology and social psychology to incorporate the various ways people interact with others, make

sense of their environments, and use aspects of their environments to define themselves and solve problems (ibid). Finally, the reliance on multiple sources of field data, consisting primarily of in-depth interviews, reveals conceptualizations that are constructed through rigorous coding and interpretation procedures. This methodological approach enabled me to develop a greater understanding of the operation of clusters, the relationship between cluster members, possible problems within clusters, and the ways in which clusters operate in the context of both domestic and international markets.

3.3 Designing a Study Sample

Data collection was conducted primarily in two of the three wine regions of Slovenia. The participants are all located in rural areas with high specialization in grape growing and wine production. Participants initially consisted of four organic winemakers and members of Cluster A, located in the Primorska wine region, who agreed to be interviewed and participate in research prior to my fieldwork. From these initial contacts, subsequent informal networking and snowball-sampling procedures introduced me to other contacts[7]. An additional six participants were selected from a range of organic winemakers in Slovenia, some involved in a high level (formal structure associations) of clustering with other winemakers, and some in lower levels (more informal business

7 ***Snowball-sampling technique*** is one of the non-probability sampling methods. It is commonly used when the target population in a particular research project is hard to reach group of individuals. The researcher starts designing a study group by identifying an individual who is perceived to be a suitable respondent for the intended research. This respondent is than asked to identify other potential respondents. This process is than repeated until researcher has collected sufficient data for the research (Gomez and James III, 2010; 81).

connections). Comparing research participants allowed me to observe a variety of different approaches and cooperatives between organic winemakers in Slovenia. All the interviews were pre-arranged meetings with winemakers and their families that lasted between 60 and 90 minutes. I have since revisited some participants several times for follow-up conversations.

Additionally, participants were selected using the theoretical sampling technique[8], which is based on the grounded theory approach. Specifically, participants were chosen based on the evolving framework of theoretical ideas. Thus, this study's theory and conclusions were developed based upon collected fieldwork data that had not been established prior to the researcher's fieldwork (See Chapter IV for further explanation) (Curtis et al., 2000; 1002).[9] In addition, as the theoretical sampling of grounded theory dictates, preliminary interpretations of initial interviews were used to help guide me toward subsequent interviews (See Table 1 for detailed descriptions of the formal interview participants)

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8 Due to the lack of research literature on wine clusters highlighted in the previous chapter two, the theoretical sampling approach provided an unique background for understanding of nascent organic wine cluster formation in Slovenia and was not bound by any predefined theories. According to Curtis et al., "...qualitative samples are designed to make possible analytic generalizations (applied to wider theory on the basis of how selected cases 'fit' with general constructs), but not statistical generalizations (applied to wider populations on the basis of representative statistical samples) (2000; 1002)." By applying Curtis' explanation to the context of this study, any information that was obtained about the emergence and operation of the wine clusters in Slovenia was carefully compared to other studies on wine clusters (explained in Chapter 4). That said, examined wine clusters and models that emerged from the data analysis do not represent one of the examples of the cluster analysis or cluster models done by other scholars.

9 The opposite of theoretical sampling is purpose sampling, which is based on preexisting theoretical framework and also serves as a potential source for research questions (Curtis et al., 2000; 1002).

3.4 Data Collection

The data collected in the second half of summer 2012 consisted of 10 formal in-depth interviews and over two weeks of participant observation at Slovenian wineries. In order to answer research questions and meet necessary objectives, this study utilized qualitative interviews as a primary means to collect data. According to Yeung (1995), qualitative interviews, “conducted in a discursive dialog form” present one of the most convenient methods to gain detailed personal data and enable the researcher to obtain a broad picture of the historical, social, cultural, and geographical origins of the observed phenomena. In addition, along with participant observation, this method enabled me to obtain detailed data regarding operations within clusters, which ultimately aided my understanding and revealed information that proved crucial for this research.

The fieldwork in Slovenia consisted of qualitative, semi-structured, in-depth interviews. This method enabled me to obtain important detailed information about the participants. Obtaining this information was decisive because I began this study without hypothesizing the participants’ beliefs about clustering, consortiums, or marketing. Prior to conducting fieldwork, I identified major research themes and designed the interview questionnaire to ensure all inquiries were congruent with my research objectives. These themes are: small-scale organic grape and wine production, wine clustering, and obstacles in the marketing process and niche marketing issues (See Appendix 1 for more information).

The majority of questions were planned or prompted, but others arose during conversations with participants. Most interviews were conducted at the participants' homes. The specific duration of these interviews varied, but all fell between an hour and an hour and a half in length. The interviews were designed to allow participants to reveal as much or as little as they wished. After explaining some introductory questions about the research, I described the main research project goals and intentions. Furthermore, before each interview began, I asked informants for their consent to participate in the research, and they verified their consent with their signatures. The interview guide with sample interview questions was examined and approved by the IRB.[10] All interviews were audio-recorded with a digital voice recorder. Later, native Slovenian speakers transcribed the interviews verbatim before being translated into English. During the fieldwork I also carried out a handful of informal interviews with winemakers that I met at wine tastings and other social events by inquiring about their opinion and experience with clustering.

I began interview questions broadly by asking participants about their businesses and personal roles within their organizations (See Appendix 1 for preliminary interview guide). Participants were asked questions like how and why they started to produce organic wines and how long have they been involved in organic wine production. In a conversational manner, I gradually directed questions that were designed to explore the participant's perception of the current business environment, unique aspects of their

10 All methods for this analysis were conducted in accordance with Institutional Review Board approval, which was granted in June 2012.

enterprises, their wine marketing strategy, the way they viewed associations to which they belonged, and so on. I conducted each of these open-ended interviews independently after consulting with my research mentors and being trained in qualitative interviewing techniques, such as bracketing of a priori conceptualizations, and interpretive analyses. Although the initial interview guide was extremely helpful and assisted in my fieldwork, most conversations moved into areas that provided the best chance of generating a thick description and analysis of participants' worlds[11] (Geertz, 1973). In other words, because "the interviewing process is itself a social process" I found myself making several attempts to tap into the participants' actual lived experiences in order to gain deeper insight into issues they raised (Yeung, 1995; 329) (See Chapter 4 for detail description).

The data collection also consisted of participant observation, which presents an important methodological tool for geographers who are conducting qualitative research. According to Kearns (as cited in Hay, 2005; 195), participation observations enable geographers "to understand more fully the meanings of place and the context of everyday life." Accordingly, while in-depth interviews indeed provided me with detailed information about participants, the utilized participant observation went beyond mere data collection and enabled me to gain understanding of winemakers' daily routines and

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11 ***Thick Description*** of the phenomenon emerges from thorough and rigorous qualitative data collection and interpretation. This approach is very common in social sciences and humanities studies. It was first introduced by Geertz (1973) in his cultural and ethnographic work *Interpretation of Culture* and later significantly influenced many studies based on qualitative research. Thick descriptions are the result of researcher's deep understanding and interpretation of participant's behavior and perceptions. It is similar to "researcher's interpretation of informant's interpretation." (Gregory et al., 2009; 753).

the nature of relationships between family members, friends, business partners, and other cluster members. Mel Evans also stated the importance of participant observation (1988; 203 as cited in Hay, 2005; 195) when he stated: “although an interview situation is still a social situation...it is a world apart from everyday life”. The same was true in the case of this study’s research, which is illustrated by the fact that all the interviews were conducted at participants’ homes, specifically small-scale family farms and wineries, which gave me an unprecedented opportunity to observe the dynamic of their homes, relationships with other family members and other small things that revealed the nature of their everyday lives. Although interviews conducted in this study revealed a lot of information, the power of participant observation still played an important role in this research.

3.5 The Participants

This study employs ten organic winemakers located in two of the three wine regions in Slovenia, specifically in the Primorska and Podravje regions. Although the size of this study’s sample is small, the characteristics of the participants are relatively diverse. Their ages ranged from 30 to 65 years. Half of them finished high school and half of them obtained college degrees. For nine out of ten participants, wine production was their primary occupation.

Although they are all considered organic winemakers, each participant was further distinguished by the unique application of their grape and wine production techniques. While documenting the participants’ techniques, three approaches to organic grape and

wine production emerged: organic, biodynamic and natural. A brief description of these three approaches is as follows[12]:

The organic approach, in very basic terms, refers to the minimization of chemicals in the process of grape and wine production. In the vineyard, winemakers produce grapes without any use of chemical fertilizers, pesticides, fungicides or herbicides. After the grapes are harvested and brought to the winery, winemakers follow special directions for production of organic wines. There are certain regulations that define what an organic winemaker is allowed to do. When wine is labeled as organic, that means that it was produced by following certain standards set by a government agency. Each country has its own certification criteria for what is organic, so what is considered organic wine in one country may not be in another.

The biodynamic approach is more in-depth than organic, and it follows a farming approach introduced by Rudolph Steiner (1861-1925). This approach incorporates the use of homeopathic treatments, herbal preparations and sprays and composting for the purpose of creating biodiversity. Biodynamic winemakers believe that there is no monoculture in nature, so the idea is to establish biodiversity. In order to enhance vitality of the vines and to boost microbiological life biodynamic winemakers are using plant and mineral-based preparations. Biodynamic winemakers believe that vineyard should be alive, as biodiversity is the key to produce healthy grapes and wines. In addition, biodynamic approach also incorporates a spiritual side which relates to

[12] Following description present a summary (USOFA, 2013)

approaches like preserving the energies of the vines by connecting with the cycles of the moon. This aspect of biodynamics is many times controversial and raises a lot of questions about the validity. However, biodynamic wine production have their own certification institutions and have been practiced around the world and its popularity is growing.

Figure 3.2. Natural preparations used by one of the study's participants to enhance the vitality of grape vines - chamomile, yarrow, nettle, oak bark, dandelion, valerian.
(Source: Photo taken by the author, 08/12/2012)

Natural approaches put special emphasis on minimal intervention in the vineyard and in the wine cellar and therefore distinguish from those who practice organic or biodynamic approach. The natural approach seems to be an appropriate one for the fragmented landscapes of Slovenia, because vineyards can only be worked by hand and animals. When it comes to the approach in the production of wine, natural winemakers tend to reject all the additives and do not consider even the use of sulfur or artificial yeast. However, there is no certification institution or clear regulatory definition about what natural wines are as of yet.

Many winemakers in Slovenia and elsewhere do not want to certify their wines as organic or biodynamic. Some of them decide against the practice because they cannot afford the costs of registration and certification. Others disagree with the government standards for certification of organic wines and refuse to label their wines as organic. Regardless of whether they seek certification, each is based on understanding the fundamental principles that support and work with nature.

Table 1 – Study Participant Profiles

Cluster(s)*	Names**	Wine Region	Approaches	Main Income from Wine	Education
A, B	Vlado	Primorska	Organic/Natural	YES	College Degree
E	Boris	Podravje	Biodynamic	YES	College Degree
A, D	Toni	Primorska	Organic/Natural	YES	High School
B	Luka	Primorska	Organic/Natural	YES	High School
A, B	Tilen	Primorska	Organic/Natural	YES	High School
A, B	Branko	Primorska	Organic/Natural	YES	High School
C	Tine	Podravje	Organic	NO	College Degree
C	Miha	Podravje	Organic	YES	College Degree
C	Zoran	Podravje	Organic	YES	College Degree
E	Ivan	Podravje	Organic/Biodynamic	YES	High School

*Clusters are represented by letters to protect the anonymity of study participants.

**All names are pseudonyms to protect the anonymity of study participants.

3.6 Coding Data

First, all recorded interviews were transcribed verbatim and translated into English. After the interviews were translated, I began the process of coding the data using the NVivo software program. The utilization of this program, which is specifically designed for qualitative analysis, enabled me to perform initial descriptive coding at the participants' own language level, also known as in-vivo coding (Cope as cited in Hay, 2005). This approach seemed most useful for my research because in-vivo codes enabled me to identify key ideas and later collapse these codes into more abstract concepts in order to understand the relationships between concepts and themes in the transcribed text (Strauss & Corbin, 1990 as cited in Hay, 2005; 224). In this study I also analyzed data by following Glaser's approach (1978) and using three coding techniques:

Open (free) coding - refers to the initial stage of data analysis. Sections of transcripts (units, sentences, phrases) were first identified and named using open codes. Each code has numerous passages for support within and across transcripts. After coding for some time, all emerged codes began to form patterns and fit into concepts, themes, or categories (i.e., addressing or forming aspects of the same issue or more abstract concept). After constant comparison by tacking back and forth among all data sources and interpretations, two core categories emerged. Those two categories were central to the phenomenon being studied – the nature of clustering or "Trying to Cluster" and

“Mental Orientation.” These core categories and all of their sub-dimensions will be discussed in detail in Chapters 4 and 5.

Axial coding - codes aligned with categories, thus forming new relationships and eventually an overall framework.

Selective coding - in order to discover the details of each category and identify the core category/phenomenon and the emergent framework of interpretations (i.e. models), additional codes were identified to lend support to ideas that were forming through what is known as selective coding. This involved returning to interviews and specifically looking for relationships between subjects on clustering, marketing issues, organic wine production, and others issues that were relevant to this study’s main research questions. I used this method because, after combining codes, I decided to return and refine my coding to discover if additional examples within the transcripts could be found that might have been initially overlooked but supported by emerging categories in the framework. This iterative coding process ensures a more thorough and robust theoretical framework emerges from the data that best fits what participants were trying to explain.

The integrity of the process was maintained by remaining in constant contact with an experienced qualitative and, in particular, grounded theory scholar who (a) ensured that I did not impose preconceived notions on the data collection or interpretation processes and (b) monitored and rigorously questioned interpretations I was making to ensure they were driven by the data (i.e. interviews). The trustworthiness of inductive work such as

this is usually evaluated using the criteria of credibility, transferability, dependability, and conformability (Lincoln & Guba, 1985), and I have endeavored to follow such criteria in this research.

Although I began with the plan to understand Cluster A, as my framework developed, I realized that I needed to examine my research questions from a broader perspective, and as such, I also met with people outside Cluster A.

3.7 Data Analysis

Although the coding process is in fact interpretation, in practice it is not quite so linear. I spent numerous hours contemplating the interviews, the codes, the categories, and the relationships among them by writing numerous memos and working on an interpretation with a research mentor. Together we considered multiple possibilities for interpreting the data while writing codes and interpretations on flip charts to try and determine where things best fit. This deep immersion into thinking about the data, stories and perceptions that participants were trying to convey helped me to develop the most optimal depiction of what participants were truly experiencing.

My findings can be described in multiple ways. Therefore, in chapter 4, I present one framework (model) that is less linear but captures all the richness of my interpretation (See Figure 4.1). I also present an alternative representation of the exact same data in a causal-path diagram consistent with Strauss and Corbin's coding paradigm (1990), which involves the specific categories of context, causal conditions, core phenomenon, strategies, and consequences (See Figure 4.2). A combination of all the data's narrative

descriptions and emerging frameworks constitutes a thick description of the phenomenon.

Later in Chapter 5, and consistent with grounded theory, I returned to the examined literature to compare my inductively developed framework and interpretations with Porter's work on wine clusters, as well as additional literature that seemed relevant based on what I found. I learned from this comparison that Porter's approach to studying and understanding wine clusters is not compatible with my research on organic wine clusters in Slovenia.

For readers concerned with validation and testing, in the grounded theory study, the researcher constantly develops provisional hypotheses along the way which are either validated or refuted by additional qualitative data collection. However, true validation and testing of the frameworks that I have developed must be done through additional future studies that are preferably qualitative in nature. Please remember, the purpose of this study was to develop a theoretical framework and not test one.

3.8 My Position as a Researcher

In this section I want to describe how my role as a researcher in Slovenia was influenced by several factors. Specifically, I will comment on how the educational and personal background and assumptions I brought to this study affected the process of data collection.

First, my position as researcher in this study's fieldwork was greatly influenced by previous research on organic wine production I conducted as an undergraduate student

in Slovenia. Because my previous research involved personal interaction with leading organic winemakers, it was easier for me to make further contacts on the basis of their recommendations. Also, my prior understanding of organic winemaking offered me some insider advantages. Before conducting the interviews, I told my participants about my previous experiences with organic wines that I had obtained as a researcher and bartender in one of the leading organic wine bars in London. This bolstered my credibility, and some participants allowed me to observe their work in vineyards and wine cellars as well as attend meetings with other cluster members. These personal relationships often led to more detailed interviews and conversations with participants. On a few occasions, participants' families also invited me to join them for meals. Throughout all of my interactions, I carried a little notebook with me, which I used to make notes of my observations.

Second, as I was conducting my field work in Slovenia it seemed confusing to many study participants that I was a young, female student focusing on economic geography and specializing in organic wine production as well as speaking the Slovene language. Sometimes participants assumed that, as a geography student, I did not have much knowledge in the production of organic wine, and at first they did not consider me a competent interlocutor. Due to these obstacles, it took a fair amount of time to build rapport and trust with some participants and their families. Often participants would want to take me on the tour of vineyards and facilities not only to show me their approaches but also to test my genuine interest, knowledge, and enthusiasm for organic

wine production. As a more poignant illustration, my fieldwork reflected the constant need to balance between two roles: being a researcher on the one hand, and a wine expert extremely interested in organic grape and wine production on the other,.

This leads me to an important lesson learned while conducting my research: interviews on complex and personal topics require time in order to build rapport and facilitate the deep conversations needed for participants to reveal their true feelings, thoughts, and methods. In reflection their perceptions are consistent with the fear that emerged in my findings and described in Chapter 4. Once this rapport was developed, however, participants were extremely open. Furthermore, a few of the participants expressed an amazing enthusiasm when I asked them if they would be willing to participate in my research. The fact that I am studying at a university in the United States gave me instant credibility, thereby removing the need for additional trust building.

In the next chapter I present my analysis of interviews in which participants revealed their understandings, perceptions of the clustering phenomenon, and the subsequent impact their methods played on their marketing decisions and professional lives.

CHAPTER 4
RESULTS

4.1 Introduction

This chapter describes in detail my interpretations of the interviews and observation data that I collected from the study. Initially, these research questions were crafted to assist me in collecting data. However, over the course of data collection, new questions that were not predefined emerged. Because the questions arose as a direct result of the research, these questions are of greater relevance than the original predefined ones, and by utilizing the grounded theory approach, I incorporated them into my results. To be clear, new questions are only refinements of the originals.

The original questions are as follow:

1. Does an application of the cluster model provide small-scale Slovenian organic wineries with an effective marketing solution?
2. What social, economic, and cultural forces have acted to form organic wine clusters in Slovenia?
3. What types of clustering do these winemakers engage in?
4. What are the benefits and drawbacks that organic wine producers face when clustering with others?
5. How can organic wine clusters differentiate themselves from conventional wine clusters?

After utilizing the grounded theory approach, the following additional questions emerged:

6. What is the nature of clustering in the Slovenian organic wine industry?

7. What motivates and drives the organic winemakers to cluster?
8. What are the organic winemakers' perceptions of clustering?
9. How does clustering influence their marketing decisions?

Finally, I realized that there were many differences in values and beliefs that prevent these winemakers from clustering with each other. This realization led to the following questions:

10. What are the major differences between organic winemakers in Slovenia?
11. What prevents them from working together in a cluster?
12. Why are they able to work together in clusters on an international level and not on a national one?

The answers to these questions emerged from analysis and coding. Analysis of the codes led to concepts which fall under four primary themes. Collectively, these four themes form a framework for the clustering of the organic wine industry in Slovenia. This framework is based on the participant winemakers' perceptions and interpretations of their own clustering activities.

The four themes of the framework are as follows:

1. The Nature of Clustering or characteristics of clustering through the eyes of the study's winemakers.
2. The Mental Orientations of winemakers, including their pre-defined views on clustering, organic wine production, and marketing. These include their fears, perceived barriers to marketing, and their areas of confidence.
3. The Marketing Strategies of winemakers.
4. The Visions for the Future of clustering, organic wine production, and marketing.

These four themes are complex and critical concepts that illustrate how participants understand and interpret their social, economic, and professional lives. Together, the framework addresses winemakers' perceptions of clustering and their approaches to marketing, as well as providing guidance and vision for the future of organic wine clustering in Slovenia.

For ease of understanding, I have developed visual representations of these four themes (Figure 4.1).

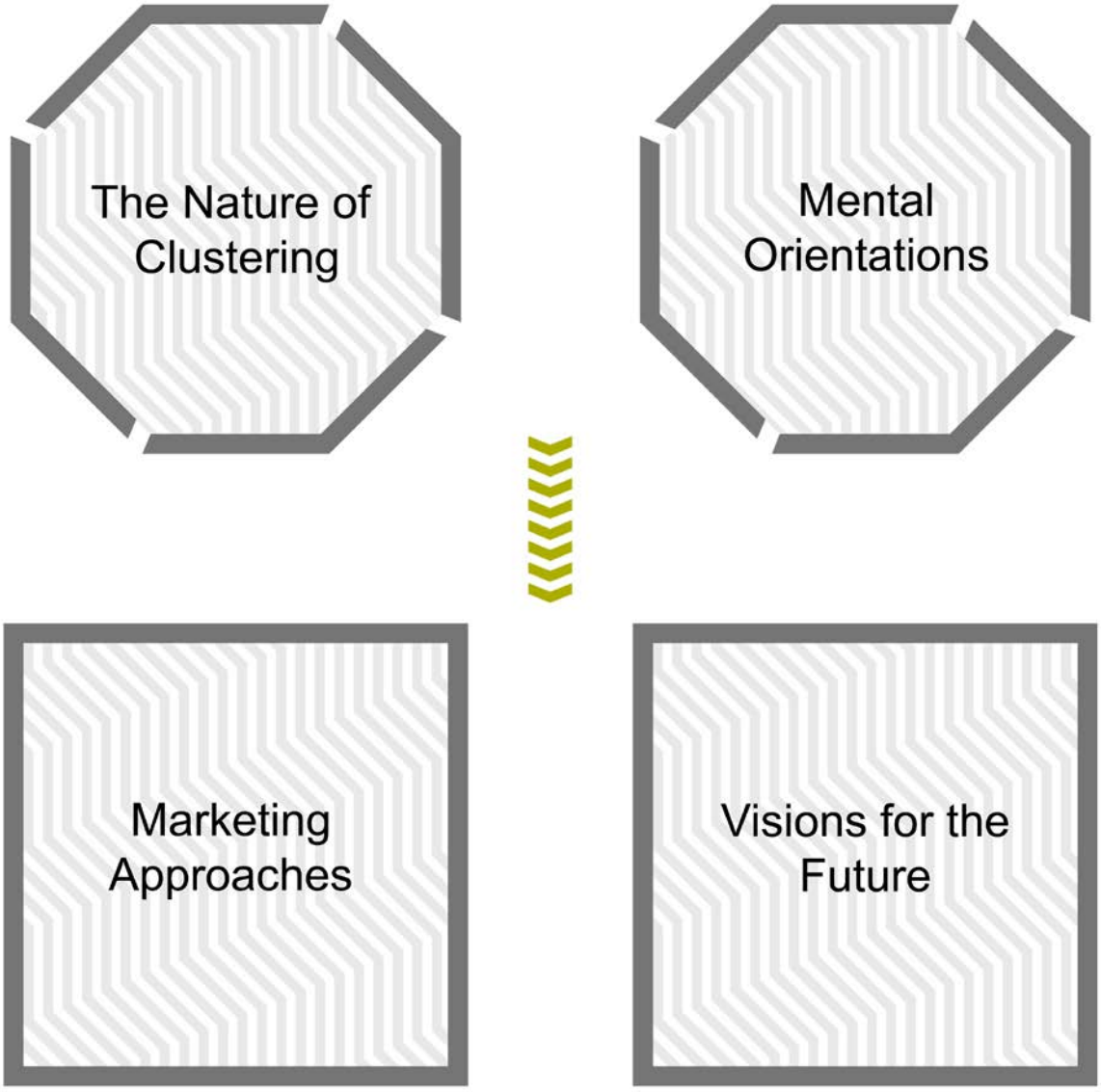

Figure 4.1 – The Framework

Figure 4.1 illustrates some of this thesis' main findings: understanding winemakers' marketing strategies and visions for the future requires understanding their perceptions of their challenges and strengths -- broadly, their "Mental Orientations" -- along with their perceptions of the nature of clustering itself, referred to as the "Nature of Clustering." Each section of this chapter details one of the themes illustrated in Figure 4.1.

Section One, the "Nature of Clustering," describes the general motivators that encouraged the study's participant winemakers to form clusters. This section then explores the participants' perceived advantages and disadvantages of clustering, and how clustering functions within the context of organic wine production. Participant winemakers generally reported that they joined and formed clusters due to two primary economic and social factors. The primary economic factor reported was a decision to reduce the costs associated with wine production and marketing, while the primary social factor was the desire to cooperate and collaborate with other like-minded organic wine producers who share the same values. For the most part, winemakers agree on these perspectives.

Section Two, "Mental Orientations," presents various preconceptions affecting winemakers' decisions in their personal and professional lives. Professional preconceptions include, but are not limited to, their perceptions of how grapes and wines should be produced, the functions that clustering serves, their marketing approaches, and their definitions of what is "traditional." Personal preconceptions

include their social and economic fears, their perceived barriers, and conversely, their areas of confidence and ambitions. Radical differences between organic winemakers in Slovenia manifest in their mental orientations, and the vast majority of barriers to collaboration, cooperation, and clustering fall under this theme.

Section Three, “Marketing Strategies,” demonstrates the methods with which participant winemakers promote and sell their products. The findings in section three suggest that winemakers are well aware of the advantages of clustering to better market organic wines, but lack the capacity to cluster with each other effectively. Notably, this awareness seems to have been driven by their perceptions of clustering in Section One, but hindered by their pre-existing mental orientations described in section two.

Section Four, “Visions for the Future,” is a review of the most important needs and desires as expressed by participant winemakers, and how those needs and desires may or may not be met by participant winemakers’ positioning within the context of the wine industry as a whole. At the conclusion of this chapter, an alternative framework (Figure 4.2) is presented.

4.2 The Nature of Clustering Within the Organic Wine Sector

The analysis of participant winemakers’ responses revealed myriad perspectives on clustering as it relates to organic wine producers in Slovenia. The results have suggested that the nature of this agglomeration phenomenon is complex and needs to be presented and interpreted from different angles By examining these angles, we can form a broader picture of this agglomeration that may be a useful tool. By utilizing

grounded theory approach, I was able to analyze participants' responses related to clustering. These responses were expressed by participants as collaboration, association, and the formation of groups. After detailed coding, I was able to identify the eight main sub-themes that emerged from the data. Collectively, these eight sub-themes form a primary theme I call "The Nature of Clustering." I have created a diagram to assist in expressing this theme and its sub-themes (Figure 4.2).

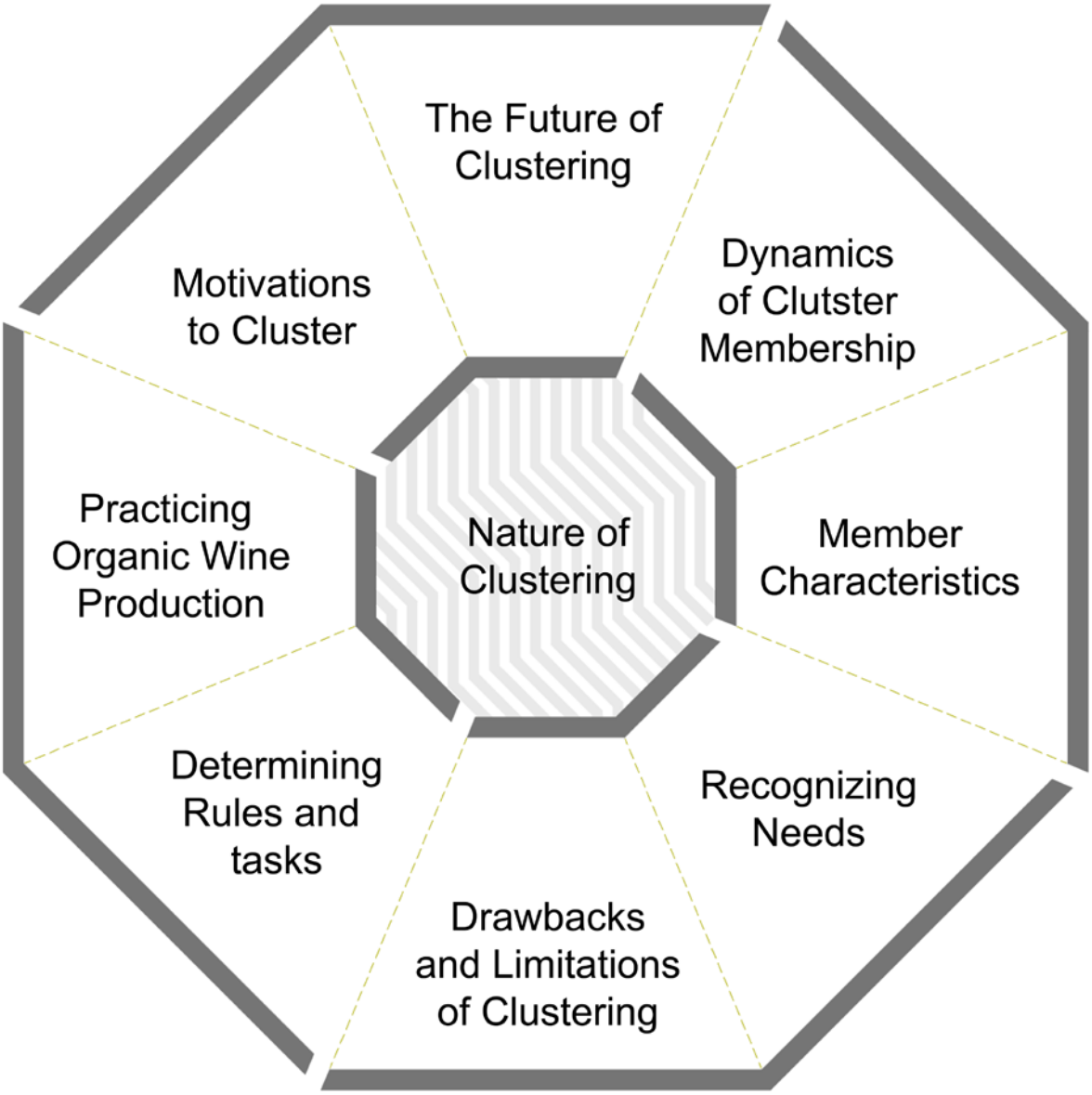

Figure 4.2 – The Nature of Clustering

4.2.1 Practicing Organic Wine Production

The previous research discussed in Chapter Three suggests that the very nature of organic wine production influenced the way that participant winemakers form and join clusters. This section focuses on exactly what that nature consists of by highlighting the main approaches that the participants have followed, the values that they share, and how they differentiate themselves from conventional winemakers.

I began each interview by asking participants to describe their approach to wine production, following up with the questions of how long the participant had been producing organic wines, why they chose to practice organic wine production, and what made their approaches different from making conventional wines.

Wine production is the primary occupation and source of income for nine of the study's ten participants. The same nine participants were born and raised on small wine farms in Slovenia, where they learned the trade from their parents. All ten participants are currently involved in organic, biodynamic, or wine production. However, the organic approach to grape and wine production was not originally a common practice at all of the participant's farms. The last two generations of winemakers in Slovenia were strongly influenced by aggressive lobbies that encouraged the application of chemicals to vineyards and wine cellars. Luka recalls, "In 1980 or 1985, when I enrolled at school, the industry's viewpoint was that you must exploit farming to its maximum. This concept brought chemicals as well. And thus chemistry entered agriculture. Back then it was presented as if you're the only one who has something out of it, but there was profit for

those who introduced chemicals to the market." This conventional approach to wine production is still the most common practice in Slovenia's current wine industry.

Responses to the question: "Why did you decide to start producing organic wines?" varied, but most answers pointed to each participant's desire to produce high quality grapes and wine while protecting the environment. These interviews also revealed that a majority of the participant winemakers expressed the view organic that wine production is a revitalization of the ways the wine was produced by their ancestors. Luka decided that organic winemaking would be a way to return to his roots: "I thoroughly researched the old path that belonged to the elder people." He further described, "Grapes represent a treasure to me - I see them as a raw material, for others, they are problematic." Tilen has a different view, observing that "We had been growing grapes organically before, but when we began exporting our wine abroad, we had to get a certificate about wine being organically produced. So we started with it. There is not much difference between the ways we grew grapes then and after we have received a certificate. Especially in this area where there are great places to make wine naturally."

Surprisingly, participant winemakers made almost no suggestions that they started to practice organic wine production in order to increase profitability. In fact, profit was always downplayed as a secondary concern. The primary motivation of the winemakers was to shift to a more natural means of wine production in order to reduce or completely

eradicate use of chemicals. Boris always knew that something was wrong with using chemical fertilizers;

> "I always felt bad (sick) back then when I was still a conventional winemaker and sprayed the vineyard with chemicals until I came across the knowledge of biodynamics and organic winemaking."

Ivan, on the other hand, was more concerned with reconnecting with nature and the traditions of organic winemaking by focusing on working in harmony with nature, putting back in what he takes out, and conserving the landscape, flora, and fauna.

> "If we want to understand nature, we must go back in time before the chemical revolution appeared. That is when our great grandfathers didn't know about substances like sprays and fertilizers"

For most of the participants, the transition to organic wine production was quite difficult during the early phases due to a lack of knowledge. A few participant winemakers attended cross-border seminars on organic wine production in Austria, Germany or Italy. While helpful for some, Boris shunned this concept, stating that,

> "Everything is written in nature. It is better for you to learn from there than to follow the written knowledge. It is written, but one must always mold it to fit real life."

Each of the participant winemakers shared their values of environmental awareness, quality above quantity, and the desire to produce the healthiest grapes and wine possible through the preservation and enhancement of biodiversity. Tine exemplified this notion, stating, "All these years, I've paid the most attention to a good structure and quality of the soil, from which this biodiversity arises." Luka echoed this sentiment:

> " . . . with chemicals you poison the nature, environment, the basis for your work. I have a very strict attitude towards certain approaches in the vineyard

> and wine cellar. I like to be defined as a natural, non-interventionist winemaker, meaning that one has to understand the balance of nature."

According to the study's participants, organic wine production in Slovenia is possible because of its ideal climate and soil characteristics. Tilen spoke to this: "Especially here in this area where there is a great place to make wine naturally. Vines do not need to be sprayed as much. There is always wind blowing . . . so the area is airy and there are not many infections on vines."

The participants' responses about their approaches to wine production reflected their strong inclinations toward organic wine production, which were consistent with expectations when setting up the study sample. When I was designing a study sample and searching for the study's participants, I discovered that the majority of organic winemakers in Slovenia produce organic grapes and wines as their primary occupation; as such, this process substantially defines their lifestyles. The participants' views are consistent in that they approach organic wine production as an ethical imperative, with the aim to protect the environment and rejuvenate the Slovenian wine regions' cultural and historical identities.

4.2.2 Motivations to Cluster

After asking the participants what motivated them to join or establish wine clusters, they responded with similar answers. Results revealed that a participant's decision to cluster was influenced by a number of motivating factors. The most common factors that participants described in the interviews included following motivators: cost reduction,

increased marketing effectiveness and shared values. This section will address each of these factors.

Cost Reduction

While cost reduction was not cited as a primary reason for switching from conventional to organic wine production, the participant winemakers heavily emphasized this as the primary reason why they decided to cluster with other winemakers. The costs reduced were mostly those associated with promotional and marketing activities.

Wine fairs are a major source of advertising for wineries; they are also one of the most expensive. Zoran recalled going to a wine fair in Novi Sad, Serbia: “I went to Novi Sad by myself. The cost of the fairground was 10,000 Euros.” He then praised the benefits of clustering, as “expenses would be divided up” if a cluster of smaller wineries were to join forces. He lamented not having clustered at the time when he admitted that “I wouldn’t have minded [paying the 10,000 Euros] if there had been five more winemakers with me. I wouldn’t have had fewer customers because of that.” Vlado, one of the members of Cluster A, recalled a similar experience at a wine fair in Ljubljana, Slovenia. “Instead of buying four tables for 2,000 Euros, you only take one and pay 500 Euros and thus expenses are much lower.”

Wine fairs are merely one example of how wineries reduce their costs by clustering. Other forms of marketing are easier and more successful, and activities like exporting and distributing are simplified and cheaper when winemakers cluster (Vlado).

Increased Marketing Effectiveness

Winemakers can enhance their effectiveness by clustering. When Vlado decided to establish a cluster with three other winemakers, he did so in part because “a cooperative of four people [is] perceived differently than if you are on your own.” (Vlado). Additionally, if winemakers identify themselves under one brand, they all benefit from the advertising of every other cluster member. Zoran responded similarly, stating that “we would actually be achieving a synergy by collaborating. Because if the whole region was more known, more people would come here and retail sales would improve.”

The same motivation to cluster was observed by Boris, claiming “Yes this is our primary activity, although we are also involved in promotions, cuisine, trying to bring people here. That is why we formed an association of organic and biodynamic farmers . . . as this is part of marketing as well.”

Shared Values

The results show that sharing the same values is of utmost importance to the participant winemakers. This is because the resurgence of organic wine production in Slovenia is still in its infancy. Consequentially, the number of organic winemakers is relatively low, and they therefore have few colleagues with shared values. Joining a cluster with other likeminded wine producers was a tremendous motivator for all of the participants, as they were able to exchange experience and knowledge. Socially, they were able to find common ground with other organic winemakers.

Toni praises clusters as a place where people can exchange experience and knowledge, and “fuse together” with others who have the same philosophy and interests. Vlado found companionship in the fact that “each [cluster member] had already been involved in organic farming. Nobody needed to be persuaded, we all believed in a common thing.” Tilen noticed the same excitement, saying that “We think alike and make similar wines.” He emphasized the importance of “mak[ing] wines the way we feel is right, we do not make wine the way some would want us to.”

The final reason that participant winemakers were motivated to join clusters was because of the potential association with other winemakers who are producing high-quality wines with heightened standards. Luka described his experience of joining an organic wine cluster in Italy, saying, “I was invited because they knew I produced wine this way. Then we talked and exchanged opinions and then the association expanded and we knew that if we want to do something like have a certain approach to institutions, it must be a group which fits together.”

4.2.3 Determining Rules and Tasks

While shared values are important, they are insufficient on their own to sustain business relationships. These relationships often come under stress when one party is following different approaches from the others. Organic wine clusters are no different. As such, defining member rules and tasks is a critical issue. When asked about what it means to be a member of a wine cluster and what the internal rules, tasks, activities and responsibilities are, the participants responded without hesitation.

For most participants, joining the cluster enabled them to establish their own quality control methods and define a strict set of rules. According to the participants' responses, the international and national certification offices do not set high enough standards for the production of organic wines. These lax standards allow winemakers to use methods that are non-organic, leading many large-scale winemakers to take advantage of lax standards while still retaining an organic label. "If you have a certificate for organic wine, there is no warranty that it is organically treated in the wine cellars." (Luka). The participant winemakers are therefore worried that the value of their truly organic wines are being diminished by loosely set rules that subvert their mission to create high quality organic wines with minimal additives.

Luka's cluster, Cluster B, requires that wine be organically treated at all times in the cellars and vineyards, which is above and beyond what national and international certification requires. "There are precise rules in [Cluster B] and they should be followed by every winemaker." (Luka). Other participants also replied that their clusters have similar restrictions and heightened requirements to label their wines "organic."

Vlado, Toni, Tilen and Branko, who established Cluster A in Slovenia, also follow a rigid set of rules that they do not deviate from. These rules apply to all levels of their activities from the vineyard to the wine cellar. According to Tilen, "It is important that all members make the same type of wine. They cannot make some wines this way and others other way. The entire approach, the farm has to be organically managed." This approach allows them to self-certify and establish higher standards when low standards

are the norm, “Because if you establish an association nowadays when it is a trend to be bio, but there are no rules in the wine cellar, and all of them spray with chemicals in the vineyards . . . this is what reality looks like today. But we believed that if we wrote something and present it to our customers, it would be some sort of auto-certification, and it would mean something . . . and so we made a list of rules for cellar as well as vineyard.” (Vlado).

Establishing heightened standards and drawing the line as to what is organic “enough” is difficult for all winemakers, and as a consequence Luka believes Cluster A should assist other organic winemakers in achieving this ideal:

> “[Cluster A] should also give advice to other winemakers who wish to follow this path. I see it as something which needs to have a certain philosophy or value in terms of self-esteem, and not just a marketing function. That’s very important because the confusion of natural wines doesn’t exist only in Italy or Slovenia, but in France, Spain and other countries as well. We within the group [Cluster B] still have contacts with other organizations because for example the French have the same problems with institutions as winemakers in Italy.”

Because of these rigid and heightened standards, some of the study’s participants share the opinion that this creates transparency for the consumers -- they know that they are receiving a higher quality organic wine when they see certain clusters’ labels.

Not all clusters are like Cluster A, however. Other participants - Boris of Cluster E, and Tine, Miha, Zoran and Ivan of Cluster C, indicated that rules are definitely a part of being a member but are not as nearly as rigid. These rules in their clusters usually apply only to obtaining a certificate that proves that member of a cluster is in organic wine

production, which satisfies the main purpose of clustering: achieving better recognition of members and more effective promotion of wineries.

Ivan disagrees with his cluster's certification rules because the cluster that he is attending is not homogenous enough in their heightened organic standards. Despite the fact that Cluster C members have an organic wine certificate, they seem to be too different in the way they grow grapes and make wine. According to Ivan, "We are far away from one another here is Štajerska. I am alone here. Aci is in Celje area and others live by the border on Austrian side. We can't seem to be able to gather together and we all have certain types of work - mine is such, Aci is a biodynamic wine producer, they up [in Austria] are classic organic wine producers - wines are completely the same as classic wines. This doesn't go together."

In addition to setting the strict rules regarding the wine production, the clusters conduct other activities to set rules and standards. For example, Cluster A has monthly meetings where they discuss their issues. They also attend wine fairs and other promotional events together. When asked about these group activities, each participant winemaker responded differently. Tilen said, "First we go to wine events together, where we present our wines, then we meet like we did today and talk. Wines have to be right and that is it. We trust each other, we try wines." Toni recalled working together to learn how to produce organic wines effectively: "We organized education projects . . . and learned how to make protective sprays, compost and similar things as it is very important to make something which helps protect the grapevine. This way we were able

to make our own protective agents, reduce expenses and not harm anyone" Luka commented on the deeper purpose of the cluster, stating that "The cooperation has several functions. It doesn't only have the function of presenting wines, which is important too . . . The goal of the group is to exchange certain experiences among winemakers."

4.2.4 Describing Member Characteristics

According to the study's participants, the characteristics of members in the wine cluster can either be strikingly similar or extremely varied. When I asked participants if they can describe other members in the cluster, their characteristics and relationships among them, I received mixed responses. The participants also communicated that member characteristics define the nature of cluster and direct its success and further development.

Participants identified the willingness to share and spread the knowledge of organic wine production as one of the most important aspects of working in a cluster. Miha of Cluster C said of this sharing of knowledge, "I am open to this, I see no obstacles here. If anyone needs advice, I can give it to them." Toni of Clusters A and B assured that "I am social, so I like to help others if they decide to start with it." Vlado of Clusters A and B agreed, with an emphasis on the future, asserting, "The future is in informing people - to make them aware of the importance of organic production."

All of the participants shared the idea that social and professional interaction with others possessing the same interests and values is highly rewarding and enjoyable. The

same is evident in Zoran's response. He stated, "Because people who produce wine this way are slightly different - you can notice that they are more cordial. And I believe that I could socialize much easier with these people than with conventional ones."

Individuals who pursue a strict and rigid approach to grape and wine production often reflect strong personalities. This attitude is illustrated in one of Boris' responses: "Then I said to myself, I only see one goal. I will give everything away and follow the goal, and there won't be any chemical agents, yeast or measuring - all the processes will be done without my intervention. People have been doing this for millions or billions of years." Another strong opinion was made by Luka, who, unlike other participants, is convinced that everything that he does in the vineyard or in the wine cellar must be scrutinized. "The way I see it, this approach mustn't be ideological or esoteric - it must be scientifically proven . . . I am proud to say that my approach is natural as well as scientific. Everything I do - I want to know scientifically what it is in the sense that it is proven so that my point of view isn't esoteric."

4.2.5 The Dynamics of Cluster Membership

The dynamics of cluster membership vary as much as the members themselves. This analysis revealed that eight out of ten participants indicated that they are member of more than one wine cluster. This suggests that this study's participants' memberships in clusters are dynamic. Participants identified several different types of clusters that they are engaged in. Each is different respect to their different approaches to wine

production (i.e., organic, natural, biodynamic), the geographic location of their wineries (i.e., Slovenia, Austria, Italy, France), and their sizes (small, medium, and large-scale).

Vlado, Toni, Tilen and Branko are members of Cluster A, which is a small-scale cluster located in Slovenia. They decided to establish this cluster together because they all share similar characteristics. All of the members in this cluster are located in the same wine region, produce similar wines, share the same views and approaches to grape and wine production, and are able to meet on a weekly basis and discuss their internal cluster issues. Each cluster member operates a small-scale vineyard, as well. Tilen noted that “We mostly work the same way. We all have about six, seven, or eight hectares of land.”

Vlado, observing the benefits of small-scale clustering, notes that “[W]e are a small group of people who can gather in fifteen minutes, go to the fair in Ljubljana together, have a joint center, a mutual importer. This is much more difficult to do if there are fifty to sixty people, but you have other projects then.” Tilen enjoys the small nature of his cluster because “A small association as ours - we go around the world, rent a castle [house] or hotel or something similar for two days and present ourselves. Recently we were in New York, now we are going to Oslo.”

Cluster A perceives itself as being unique as a cluster. Vlado differentiates the cluster because of its size: “It is interesting because I do not know any association of four or five winemakers. The associations I mentioned before are all bigger - fifty winemakers.

Even though they set themselves apart and identify themselves as members of Cluster A, each member is also a concurrent member with different international clusters. Vlado, Toni, and Branko all joined a large-scale organic wine cluster in Italy, while Tilen joined a large-scale biodynamic wine cluster in France. Each of the participants indicated that they joined those international clusters in order to increase their recognition on a larger scale. The participants stated that joining large international wine clusters give them an opportunity to travel abroad and present their wines at numerous international organic wine fairs in England, France, the United States, and many other countries.

Vlado defends his decision to retain memberships in both clusters, noting that "[Cluster B's] projects are different - more attention grabbing, while [Cluster A's] are more flexible." Vlado further described the advantages of joining larger associations, recalling that "a biodynamic wine producer from France came to [Cluster B] twice and taught them certain things. No such thing happened in our association." (Vlado).

On the other hand, Zoran, Miha, Tine, and Ivan are all members of Cluster C, a cross-border Slovenian-Austrian wine cluster. Ivan sees this as a natural affiliation. "The Austrian and Slovenian part of Štajerska are basically the same - people speak the same language, so they can communicate. Another reason is that people felt the need to link with each other and present themselves." Cluster C went so far as to present together at a wine fair, but due the lack of effective communication and administration, there was a very low turnout. (Ivan).

Boris, perhaps the most eccentric and extreme of the group, recalls his fruitless attempts at participating in several clusters.

“[W]hen I became a member of an association - we were supported by our mayor and we functioned nicely, until I as an organic farmer realized that farmers don’t understand me anymore. And so I left and became a member of other association such as [Cluster E], which is related to biodynamic wines and was establish for marketing those wines. In the beginning I liked this thing very much but than I realized I had changes so much that I got aware of my smallness in such a big association. Due to aggressive sales we left [Cluster E] as well, which still functions and is successful especially for large winemakers.”

4.2.6 Recognizing Needs

All ten of the study participants recognized the future needs of clustering within the organic wine sector. Each of the participants expressed needs that fall into two major categories: the importance of future expansion to ensure that their clusters will continue to be sustainable, and the need for third parties to handle marketing and collaboration. These third parties would have two major duties: interfacing with foreign markets for export, and facilitating collaborative endeavors with other wine clusters and independent winemakers.

These third parties could be valuable to clusters, as the greatest challenge that clusters currently face is their lack of export capacity. Vlado laments Cluster A’s lack of ability export wines, as they have no representative for foreign markets. Some of the

study participants recognized this problem and expressed a desire for entrepreneurs to assist them in accessing foreign markets. Zoran of Cluster C stated, “I think there is a great potential in presenting wines together. However, somebody should collect wines from all winemakers, they would present them to this person, and than this person would learn certain things. I think this would be a great success.” Vlado agrees, conceding that “Because we as farmers have so much work in vineyards and cellars in these hard times - where there is even more wines in the world, there is a big mess and you need someone who knows marketing strategies of a specific market . . . That person is in charge of making contacts there, and then the wine sales would take off.”

Ivan was more concerned with the knowledge that a third party selling his wine would possess. “When selling such wine as mine, there must be a person with knowledge. Otherwise it’s no use selling it . . . There must be a person who has knowledge of these wines and is able to present them on another side of the world - and this is vintner. This is an occupation that is fairly known around the world but not so much here. This person can have a good job and farmers have someone that they can trust and thus things can thrive in symbiosis.” Excited about this prospect, Ivan continued with more requirements for the potential third party: “There must be an individual who is educated on this, follows new trends, follows what’s happening on a daily basis, takes my wine and wines from others and has a buyer waiting somewhere.”

The second need that the participants noted was the ability to collaborate with other winemakers. By collaborating, the winemakers have the opportunity to grow. Toni was

eager to seize this opportunity, as “A large association is by all means more recognizable. So if our association is larger, we will reach further, we will be more visible.”

4.2.7 Recognizing the Drawbacks and Limitations of Clustering

Although clustering has many benefits, as illustrated by the winemakers who are actual cluster members, the cluster model is far from perfect. Problems tend to arise during the lifetime of a cluster, especially in its infancy. During this formative time, rules are written, tasks are delegated, and autonomy is relinquished. Cluster members have to abide by rules that are often much stricter than they faced when they were independent winemakers, and as a consequence independent winemakers may not recognize the benefits clustering offers them.

After the initial recruitment of members and formation of the cluster, many cluster members are left thinking, “What now?” While the idea of clustering may be appealing, without the knowledge and action to supplement the formation of the cluster, it may stagnate and die.

Zoran illustrates the ineffectiveness of the project that established Cluster C was:

> “This was the project. I don’t know how much profit this project made...I don’t think anyone sold any wine because of it. All that is organized by cultural workers and half-municipal jobs. This stopped being interesting after some time and it stays at a certain level. There aren’t any tangible results.”

Boris, perhaps the biggest critic of the cluster approach, stated that “Having an association, definitely is a certain power. It connects us, but every group in a way limits

you. I believe in certain development and growth and I have always loved being in a group, but whenever I felt limited, I withdraw." Continuing with his criticism, Boris said, "As I mentioned earlier, all these associations unite different structures, people. And once you see that you are just a decoration to them - they are the ones who do business and we are there to bring philosophy - than I thought to myself, "It's a shame to give myself away to this mass of people who don't understand."

4.2.8 Envisioning the Future of Clustering

Amongst this study's participants, the future of clustering is one of reserved idealism and hope. They recognize clustering as something they would like to work toward, but each participant has their own reservations about the future of the cluster approach. Miha felt that "There is a chance. It's a matter of agreement, but I don't know if people are mature enough for this." Ivan is hopeful as long as the self-imposed heightened organic standards stay in place. "I see myself in a certain association of farmers who would be oriented to sustainable development. I see myself here and I would gladly accept this. But it must be this way in the vineyard as well as in the cellar. Nothing can be added. And a strong foundation is a must."

Zoran looks to the future of the economic and promotional aspects of clustering, envisioning that "At certain fairs, standings, it would bring synergy. Expenses would be divided up and, of course, each person has their own sort of wine, so there won't be any rivals." (Zoran).

4.3 Mental Orientations (Worldviews)

Although all of the study participants had similar sentiments about the nature of clustering and reasons for starting to grow organic wine, each winemaker expressed their own reservations about working alongside others and collaborating in clusters. As I explored these reservations, I realized that participants were making decisions based on their world-views or what I refer to here as “mental orientations”. Although the mental orientations of the participant winemakers are multi-faceted and infinitely deep, the grounded theory approach enabled me to narrow them down to eight sub-themes by coding their responses. I have illustrated the primary theme and their subthemes in Figure 4.3.

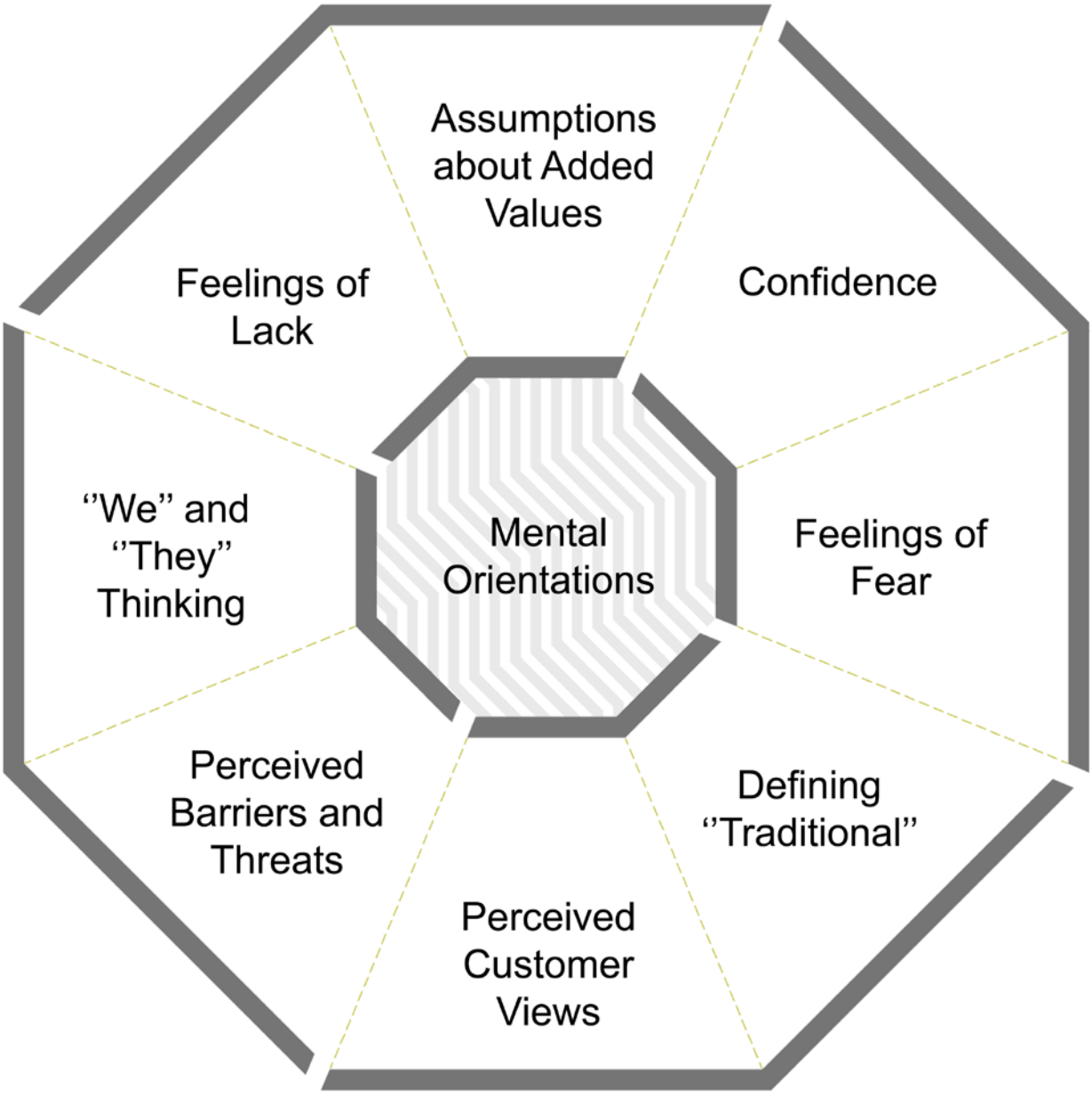

Figure 4.3 – Mental Orientations (World-Views)

The first sub-theme encompasses the “We” and “They” mentality that reflects the participant’s understanding and position of themselves as organic winemakers and cluster members in relation to others, specifically other winemakers, clusters and institutions. Sub-theme two examines participant winemakers’ feelings of lack – lack of support from institutions and the community, lack of collaboration between winemakers, and lack of effective marketing knowledge. The third sub-theme encompasses the fears expressed by the participant winemakers, which ranged from the uncertainty of the organic wine industry’s future to the feelings of powerlessness in the face of large wine conglomerates. Sub-theme four looks at the confidence levels of the participant winemakers. This sub-theme departs from the rest of the theme’s feelings of powerlessness and uncertainty by emphasizing exactly what winemakers are confident about. Sometimes, however, this confidence can be counterproductive, as winemakers might shut themselves off to new ideas from others. Sub-theme five examines participant winemakers’ assumptions about added values. Sub-theme six delves into participant winemakers’ struggles to define “traditional.” A major allure of organic winemaking is that the activity is seen as being a traditional one, but there is no single working definition of “traditional” in the context of organic wine development. Sub-theme seven focuses on the perceived customer views surrounding organic wines and organic winemaking. Participants believe that customers do not understand organic wines and have an appropriate appreciation of them. Sub-theme eight examines the perceived

barriers and threats to clustering and producing organic wines within Slovenia. This sub-theme encompasses the greatest amount of opposition to clustering.

Generally, the participant winemakers voiced similar sentiments when referring to their reasons for entering into organic winemaking, but, for one reason or another, have decided not to work together. It is important to note that each winemaker, with the exception of Boris, is currently a member of an organic wine cluster.

4.3.1 "We" and "They" Thinking

I discovered that participants had interesting ways in which they described who was "like them" and who was not "like them". This is similar to "ingroup-outgroup" theory in social psychology (Tajfel, 1974). Making the switch from conventional to organic wine production challenged the majority of participants, and many adjustments had to be made. Although the number of organic winemakers in Slovenia is increasing, and more people are starting to understand organic wine production, there are still numerous barriers that prevent organic winemakers from fully developing their activities to their true potential. Interviews with the participants elicited several different responses about how they perceive themselves both as organic winemakers and cluster members.

An analysis of this study's data reveals that most respondents understand their role and position as organic wine producers as a sharp duality between two identities; the first involving an understanding of themselves (in the interviews referred to as "we") as passionate producers of high quality grapes and wines, and the second involving an understanding of themselves in relation to others (in the interviews referred to as

“they”). The interviews have led me to believe that “they” represents the mental barriers of the participants.

The participants responses that revealed their thinking in terms of “we” and “they” generally referred to relationships between two entities. They are listed as follows:

Organic Winemakers (“We”) and Conventional Winemakers (“They”):

The participant organic winemakers took great care to differentiate themselves from conventional winemakers. Each expressed how conventional winemakers take an invasive route that produces an inferior product. Ivan set organic winemakers apart from conventional winemakers by saying that organic winemakers’ “way[s] of thinking” are different from conventional winemakers, criticizing the “exaggerated use of protective agents: mineral fertilizers, pesticides, insecticides, and others.” Ivan’s criticism extends beyond conventional winemakers’ methods and extends to their very perception of wine. “Conventional winemakers don’t see the opportunity in organic wines as a way for nature to express itself in a certain way, but as a problem. That seems absurd to me.” (Ivan).

Luka perceives conventional winemakers as creating abominations, saying that “[conventional winemakers] de-skin grapes and kill natural microorganisms and reconstruct them according to their own ideas, using chemical agents, additives, and other things.”

This “We” and “They” mentality even extends to how the study participants believe conventional winemakers have perceived them. Tine spoke about how neighboring

conventional winemakers scoffed at his move toward organic production. “First there was the phase of utter non-acceptance - when you are a complete outsider to the environment. It was as if we watched a science-fiction movie where someone faces something completely unknown to them. They have to build a wall around themselves in order to protect themselves. The foreigner is a treat to them. Later on, when they somehow accepted that this exist in this environment, they made fun of us, saying, ‘Aha, he’s the one who doesn’t produce anything, everything rots away on his farm.’ This way they compared their vineyard to our vineyard.”

Organic Winemakers (“We”) and Educational Institutions (“They”):

The study participants feel unsupported by educational institutions, and as such they still see such institutions as outsiders. Ivan explained that organic winemakers do their best to fill in the gaps in their knowledge with experimentation, and that with support from educational institutions, they could obtain knowledge that would help them to produce organic wine. “We will also try to plant some autochthonous vines here. Many things will happen here, wine experts know it and keep silent, but information is coming out. Sooner or later many things will change in Europe.” (Ivan).

Organic Winemakers (“We”) and Governmental Institutions (“They”)

Vlado described his disappointment with the government’s lack of support of the organic wine industry in Slovenia. While Vlado has been hopeful at times because of promises and ideas from the government, “[The government] always do[es] something at the Chamber of Agriculture so that nothing happens in the end.” (Vlado).

Organic Winemakers (“We”) and Organic Winemakers (“They”)

Some of the study’s participants even saw other organic winemakers as outsiders that were incapable of collaborating. Miha criticized the willingness of other organic winemakers to work together “As far as collaboration is concerned, I believe others think they don’t need that except for the Austrian winemakers. They are constant initiators [of collaboration].” Miha also disagreed with other organic winemakers’ methods: “These people are following organic wine production. And take a look at this wine - basically everything is used. This doesn’t fit my way of thinking - sustainable thinking.” Miha finished by blaming the other “They” organic winemakers for not collaborating, and presents a bleak view of future collaboration: “We all have wishes but winemakers are not ready to do much about it.” Zoran felt similarly, mentioning that he is “trying to make a living out of this, and I had several ideas but somehow they aren’t ready to collaborate. I told them that we who live in this area should group together.” (Zoran).

Members of Organic Clusters (“We”) and Members of Other Clusters (“They”)

Ted blames other organic clusters for not wanting to join together with him. “I don’t see any obstacles in joining up. I don’t know about others. But those that I know are by themselves, they don’t want link up with anyone too much.” (Ted). Zoran recognized that there is a major problem with cluster collaboration, but thinks that someone could assist with the clustering: “Someone should be involved in this professionally. However, we are all too small here in Štajerska - perhaps this could be done in Primorska. There are more winemakers there, especially organic ones.” (Zoran).

Slovenians (“We”) and Other Countries (“They”)

Vlado sees the Slovenian government as a disenfranchising organic wine producers when compared to other nations. “We have inherited a certain kind of mentality, which destroyed certain moral values which belonged to the old Austria. Austria today still possesses certain moral values . . . They have made sure that public attitude towards natural farming is incredibly positive today. They consider farming as something holy, positive. [Conversely, we Slovenians] have made public opinion turn against farmers.” (Vlado).

Zoran feels the same way as Vlado, and is frustrated by Slovenia’s infrastructure. Instead, he praises Austria’s: “We are a little bit limited with all the paperwork procedures and the country’s approach to it. For example, the Austrians have a well-arranged infrastructure, touristic roads, they are taxed differently, they receive more support . . . It’s logical that when something runs smoothly, it’s easier to build the sales and so on.” (Zoran).

“We” and “They” Conclusion:

The participants’ dichromatic worldviews of “We” and “They” indicate that they perceive their way of producing grapes and wines, along with their lifestyle and marketing approaches as completely different and incompatible with others who practice conventional wine production. Although their perspectives may be grounded in reality, the results suggest that participants are experiencing mental barriers that prevent them from collaborating with other winemakers and institutions. These barriers

have caused some respondents to refuse to see themselves as part of the global wine industry, as they would be associated with other conventional and less organic winemakers.

4.3.2 Feelings of Lack

Lack of Cooperation

One participant suggested that the reason for the lack of effective cooperation between organic winemakers in Slovenia originates from the Slovenian "mentality" which he described as "individualistic." According to Tine, "the European Union is very fond of cooperating and interconnecting at systematic level. However, we have never been very keen on connection in Slovenia. The Slovenian mentality is mentality of strong individualists, which do succeed and are good at working alone. We keep proving this in all fields: science, sports, economy, culture, and others." Tine further praised the European Union rural development plans as having "a very strong systemic support" in "joining producers together into a group . . . We are talking about combined resources from the EU and public fund of the Republic of Slovenia."

Lack of Support from Institutions for Practicing Organic Wine Production

Study participants unanimously declared that official institutions were of little help to them. Sometimes they felt that they were not understood by the institutions, and sometimes they felt like they did not care. Luka said of institutions that "there must be certain attitude towards the research in order to understand a few things. The problem at this moment is the institutions' attitude towards associations. Many times institutions

don’t listen, and they don’t know what is happening and what kind of problems there are.”

Toni expressed a sense of self-righteousness in organic farming and its processes, and expressed his frustration with the lack of institutional support, stating, “We are those rare individuals who prove that wheat, fruit, vegetables and wine, and others can be produced naturally, but there is not much interest in this. There is still too much fear, too much intimidation by institutions, telling us it is not possible.”

Zoran, who was a member of a Slovenian university’s Department of Agriculture, indicated that there is not much collaborative support from educational institutions. Miha felt the same, who “couldn’t say that there is a support by the faculty.” Ted had a slightly better experience, where he said that “They do come but I have to tell you this . . . a professor from the Biotech Department came here with students, but he had a scornful attitude towards . . . everything, in the sense that these winemakers aren’t producing wine organically, that they are only saying it or something similar.”

Vlado spoke of the lack of support within government institutions. He recounted a story when he once attempted to join the Ministry of Agriculture’s Committee for Organic Farming: “So, I asked if there was a chance I could join it, but than I found out the committee for organic farming was abolished.” The Ministry told him that because other farming committees already exist, there was no need for a specifically organic one. Vlado hinted at the possibility of foul play, saying, “Official institutions in Slovenia

publicly state that organic farming is great, but many things happen in the background. And farmers are constantly discouraged from it."

Ivan also believes that there is a corrupting influence within the government, and that this influence has stunted the growth of Slovenia's organic wine industry. "Slovenia is so small that only has a few positions in the government, Ministry of Agriculture or elsewhere - which certain people occupy and nothing changes. People on this positions lack energy, will and knowledge. And although there are people in Slovenia who do have such traits, they cannot occupy these positions."

Zoran's frustration with the lack of institutional support was more of an economic one. He said, "There is a problem in Slovenia. All of us are fighting to survive and you often run out of time to perform an upgrade which is urgent. Or funds, not time, perhaps. The Austrians have more support there, the salaries are two to three times higher, people buy wine there, and here they don't."

Tilen is all but finished trying to communicate and collaborate with institutions. "I don't talk to them anymore because I noticed it is not possible." He explained that after contacting institutions in Slovenia regarding the further expansion of organic wine production, they told him, "You can make these sorts of wine here in Kras, but not everyone can." Tilen disagreed, and expressed in his interview that "this is not right. Slovenia is a small place and everyone should work this way. It would be a tough start, but later it would be great!"

The study's participants have felt a lack of support from private institutions as well. These private institutions include wine critics. Tilen interacted with a wine critic, with whom he became frustrated. "He did not understand [why anyone would produce organic wine], even though he is a wine critic of worldwide renown. I cannot remember his name right now. What I want to say is that he only talked about how wine should be made in the most modern way possible."

Toni summarized his thoughts as to why there is so little institutional support: "We have not come that far regarding institutions in Slovenia [because] I do not think there is much interest in [organic wine production] in Slovenia."

4.3.3 Feelings of Fear

The professional fears of the participant winemakers varied greatly, but the one common trait that they shared was that their fears were of people and man-made institutions rather than nature and natural disasters. Vlado expressed how scared he was that public opinion had turned against farmers because the media portrayed them as having new tractors and lavish lifestyles at the expense of the rest of the population through high food prices. He recalled that the media frenzy stopped when a public official revealed that many farmers were unable to break even with their crops.

Tilen spoke of his fear of market forces, saying that it takes "at least ten years" for consumers to get familiar enough with a wine that it starts selling well. Zoran expressed the same sentiment about the market, and decried having pay attention to the

commercial aspect of organic wine production. Zoran only wanted to make organic wines; selling them was a mere necessity.

Tine, who recently won first prize at a wine competition, also expressed his distaste of the domestic market. With “one of the best vineyard positions possible,” he struggles to sell his wines in Slovenia because the “domestic market is [very small]. If you try to sell something here you have to oust someone else. It’s not easy.”

Another concern was the influence of major wineries on participants’ vineyards. Vlado remarked that there are “big corporations in the background of all of this,” and fears their influence on both his own winery and the development of the wine industry as a whole. One of his biggest complaints were the “wine trends” that corporate wineries planned out. “First there was Barik, than another wine appeared, now there are fresh young wines.” By introducing trendy wines and “constant advertising,” large wineries are able to shift interest from traditional organic wines to new trendy wines, thus taking business from small wineries. (Vlado). Vlado partly blames the Slovenian people for this, as “people from abroad, such as Japan or Italy, understand these wines more than here in Slovenia.” He also is afraid of his perception that the Slovenian people are more easily manipulated by advertising and public opinion than other countries when choosing wines.

Luka’s biggest fear was the unwillingness of government to establish strict rules regarding the organic labeling of wines, and what effect that would have on small organic wineries and consumers who are told that the wines they are drinking are

organic. “The European Union has many lobbies and it’s absolutely impossible [to set higher standards].” (Luka).

4.3.4 Confidence

Although the study’s participants expressed many perceived barriers to their success, there was one thing the participants were very confident about: that they produce high-quality wines. Tine is proud of the fact that winemakers in his region have started exporting to France. To him, this is “proof that the French have realized that there are wines that are possibly better than theirs.” He expressed his confidence in his skills by claiming that he had “mastered” the technique of growing grapes organically. Perhaps more humbly, Ivan simply said “we are doing the right thing.”

4.3.5 Assumptions about Added Values

Added values are a major concern amongst organic winemakers, as the organic label itself is an added value that has lost its value over time. The study’s participants agreed that the added value from the word “organic” is not enough, especially when the term is so loosely defined and abused. To add more value, some of the participants have started to use the “artisan” label in lieu of or in addition to the “organic,” “biodynamic,” or “natural” label. Miha is confident that the term “artisan” is more accurate, as wines from “California, France, Germany, Croatia, or elsewhere” lack the artisan qualities that his wine possesses. He says that the organic label is undercut because, in supposed “organic” wines, “all there is to it is chemistry in order to fit within a framework which was set,” and many organic wines have been chemically altered to

make them organic (e.g., artificially adding and then removing sulfites), rather than putting them through organic processes in the first place.

Because of the abuse of added value labels, Ivan avoids any food and drink marked “bio” or “eco.” He thinks the next trend will be “differentiating between food with energy and food without energy.” This artificial addition of value has diminished the value of true “bio” or “eco” foods, and the same process is happening with “organic” products.

Ted supports with the move toward new added values such as “artisan” wine that contains a backstory. One of the distinguishing factors that might help to preserve the value of the artisan label is the low production volume required. “There are only a few hundred or few thousand bottles, and that’s it.” Zoran claims that one advantage is the profit made off of artisan wines versus others. “For now our prices are normal, if we compare them to conventional wines. The price range is from 5 to 7 or 8 euros. I am talking about normal bottle. The most important thing is that it is organically made so that is has a certain assessed value.” However, once value is added through a story, or through a cultural explanation, or through pictures, the wine becomes artisan, which can drive up the price, and increase profits for winemakers. (Zoran).

Boris said that the added values that he places the most emphasis on is “what the wine grew from.” This consideration includes the type of soil, whether the soil was alive or not, what the relationships between grape growers in the region are, the age and type of vine the specific bottle came from, and descriptions of the growing process. To Boris, the small-scale nature is a boon rather than a liability, and his ability to pay very

close attention to each bottle and its story allows him to add value, thus fetching a higher market price.

4.3.6 Defining "Traditional"

All ten of the participants echoed the sentiment that cultural patrimony and memory are worth preserving. By rediscovering autochthonous (natural plants that grow from the earth without human intervention) grape varieties and ways of making wines that date back centuries, the study's participants have been able to return to a more traditional state of grape growing and winemaking.

The definition of "traditional," however, tends to differ from winemaker to winemaker, and even from cluster member to cluster member. Luka, for example, stated that he believed that all winemakers who respect their location should use "mainly, if not exclusively, autochthonous grape varieties." "If you are really good winemaker that has a certain respect for the place, you should mainly, if not solely, plant autochthonous grape varieties."

Tilen believes he remains traditional because his winemaking methods date back over 1,000 years, and the methods that he is using to create the wines are exactly the same as the ones that were used a millennia ago. He emphasizes that he is not against technological progress, but rather the intervention of technology in food and drink production. Tine's traditionalism advocates minimal intervention into his wine production by technology as well; he does so by using less copper in his cellar than modern wineries.

Toni utilizes autochthonous species to remain traditional, because “people are fed up with wines that are made in laboratories like Coca-Cola.” He claims that to become traditional and competitive, wine producers must “look back to what our ancestors had been doing, upgrade it and offer it to the world.” In doing so, they can reach the real wine experts and consumers that are searching for something new and genuine, yet traditional. (Toni).

One of Slovenia’s traditional products is “orange wine,” which is a white wine that, due to long maceration, has taken on an orange hue. Luka, however, dislikes the term “orange wine,” as it is not the traditional name for the product. He claims that “the term orange wine was created in northern countries seven or eight years ago,” and is therefore improper for the product. Traditionally, these macerated white wines are unfiltered and organically produced, which leaves a sediment within the wine. Tilen mentioned that this type of wine could do well under an “organic orange wine” trademark, if all of the organic orange wines could remain unfiltered and natural.

4.3.7 Perceived Customer Views

I questioned each of the participant winemakers how they perceive customers’ perceptions of their products and methods. Ivan responded that consumer purchase his products not because they are organic, but because they are high quality. He then lamented that this is because organic products are not valued amongst consumers in the country. “People didn’t understand me then, just like many don’t understand me today.” (Ivan).

Tilen perceives his customers as having to overcome a taste and learning curve to truly appreciate his wines, but that when they did, they would form a true appreciation for it. He claimed that it is never easy to introduce someone to organic wine, but when they are finally persuaded, “they will never drink other wine.” (Tilen). Boris perceives his customers as desiring quality over quantity, because they have more money than average, and only buy one or two bottles at a time. “The price isn’t higher. This price is similar to that of any other wine made using a classic approach. It’s more about nature awareness here.” (Boris).

4.3.8 Perceived Barriers and Threats to Success

I asked the participant winemakers what barriers and threats they perceived to successful marketing of their wines. The primary answers were a lack of recognizability, the small-scale of their wineries, the lack of standards for value-added labels, the geographic location of the vineyards, the strict import laws that non-European Union countries enforce, the global recession, and the lack of a domestic market for their wines.

Toni noted that Slovenia’s wine industry suffers from a lack of recognizability in the international community. Because of this lack of recognizability, international buyers will more likely opt for a better-known country’s wines, such as Australia or Chile, even though Slovenia’s wine tradition goes back many more years than those countries. “People have to get to know us, they must know we exist and that we know how to make good wines.” (Toni).

The small scale of the participant winemakers' wineries is another perceived barrier to successful marketing. Ivan worries that each winery in his cluster, and indeed the cluster as a whole, is too small, and that "with such fragmentation, we will never create a trademark" that could compete internationally. (Ivan).

As noted earlier, the low standards "organic" winemakers have to live up to for their products to be labeled organic threatens these small winemakers, as their former competitive advantage has faded along with the value of the organic label. Luka spoke of "halfway organic winemakers" that only treat their grapes organically if it is cost effective. "If I take a look at the rules for organic wines, I start to laugh." (Luka). He then accused large wine companies of profiteering from the lack of standards and consumer ignorance. Toni is especially frustrated with these standards, because, to him wine is a food, and the same rules that apply to foods should apply to wines. Namely, "just like all the preservatives which are added to food are written on [the] labels, wine should be labeled the same way," that way the customer can decide for themselves. (Toni).

Geographic locations pose another barrier for the participant winemakers. Zoran remarked, "if this farm and vineyard were located two kilometers away from Las Vegas, my wine would be sold at $100 per bottle. And now the price is 5 Euros and it isn't sold." Zoran believes that if he lived in a country with a higher standard of living, he would be able to market his wines much more effectively.

The strict import laws of the United States have hindered Zoran's attempts to break into that market. "I have tried to collaborate with the USA several times but their strict

laws...There is a license for alcohol and the import is strict." (Zoran). Though he acknowledges that new opportunities for export into the United States are surfacing, the logistics make shipping the wines less profitable. Most of his wines are still sold into Slovenia, "especially in winter, to various companies for business presents, a little less to a catering businesses." Recently, however, Zoran has not been able to sell his wine to these businesses, as the impact of the recession has hit the companies, and their cost-cutting measures took his wines out of the picture. "At the moment, we sell the most to specialist organic stores in Slovenia . . . We aren't very successful during these times of crisis." (Zoran).

Mass-produced Slovenian wines have an average cost of between four and five euros per bottle. The participants' wines, however, average approximately 13 euros per bottle. This increased price, especially in a country with an economic situation like Slovenia, causes customers to look elsewhere, as the majority of Slovenians concern themselves with the quantity of wine they are receiving, and do not care about the additional quality present in these wines. When exported, however, the prices of their wines explode, reaching "10 to 20 times higher . . . in elite restaurants or stores worldwide . . . [the number of Slovenians] who can afford this is very small." (Zoran).

4.4 Marketing Strategies

To better understand how the study's participants have engaged in marketing and what strategies they have employed, I asked them to describe their marketing activities.

The results suggested that they their marketing strategies revolved around the numerous approaches described in this section.

Face-to-Face

All of the study's participants indicated that the most common way they market their wines are through face-to-face sales at their homes. This approach gives them the opportunity to have direct contact with their customers and explain the artisan features of their wines.

Zoran is an optimist about the small size of his winery, as it allows him to engage in face-to-face marketing more effectively. Even though he recognizes that he cannot compete with large wineries, he perceives his size as an opportunity to engage his customers personally. He also sees his wine sales as an opportunity to enhance his community and business through wine tourism. "I can say that in these times of crisis, we are most successful in the field of retail and tourism." (Zoran).

Miha also perceives tourism as a possible marketing opportunity, especially with "wine trails" and the accommodations that house the people traveling them. "A family that stays here for a week drinks some wine here and then buys something." (Miha).

Zoran's approach to marketing is a targeted one; he identifies groups that would be interested in seeing his general area and sends them offers and information about his winery, as well as what they can see and do in his vicinity that have nothing to do with wine. He approaches both individuals and companies this way.

Ivan hopes to bring foreign tourists into Slovenia so that he can sell them his wines and then continue to have a business relationship with them. Additionally, he wants to start selling his wines in artisan restaurants in foreign countries.

Boris has a unique approach to marketing – he intentionally refrains from any form of direct marketing whatsoever. His marketing consists entirely of word of mouth from others. “Those who know me come to the farm and they taste it and take what they like. Then friends, acquaintances come with them – some out of curiosity, some just to try and buy wines.” (Boris).

Selling to Inns and Stores with Organic Foods in Slovenia

Most participants replied that in addition to direct marketing, they also sell to stores selling specialty organic food in Slovenia. Tilen explained that Slovenia has a rich history of selling wines in inns, and that his own family sold wines in their inn.

> “My father planted the first vineyard in 1975 on his own. In 1978 he made his first cellar, i.e. the one we are in right now. The wine was sold in our own inn until 1990, when we sold the first labeled bottles. Now the inn is open again and it is run by my sister on weekends.” (Tilen).

Miha also ran with the idea of selling wines in inns and decided to promote himself in print media. After several years, inns were his consistent customers.

The Importance of Relationships with Importers and Distributors

The study’s results suggested that organic wine producers in Slovenia usually engage in personal methods of selling their wines and reject the type of “aggressive marketing” described by Boris:

> We worked a lot, brought a lot of wine, but there was no sales effect - bigger systems had it. They started with discounts because things had to be sold. So, different agreements were made between them. Those who had a quantity don't mind giving each merchant one package of wine. One has 200-300 merchants. If I give my wine to 100 merchants, I am left without my annual harvest. This doesn't work for me. I need my friends like the caterer Marko, who functions without me having to bestow him one package of wine per month . . . I as a small system have to find another way, meaning that our merchants must be ecologically engaged.

Boris deplores the usual methods of bribery and favors used in Slovenia to secure business. "For example, my relationship with the caterer is such. I don't bring him a package of wine, but we go running together around Brda and discuss things. Then I go skiing with others, etc. We build our relationships as friends." (Boris). By trusting their customers, the winemakers foster strong community bonds and develop lasting relationships. As Miha said, "Yes, it's about the trust. We are friends with almost all the caterers."

Personal relationships thusly are key to marketing small-scale organic wines in Slovenia. "That is why we seek people who are similar to us, who support organic, social and natural processes related to tradition, beauty, aesthetics and humanity. Thus we get to know people, supporters, those who think alike, friends, with whom we do business. I believe in a fair relationships." (Boris).

A Radically Different Approach to Marketing

Boris takes a radically different approach to marketing that would leave most marketers scratching their heads: Boris makes customers seek him out based not on his products, but on his reputation.

Maja: So you are looking for different ways to present it. And you differentiate...

Boris: To put it differently, we still use a microphone, recording device - all the media. But we don't advertise our trademarks.

Maja: So you promote philosophy and base on it - you don't start directly with the product?

Boris: Correct. I couldn't have said it better myself. I believe new kind of marketing will develop this way.

Boris believes that aggressive marketing "troubles humankind, which is already intense." Instead, he opted for another approach; an approach which offers a relaxing product, and requires the customer to seek him out. He says it works, because "if we take a look at what moves us forward, we can see it is curiosity. And if you sell certain things and misleading people with your marketing by telling them of all the things which are supposedly inside [the bottle], I believe that humankind is losing something there." (Boris).

Boris does, however, love the wine fairs that are major marketing events for small-scale winemakers, as they allow them to branch out from his normal winemaking. Boris runs a small biodynamic cuisine side-project where everything is cooked in a farmhouse stove. "We polemicize, write about this things so that we bring some old time nostalgia into this place. An archetype, which exists in our area and which we try to present in this mess of information." (Boris).

Wine fairs offer an essential opportunity for small-scale organic winemakers to advertise their products to the outside world. Luka attended a natural wine fair in Italy, and emphasized the cultural aspects of the event. Buyers were allowed to visit the

vineyards and stay with the winemakers in the area for a few days. This type of activity helps to craft long-term relationships between winemakers and consumers.

The Need for Special Approaches to Marketing

Small-scale organic winemakers require special approaches to sell their products. As Ivan said, “These are not ordinary wines which are approved by wine experts. These are different wines.” He relishes every opportunity to express his approach to viticulture to every potential customer and potential advocate of organic wine.

Vlado knows that the wine is not the most important part of the vineyard when dealing with customers. “The most important thing is that the person who is searching for something, feels something when they leave your cellar - they must believe in it. If they don’t, it’s no use.” (Vlado). Vlado sells not only wine – he sells an idea and a way of life.

Even though these winemakers focus primarily on wine production, they recognize that they have to sell wines to stay in business. “One needs to invest in the market. Sales don’t just happen by themselves. Letters, emails, brochures need to be sent, one needs to make phone calls, [and conduct other business activities].” (Tine). Fortunately, the participant winemakers have found a way to distribute the burden of marketing through clustering. “Connecting among each other is the best solution time-wise and money-wise. The greater the pressure on the market, the bigger the need to interconnect will be in order to lower the costs of and be more effective at marketing.” (Tine). Regardless, Zoran believes that taking advantage of the diversity and

uniqueness of the wines is the best way to market, as his perspective is that artisan wines are the future of small-scale wineries.

4.5 Visions for the Future

The analysis of the interviews revealed numerous responses where the participants described their visions for the future of organic wine production. When the participants spoke about their visions for the future, they were referring to one of four topics: either their own personal goals as winemakers, the future of their wineries, the future of the organic wine sector in Slovenia, or how they perceive the future of clustering with others.

Ivan, for example, envisioned his future as focusing solely on enhancing the vitality of his vineyard by practicing permaculture. “I am researching on how to plant vines among those plants in permaculture where no protection is needed - this is my goal for the future.”

Ivan further suggests that in the future, winemakers in Slovenia should take into consideration the minimization of input costs on wineries.

> “So if we talk about the input costs on any farm, be it winemaking, farming, fruit production, etc., and someone says that their costs are higher due to production, than he must ask himself, like I did, ‘what am I doing wrong?’ Society, country, and politics have something to do with it, but we must take a look at ourselves. If country provides basic conditions, i.e. decrease input costs by subsidizing, all else can be done solely by us.” (Ivan).

Toni described his own vision for future of organic wine sector: “The country should have its own vision as well as start supporting this farming approach. Imagine Slovenia

being an organic country where most of food would be produced this way. It would be a paradise." (Toni).

Most of the study's participants would like to see an all-organic Slovenia, but the of they all doubted that it would ever happen. Toni, however, is more optimistic: "I believe that if [the Slovenian government] adopted more positive approach towards this and gave positive guidance and support without intimidation, many things could be changed. Especially due to the this smallness - as we know, Slovene farmers are not big landowners - the control over the production could easily be established." (Toni).

Tine is concerned with the entrance of new conventional winemakers that follow market trends specifically to sell wines. He said that the wine industry has reached a "saturation point" for the amount of wine producers entering the market, and the new winemakers have been ousting traditional winemakers by beating their prices and upping their quantity while reducing their quality. Now, traditional winemakers are being forced to create their own niche markets and take advantage of new opportunities.

Ivan scoffed at the current state of winemaking and how the future is being affected by it. He said that the problem is with "experts" who "follow trends from abroad" and make policy decisions that affect all winemakers. He insisted that this approach is faulty, because "Slovenia, being so small, can't make a competitive product. There isn't enough wine." Instead, he urges Slovenia to create a different market that does not directly compete with bonanza wine farms and countries that mass-produce. By emphasizing the artisan nature of their wines and selling them in specialty stores and

artisan restaurants, Ivan believes that small-scale organic winemakers in Slovenia can occupy a niche that exists outside the scope of influence of the global market.

4.6 An Alternative Model

For the purpose of better understanding of the relationships between the themes in the framework, see Figure 4.4 below.

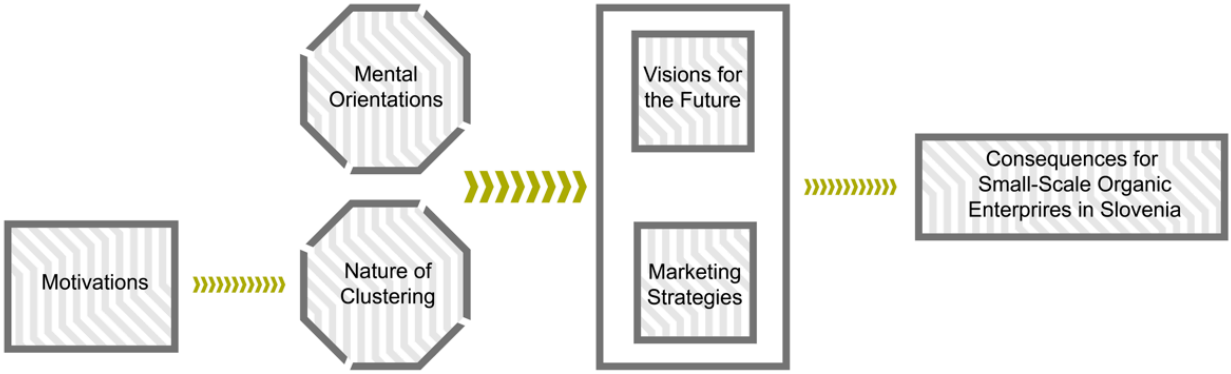

Figure 4.4 – An Alternative Model

CHAPTER 5
DISCUSSION AND CONCLUSIONS

The purpose of this chapter is to discuss the main findings of this study and highlight the aspects that have been underestimated in previous literature and research on clusters. The study was initially based on its primary research question: does the cluster concept provide an adequate understanding of the marketing practices of small-scale organic wineries in Slovenia? To answer this question, I specifically focused on examining the barriers and challenges that affect organic wine marketing in Slovenia. The fieldwork consisted of ten in-depth interviews with organic winemakers and members of organic wine clusters. Hoping to identify the problems causing these challenges, I investigated the operations and effectiveness of existing wine clusters. I also sought to examine whether clustering provides tangible and beneficial results for small-scale organic wine producers by comparing the benefits with potential drawbacks. Afterward, I set out to answer these five research questions:

1. Does an application of the cluster model provide small-scale Slovenian wineries with an effective marketing solution?
2. What are the different economic and socio-cultural forces that initiated the formation of organic wine clusters in Slovenia?
3. What are the different types of clustering that organic winemakers engage in?
4. What are the benefits and drawbacks that organic wine producers face when they cluster with other organic wine producers?
5. What approaches could an organic wine cluster use to differentiate itself from conventional wine clusters?

In this chapter I suggest answers to these questions, the structure of which is as follows:

First I discuss the way in which Porter applied the cluster model to the Californian wine industry and compare his theoretical framework to the concepts used in this study. I suggest a few notions that could be adopted from Porter's cluster model approach, but demonstrate his study's shortcomings when compared and applied to both the results of this study and Slovenia's small-scale organic wineries in general. In addition, I discuss and highlight major new findings regarding clustering and small-scale organic wine production in Slovenia that were previously undisclosed by academic research. As a result of these new findings, I subsequently develop my reasoning to suggest alternatives and modifications for studying and understanding the characteristics of organic wine sector and propose the theoretical framework established by Yeung (2005). Finally, I conclude this chapter with suggestions and recommendations for future research.

5.1 Incompatibility with Porter's Cluster Model

While planning my initial research, I sought to answer the research questions by employing a theoretical framework based on Porter's research (1990, 1998). It was my aim to investigate whether this widely applied cluster model would provide an adequate understanding of the marketing challenges faced by small-scale wine producers in Slovenia. As the study progressed, I learned that the cluster approach as proposed by Porter is useful, yet not applicable in its entirety to the small-scale organic wine industry

in Slovenia. This realization led to the creation of a new theoretical framework that would measure the success of clustering in ways that Porter's does not. Before delving into findings that emerged when my alternative theoretical framework was applied, I will lead with a discussion on the main reasons Porter's approach proved incompatible with this study.

Based on the study of Californian wine industry, Porter (1998) suggests the application of the cluster model presents an optimal solution for increasing California's competitiveness in the global wine market. Specifically, the establishment of wine clusters in California enabled winemakers to build powerful relationships, adopt effective marketing strategies, and successfully export their wines (Porter, 1990). Porter's approach miraculously transformed the brandy and sweet wine-dominated regions of Napa Valley and Sonoma into two of the world's most recognizable and well-regarded wine regions (Ditter, 2005). Inspired by California, many other wine growing regions around the world mimicked the cluster approach and also proved successful. (Bélis-Bergouignan, 2004). So what is the secret of their success?

Porter noted that the Californian wine cluster owed its success to several optimal factors, which he described in the Diamond Model (see Chapter II). Porter's base for the success of the wine industry in California was due to several "factor conditions," including ideal climate and soil characteristics for wine production, strong demand from a rapidly growing population, and cheap immigrant labor (Centonze, 2010). The responses from this study's participants suggested that although "factor conditions" play

an important role in the Slovenian organic wine sector and provide a base for the production of high quality organic wines, those conditions are not sufficient incentives for organic winemakers to cluster.

According to Porter, the success and viability of California wine clusters are the consequence of two primary factors: the close geographic proximity of winemakers, and the strong vertical and horizontal relationships between actors (vertical and horizontal links illustrated in Figure 5.1).

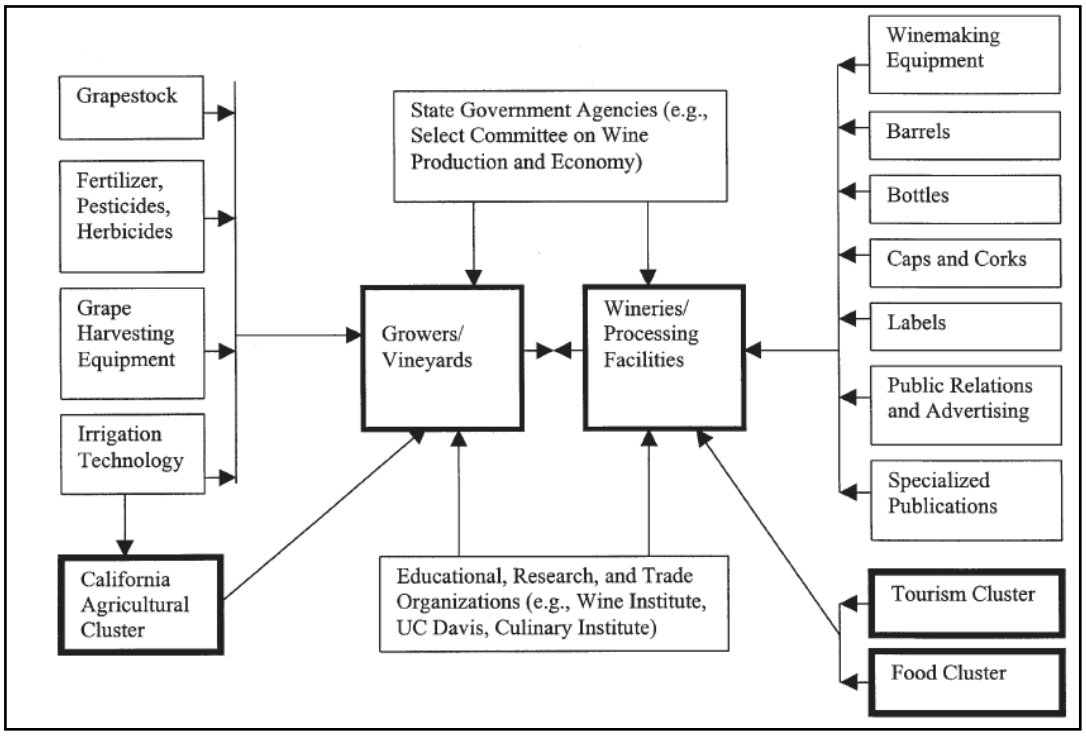

Figure 5.1. Schematic of the California Wine Cluster. (Source: Porter, 1990)

5.1.1 The Role of Geographic Proximity

Porter's cluster approach emphasizes the importance of location and suggests that geographic proximity is the critical factor for each cluster's success. He claims that "the enduring competitive advantages in a global economy lie increasingly in local things - knowledge, relationships, motivation - that distant rivals cannot match." (ibid, 1998; p.1). Concurrently, as previously described in Chapter II, the understanding of clusters as place-based phenomena that emphasize the importance of geographic proximity is common and omnipresent not only in wine clusters, but in all other clusters (Dana & Winstone, 2008; Harfield, 1999; Mytelka & Farinelli, 2000; Porter, 2000).

This study's results, however, are inconsistent with the widely accepted understanding of clusters as entities whose success depends primarily on geographic proximity. On the contrary, participants' responses suggested that geographic proximity is of secondary importance for organic wine producers in Slovenia. Several participants crossed international borders to find likeminded individuals that shared the same values, rather than compromise their own values by finding incompatible winemakers within close proximity.

The application of Porter's theory was further impeded by the severe landscape fragmentation by which the Slovenian wine sector is characterized. For instance, California fosters an environment where vineyards are crammed next to each other in valleys, whereas, Slovenian vineyards are often fragmented by mountains, hills, ravines, and urban areas.

Such severe fragmentation places long distances between large numbers of small-scale wineries, the upshot which being that winemakers do not necessarily compete against each other – they have their own local markets. Therefore, despite the favorable condition of Slovenia's small size, fragmentation makes cooperation between winemakers exceptionally difficult.

Porter's model does not take this sort of fragmentation into account. Instead, his theoretical framework relies on the relatively unfragmented nature of the Napa Valley and Sonoma.

This study's results support other research that disagrees with Porter's primary emphasis on the importance of location in relation to formation of wine clusters, echoing other geographers' ideas that the "spatial agglomeration of firms in the wine business has certainly some advantages . . . [such spatial agglomerations are] not necessarily the unique variable which determines innovation and dynamic capabilities." (Zanni, 2004; 32) See also, Bélis-Bergouignan (2004), Boschma (2005), Ditter (2005), Giuliani (2000), Martin & Sunley (2003).

5.1.2 The Role of Cluster Relationships

Porter's cluster model emphasizes the importance of interactions between actors and is characterized by both vertical (supply chain) and horizontal (relationships with other winemakers and supporting industries and institutions) links. This study, however, demonstrates that organic wine clusters in Slovenia primarily utilize horizontal links. Unlike other winemakers, the Slovenian clusters have members that do not depend on

outside investment or venture capital. These wineries are more or less self-sufficient; they produce their own sprays and fertilizers on their farm at home. This self-reliance cuts down or altogether eliminates the need for vertical links. Operating in a small country with limited professional contacts allows clusters to have less horizontal links than those present in Porter's Californian wine cluster model.

5.1.3 Innovation vs. Tradition

Porter's model characterizes wine production as an economic activity where producers define output solely in terms of profit that is market-driven. As such, because competitive advantage is a goal of Porter's cluster model, emphasis on innovation and technological advancements are defined as critical aspects of cluster success.

However, this study's participants decried the centering of wine production around profit by emphasizing its cultural and traditional aspects. While the participants may have understated their desire for profit, they revealed that none of the participant winemakers would consider changing their growing and manufacturing methods for additional profit. Instead, they claimed their individual approaches to winemaking are strictly family activities that may or may not coincide with other winemakers' approaches.

The applicability of Porter's approach to small-scale organic wine producers in Slovenia is questionable at best because the myriad differences between conventional and organic winemakers, the small scale of Slovenia's industry, and the difference in priorities between the study's participants and Porter's subjects all demonstrate a need

for a new theoretical framework for understanding clusters. As such, I pursued a theoretical framework that encompassed grounded theory approach, which enabled me to gain a more detailed understanding of the nature of clustering as it relates to small-scale organic wine producers in Slovenia. Specifically, this methodological approach uncovered some findings that had received limited or no consideration in prior research on wine clusters and organic wine production.

5.2 Main Findings

The main findings of this study merit attention for both their identification of problems in the small-scale organic wine industry and their potential to act as foundational elements for future research. Main findings were derived from this study's primary research question: "Does the cluster concept provide an adequate understanding of the marketing practices of small-scale organic wineries in Slovenia?" I came to find that the answer was negative, and in the process, two major findings emerged for/from this thesis:

1. Ideological fragmentation and diversity between organic wine producers are the primary influencing factors of effective marketing and the formation of diverse clusters.
2. Mental barriers created by organic winemakers are the primary inhibiting factors to effective marketing and the formation of clusters in general.

In this section I will discuss both of these findings by highlighting their implications and their significance for understanding the clustering of small-scale organic wine producers. While describing these findings, I will provide answers to the subsequent minor research questions that helped to guide this study.

5.2.1 The Ideological Fragmentation of the Organic Wine Sector

When forming my research questions, I was aware of the fact that the organic wine sector is subdivided into organic, biodynamic and natural wines. I did not, however, anticipate the severe effects of this fragmentation. When analyzed, these effects revealed important aspects that pertained not only to the nature of clustering but also the nature of the Slovenian organic wine sector as a whole. These effects are too numerous to list, but the most prominent of which are that:

5.2.2 Organic winemakers join clusters based on their ideologies, not locations.

Small-scale organic, natural, and biodynamic winemakers seek out other winemakers with shared values to cluster with. This tendency is born from the diversity of winemakers' approaches to grape and wine production. Because the regulatory definitions of "organic" and "biodynamic" are lacking, and a definition of "natural" does not even exist, organic winemakers fragment into clusters that most closely mirror their own beliefs regarding the essence of each label. Without stricter regulations on what constitutes an organic, biodynamic, or natural wine, winemakers are incentivized to fragment into clusters because they are able to set their own rules and quality control levels, become more recognizable as distinct groups, and leverage their numbers for more effective marketing.

This compulsion to cluster along ideological fragments has led winemakers to ignore political boundaries and cluster with other winemakers without regard to their national identities. For example, several study participants joined Austrian, French, and Italian

wine clusters, as the winemakers in those clusters more closely mirrored their own approaches to producing wines than other Slovenian winemakers. This gives Slovenian winemakers the opportunity to present themselves in the international market.

Because winemakers desire to preserve their distinct approaches to grape and wine production, differentiate themselves from others and establish their identities, they seek out alternative marketing. Many participant winemakers expressed the concern that the lax regulatory laws surrounding organic wine production dilute their identities as an organic winemakers. The fear of being presented as merely “organic” (when the term itself means very little) has led these wine producers to avoid using the “organic” label. Instead, they have begun to seek alternative marketing strategies that reflect distinct winemaking approaches and true identities of the winemakers and qualities of their wines.

5.2.3 Ideological Fragmentation Leads to Different Marketing Approaches

The participants’ desire to preserve their identities leads them to engage in three primary types of alternative marketing: face-to-face, specialty wine fairs, and direct sales to restaurants and bars. By having a short supply chain, winemakers can more easily communicate the nature of their wines to the consumer, and in so doing preserve their own identities. Also, as this study indicates, there is a need for the faster development of off-farm, non-agricultural activities like tourism, which supports organic winemakers in Slovenia to expand their markets and increase their incomes. None of these approaches, however, contain the capacity to export any products.

Small-scale organic wine producers have extensively utilized the three aforementioned alternative marketing techniques, however, their lack of export capacity has failed to adequately promote the growth of their wineries as well as the establishment of their identities. This desire to establish an international identity has produced a new need for highly knowledgeable “ambassadors” who can express the unique nature of each product in such a way that preserves both the winemaker’s identity and the artisan qualities of their wines. In this way, winemakers ~~can~~ use the fragmented nature of their ideologies to their advantage, and successfully establish niches that are internationally recognizable.

5.2.4 Mental Barriers and How They Inhibit Cluster Formation

The participant winemakers have based past decisions regarding clustering upon their own worldviews and mental orientations, or “barriers.” These barriers have inhibited both successful marketing and successful clustering, and mostly boil down to blaming either external forces or other winemakers for their perceived problems. The mental barriers to successful marketing fall on the following external forces: the perceived lack of time and knowledge, lack of understanding of their consumer market, and lack of support from the government and educational institutions. The most common mental barrier that prevented this study’s participants in successful clustering was the perception that other Slovenian organic winemakers did not express enough desire to collaborate with them.

It is clear that the primary mental barrier to successful marketing is the blaming of external forces on the current state of the wine industry in Slovenia. The winemakers especially point fingers at the lax regulations that impede their ability to establish a favorable and fair identity amongst consumers. They blame educational institutions for not supporting them with research and public acknowledgement. They also blame consumers for not being knowledgeable enough to understand the terroir and value added to their wines by the unique process of production. Finally, they diminish their responsibility for successful marketing by claiming to lack marketing knowledge and the time to develop and execute marketing strategies.

The primary mental barrier to successful clustering is the blaming of other winemakers; each participant winemaker thinks other winemakers lack the will to initiate a cluster. This creates a type of stagnant inertia in which winemakers do not take the initiative to contact others to arrange collaborations. This leads them to further fragmentation and shy away from any type of cooperation or clustering.

Considering the barriers standing in the way of clustering, does the cluster model actually provide an adequate approach to understanding wine clustering in Slovenia? And if so, does the cluster model provide an adequate approach to the problems of small-scale organic winemakers in Slovenia?

5.3 Conclusion

> “The firm is surely more than about serving the economy. It is also bringing benefits to society and its people” (Yeung, 2005; 322)

The findings of this thesis reveal that although Porter's cluster approach might serve as a powerful tool for analyzing economic growth and the success of large scale wine industries, the approach is insufficient to cover Slovenia's small-scale organic wine sector. An application of Porter's model to small-scale industries like one in Slovenia limits researchers to examining the predefined factors in his cluster model. Restricting research to these factors could cause a researcher to fail to notice other important aspects that may facilitate competitive advantage.

This thesis followed a less rigorous but equally valid methodology by utilizing qualitative methods and applying a grounded theory approach. This methodological approach revealed new discoveries about the clustering phenomenon within the Slovenian organic wine sector. In particular, this thesis' findings revealed that the diverse nature of the participant winemakers' organic, biodynamic and natural approaches shapes their marketing decisions and level of cooperation with others. These new findings demonstrate the need to apply a new analytical framework that focuses on understanding small-scale organic wine clusters as dynamic cooperations that are established through social relations.

Rather than focusing solely on how specific regions and territories influence the development of particular cluster formations, researchers should broaden their approaches to incorporate the close examination of relationships between cluster members, as well as their worldviews, norms, and values. This would gain more lucid insights into the clustering phenomenon as well as the nature of specific wine sectors.

After reviewing Yeung's 2005 study on the formation of social networks between firms, I recognized that his approach was more appropriate for the purposes of this study. Yeung suggests studying the nature of firms and their relationships by applying a detailed analytical lens that focuses on "social actors [and] not the firms as an abstract entity" (2005, 321). This methodology seems particularly suited to organic wine production in Slovenia where small enterprises are governed by the members of those enterprises themselves.

Although Yeung (ibid) focuses his geographic research on understanding the social networks of firms in South-East Asia and does not refer to "clusters" per se, his method provides a more holistic insight into such entities. He explains the crucial nature of this insight: "by exploring their interrelationships and interconnectedness we are in a better position to understand the nature of the firm, its functions in the economy and the organization of its operations" (321). This insight implies that geographers need to be flexible in their future research on clustering and occasionally look beyond the existing approaches when studying certain phenomena.

To further explore and establish the nature of the organic wine sector, future research needs to incorporate larger study samples with more participants and take into consideration other wine producing regions. Since there is a significant lack of literature regarding wine clusters, particularly in the case of small-scale organic wine production, the expansion of future research and adoption of a more appropriate approach is necessary and determining.

In conclusion, this thesis revealed that the small scale approach to wine production in Slovenia is not merely an agricultural activity. Instead, it is a lifestyle with diverse and competing ideologies that identify their methods as ways to preserve traditional practices and indigenous grape varieties, protect the environment, and even hold the country's cultural heritage. Future research can bring attention to Slovenia's small-scale organic wine sector while contributing to the field of geography by incorporating environmental, social, economical, and cultural disciplines to pursue a more insightful and holistic understanding of organic wine production.

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APPENDIX

Appendix 1 - IRB Form

IRB # _____

Date Received in OR _____

THE UNIVERSITY OF TENNESSEE

Application for Review of Research Involving Human Subjects

I. IDENTIFICATION OF PROJECT

1. **Principal Investigator (PI):**

MAJA DJORCEV, mdjorcev@utk.edu, 865.789.4327

College of Arts and Sciences, Department of Geography

Burchfield Geography Building, Room 304

Knoxville, TN 37996-0925

Faculty Advisor:

DR. RONALD KALAFSKY, kalafsky@utk.edu, 865.974.0407

College of Arts and Sciences, Department of Geography

Burchfiel Geography Building, Room 304

Knoxville, TN 37996-0925

Department: GEOGRAPHY

2. Project Classification: Master's Thesis
3. Title of Project: Marketing Opportunities for Small-scale Organic Wine Producers in Slovenia: Introducing the Wine Cluster Model
4. Starting Date: Upon IRB Approval
5. Estimated Completion Date: December 31, 2012
6. External Funding (if any): N/A

II. PROJECT OBJECTIVES:

This project focuses on studying the recent emergence of small-scale organic winemakers in Slovenia. These producers are attempting to find the most optimal marketing approach in domestic and foreign markets.

The mass production of wines from countries with relatively new wine industries has spurred an industrial "boom" mentality to wine production. In an already oversaturated global wine market, small-scale organic vineyards, such as those in Slovenia, struggle to compete. While there certainly is a niche demand artisan-made wines that use traditionally-grown grapes, consumers' current awareness and appreciation of these wines' unique features is not enough to sustain a successful wine enterprise. Winemakers must develop good marketing strategies in order to reach their niche target market. The path towards successful marketing of small-scale organic wines is challenging, but several winemakers have defied the odds and successfully implemented new marketing techniques.

Four small-scale organic winemakers in Slovenia decided to experiment with new marketing techniques and formed a co-operative "wine cluster" called Simbiosa. Their

efforts to implement and promote sustainable grape and wine production, as well as their desire to self-market themselves through the Simbiosa brand, has been largely successful. This study will use the Simbiosa wine cluster as its example. The main objectives of this study are:

- Identifying the importance and distinctiveness of small-scale organic wine production in Slovenia;
- Understanding the obstacles that small-scale organic winemakers face when marketing their wines;
- Exploring the wine clustering model as a potential marketing solution for small-scale organic winemakers by using Simbiosa as an example;
- Understanding the factors that contributed to the emergence of the Simbiosa brand, and how the group was able to successfully implement their marketing strategies.

III. DESCRIPTION AND SOURCE OF RESEARCH PARTICIPANTS

Who are your participants?

The interview participants will be winemakers and members of the Simbiosa wine cluster in Primorska, Slovenia, and others who are directly or indirectly involved in small-scale organic wine marketing issues.

How do you gain access to those participants?

The P.I. has contacted Simbiosa, and it has given the P.I. permission to interview its members. Furthermore, the individual members of Simbiosa have agreed to be interviewed as well, and will introduce the P.I. to third parties involved in small-scale organic wine marketing. From these initial contacts, other contacts will be made through subsequent networking. Both snowball and theoretical sampling techniques will be employed.

- Include the criteria for selection and exclusion.

A few participants in this research have already been interviewed by the P.I. for her undergraduate thesis research. Other participants will be those connected to the Simbiosa wine cluster, as well as others who are experienced in marketing wine in Slovenia. The P.I. will only interview participants who are interested in participating in this research by asking potential subjects if they are willing to participate in an informal interview. The P.I. will obtain an informed consent form from all study participants. In addition all participants in the study will be over the age of 18 - the Slovenian age of consent.

- Include the number of participants you anticipate using.

The P.I. anticipates a minimum of 8 interviews prior to reaching theoretical saturation but may expand to a maximum of 30. Given the size and scale of the targeted operations these interviews ought to be sufficient.

IV. METHODS AND PROCEDURES

The P.I. will conduct qualitative, semi-structured, in-depth interviews. Questions will be planned or prompted, but others will arise during the conversation with participants. Interviews will be audio-recorded and transcribed verbatim. Transcripts of the interviews will be coded and categorized into emerging themes and sub-themes with subsequent interpretation and annotation in light of the theoretical concepts of the study.

Interview questions will focus on the following themes: small-scale organic grape and wine production, wine clustering, and obstacles in the marketing process and niche marketing issues. Most interviews will be conducted at the participants' homes and will vary in length, but should last approximately one (1) to one and a half (1.5) hours. The

interview will be designed to allow a participant to reveal as much or as little as he or she wishes to reveal.

Before each interview, the P.I. will briefly introduce myself, explain the study, and obtain an informed consent form from the participants. After each interview the P.I. will make a transcript of the interview and record my observations on a password protected laptop computer. The P.I. will take notes during each interview and than review and correct the notes immediately following the interview to ensure accuracy.

The P.I. will also ask permission to digitally record the interviews using a digital voice recorder. All physical media will be stored separately from the P.I.'s personal files in a locked rental room. All digital media will be stored in a 256-bit encrypted partition on the P.I.'s computer. After returning to the U.S. all documents will be stored in a locked desk in the Burchfiel Geography Building. Only the P.I. will have access to these files.

After conducting the interviews, the P.I. will read and record the initial observations. The P.I. will not utilize any knowledge obtained outside of the interview when compiling the interviewees' answers. The P.I. will then read the documents again, identifying key words, themes, sub-themes and phrases that occur within the document. The P.I. will interpret these within the context of the interview as well as within the context of the proposed literature. Later, the P.I. will use key words and phrases in hopes to identify any patterns that may result from the data.

V. SPECIFIC RISKS AND PROTECTION MEASURES

The physical risk to the study participants is nonexistent. The interview questions are design to obtain the participants' feedback about the wine cluster characteristics. The

participants will be informed that they can refuse to answer any question and that they may withdraw from the interview any time.

The P.I. will only use direct quotes with the permission of the participant. The P.I. will not use any physical description of the participant in the project. The P.I. will also keep all interview and workshop notes in a single notebook and on a 256-bit encrypted partition on her laptop.

The P.I. may contact participants at a later date to clarify statements, provide additional information, or ask them to confirm a portion of their interview for accuracy.

When direct quotations from the interview are needed for the presentation of research in any printed, digital, oral or other format, every attempt will be made to protect the identity of the respondents.

VI. BENEFITS

No direct benefits to the participants are expressed or implied. However, their participation will know that they are contributing to the general public knowledge about agricultural wine clusters and marketing issues in the Slovenian wine industry.

VII. METHODS FOR OBTAINING "INFORMED CONSENT" FROM PARTICIPANTS

The P.I. will briefly introduce herself at the beginning of each interview and present the research project. She will hand out informed consent forms that outline the purpose and objectives of the project, and will answer any questions that the participants may have about the project. The participants will keep a copy of the informed consent form for records. Participants who choose to not sign the form at the beginning of the interview may choose to do so at a later time if desired.

No direct quotes from a participant who does not sign the informed consent form will be used in the study. Furthermore, participants who do not sign the form will not be have their information attributed to them in any way when the study is published.

During the fieldwork, the informed consent forms will be kept in a locked suitcase in the P.I.'s hotel room. After the fieldwork, the informed consent forms will be kept in a locked desk drawer in the Burchfiel Geography Building, Room 107, until May 2013. In May 2013, the forms will be transferred to Dr. Ronald Kalafsky to store in a locked filing cabinet in Burchfiel Geography Building room 309 for three years following the completion of the project.

VIII. QUALIFICATIONS OF THE INVESTIGATOR(S) TO CONDUCT RESEARCH

Classroom Experience

Methodology and Epistemology of Social Research: Fall 2008 University of Primorska, Faculty of Humanity Studies, Department of Geography, Koper, Slovenia
Instructor: Dr. Samo Uhan

Quantitative Methods in Geography: Spring 2012 University of Tennessee, College of Arts and Sciences, Department of Geography, Knoxville, Tennessee
Instructor: Dr. Liem Tran

Cultural Experience

The P.I. previously completed fieldwork in the Primorska wine region of Slovenia in 2010 while studying organic and biodynamic grape and wine production. The P.I. is also a native of Slovenia, and is fluent in the language and culture of the region.

IX. FACILITIES AND EQUIPMENT TO BE USED IN THE RESEARCH

The P.I. will use a reporter's notebook, a laptop computer, and a digital voice recorder for interviews.

The P.I. will conduct the majority of her interviews during the fieldwork. Any additional interviews will be conducted via phone, e-mail or Skype. In the case of an e-mail interview, the e-mail will be saved on a 256-bit encrypted partition on the P.I.'s computer, after which the original copy in the e-mail will be deleted. All of the interviews will be recorded. The P.I. will take notes during all of the interviews in a single notebook. This notebook will stay in a locked desk when not being utilized by the P.I.

X. RESPONSIBILITY OF THE PRINCIPAL/CO-PRINCIPAL INVESTIGATOR(S)

By compliance with the policies established by the Institutional Review Board of The University of Tennessee the principal investigator(s) subscribe to the principles stated in "The Belmont Report" and standards of professional ethics in all research, development, and related activities involving human subjects under the auspices of The University of Tennessee. The principal investigator(s) further agree that:

Approval will be obtained from the Institutional Review Board prior to instituting any change in this research project.

Development of any unexpected risks will be immediately reported to Research Compliance Services.

An annual review and progress report (Form R) will be completed and submitted when requested by the Institutional Review Board.

Signed informed consent documents will be kept for the duration of the project and for at least three years thereafter at a location approved by the Institutional Review Board.

XI. SIGNATURES

ALL SIGNATURES MUST BE ORIGINAL. The Principal Investigator should keep the original copy of the Form B and submit a copy with original signatures for review. Type the name of each individual above the appropriate signature line. Add signature lines for all Co-Principal Investigators, collaborating and student investigators, faculty advisor(s), department head of the Principal Investigator, and the Chair of the Departmental Review Committee. The following information should be typed verbatim, with added categories where needed:

Principal Investigator: MAJA DJORCEV

Signature: _____ Date: _____

Student Advisor (if any): DR. RONALD KALAFSKY

Signature: _____ Date: _____

XII. DEPARTMENT REVIEW AND APPROVAL

The application described above has been reviewed by the IRB departmental review committee and has been approved. The DRC further recommends that this application be reviewed as:

[ ] Expedited Review -- Category(s): _____

OR

[ ] Full IRB Review

Chair, DRC: DR. RON FORESTA

Signature: _____ Date: _____

Department Head: DR. CAROL HARDEN

Signature: _____ Date: _____

Protocol sent to Research Compliance Services for final approval on (Date) : _____

Approved:
Research Compliance Services
Office of Research
1534 White Avenue

Signature: _____ Date: _____

For additional information on Form B, contact the Office of Research Compliance Officer or by phone at (865) 974-3466.

Transcriber's Pledge of Confidentiality

As a transcribing typist of this research project, I understand that I will be hearing tapes of confidential interviews. The information on these tapes has been revealed by research participants who participated in this project on good faith that their interviews would remain strictly confidential. I understand that I have a responsibility to honor this confidentially agreement. I hereby agree not to share any information on these tapes with anyone except the primary researcher of this project. Any violation of this agreement would constitute a serious breach of ethical standards, and I pledge not to do so.

_____ _____

Transcribing Typist Date

Informed Consent

Marketing Opportunities for Small-Scale Organic Wine Producers in Slovenia:

Wine Cluster Research Project

1. You are invited to participate in a research study that seeks to understand the characteristics of small scale organic wine production in Slovenia and the obstacles in the wine's marketing process. This study also examines the features of the wine clustering marketing model to try and understand if this model could be introduced as a potential marketing solution for small-scale organic winemakers in Slovenia. In addition, this study aims to better understand the actual processes within wine clusters and recognize the advantages and disadvantages of clustering.

2. Important information regarding your involvement in the research. If you decide to participate in the study, you will be asked to participate in an open-ended interview. Some questions may be planned or prompted, while others may arise spontaneously based on conversation. The maximum time of your commitment to the interview will be approximately 1 - 1.5 hours. The interviews will be recorded and recordings will be deleted immediately after transcription. The interview questions are designed to allow you to say as much or as little as you wish. In this interview, we will discuss small-scale organic wine production in Slovenia. At the same time, the interview will focus on your experiences, observations and perceptions of the wine cluster.

3. Important information regarding possible risks or discomforts. For the purposes of the research I will not use your real name or identify any other personal characteristics without your express consent. In addition, no direct quotes will be used in this project without your consent and agreement. All notes regarding this research will be kept in a locked room or stored on a password-protected laptop. To ensure accuracy, I may contact you in the future in order to clarify statements, obtain additional explanation, or ask you to confirm a quote of the interview.

You may decide to withdraw from this research at any point your interview, at which point the collected data will be immediately deleted, and you will be excluded from this study. Any information that you provide in this research project will not be used in any subsequent research presentations. Your decision about whether or not to participate or to stop participating will not jeopardize your future relations with the University of Tennessee.

4. Benefits. There is no express nor implied compensation for this interview. However, your participation will contribute to the general public knowledge about agricultural wine clusters and marketing issues facing the Slovenian organic wine industry. If you decide to participate, you will be required to commit 1 to 1.5 hours of your time.

Confidentiality.

Any information obtained in this study will remain strictly confidential. Information obtained through your participation may be used in scholarly pursuits including, but not limited to, applying for grants, publishing in a professional journal, and presenting at a conference. You will have the opportunity to clarify any facts or opinions that are not representative of your thoughts, feelings, or views.

Contact.

If you have questions about this study, please feel free to ask questions in person. Alternatively, you may contact Maja Djorcev at 01.865.789.4327, mdjorcev@utk.edu, Department of Geography, University of Tennessee, Knoxville, Tennessee, 37996. A copy of this document will be given to you for your records. If you have questions about your rights as a research participant, you may contact the University of Tennessee, Office of Human Subjects Research, or the Institutional Review Board by phone at 01.865.974.7697 or via email at blawson@utk.edu.

CONSENT

I have read the above information, I have received a copy of this form, and I agree to participate in this study.

If you agree with the terms of this document, please initial and sign below.

____ I agree to participate in this study.

____ I agree to be interviewed for this study.

Participant's signature _____ Date _____

Investigator's signature _____ Date _____

SOGLASJE ZA IZVEDBO INTERVJUJA

Marketinske priloznosti za ekoloske pridelovalce grozdja in vina v Sloveniji

Spostovani!

Vabimo vas k sodelovanju v raziskavi, ki se ukvarja z znacilnostmi ekoloske pridelave grozdja in vina v Sloveniji ter razumevanjem ovir pri procesu trzenja. Raziskava je podprta s strani Univerze v Knoxvillu v zvezni drzavi Tennessee v Zdruzenih drzavah Amerike.

Glavni cilj raziskave je analizirati pomembne ovire, ki se pojavljajo v procesu trzenja ekoloskih vin v Sloveniji ter najti optimalne marketinske moznosti za majhne ekoloske pridelovalce. Oblikovanje ekoloskih vinogradniških skupin se ponuja kot ena izmed možnih rešitev na poti k boljšemu sodelovanju, promoviranju in trzenju ekoloških vin v Sloveniji in na tujem. S to raziskavo želimo dobiti boljši vpogled in razumevanje oblikovanja ekoloških vinogradniških skupin ter analizirati njihove pozitivne in negativne lastnosti.

Informacije v zvezi z udeležbo v raziskavi:

V primeru, da se odlocite sodelovati v raziskavi, je pomembno vedeti, da bo ta raziskava potekala v obliki vodenega intervjuja. V tem primeru je nekaj vprasanj mogoce nacrtovati vnaprej, medtem ko se druga pojavijo spontano skozi pogovor. Voden intervju v povprecju poteka eno uro. Pogovor bo posnet na magnetofon in kasneje pretvorjen v pisno obliko. Po prepisu bodo vsi posneti odgovori trajno izbrisani.

Informacije o moznih tveganjih pri udelezbi v raziskavi:

Vsi podatki, dobljeni v procesu raziskave, bodo ostali strogo zaupni. Za potrebe raziskave ne bo uporabljeno vase pravo ime ali kakrsnekoli druge osebne znacilnosti. Uporaba vasih osebnih podatkov ali izjav v postopku intervjuja je dovoljena samo v primeru vašega izrecnega soglasja. Vsi podatki bodo hranjeni na prenosnem računalniku, ki je varovan z geslom.

Za izstop iz raziskave se lahko odločite na katerikoli stopnji intervjuja. V tem primeru bodo vsi do tedaj pridobljeni podatki trajno izbrisani. Vasa odločitev o tem ali želite sodelovati ali prekiniti sodelovanje v raziskavi ne bo vplivala na vas odnos oziroma sodelovanje z Univerzo v Tennesseeju, ki nosi primarno odgovornost v zvezi z raziskavo.

Informacije v zvezi z uporabo podatkov:

Vaše sodelovanje bo uporabljeno v raziskavi, potrebni za izdelavo magistrske naloge in bo tako posredno prispevalo k boljsemu poznavanju ekološke pridelave grozdja in vina ter ovir s katerimi se vinogradniki soočajo pri procesu trženja. S privolitvijo za sodelovanje v raziskavi se strinjate s tem, da bodo podatki uporabljeni tudi pri objavi v strokovnih in znanstvenih ravijah in člankih ter pri predstavitvah na konferencah. Podatki in informacije, ki bodo dobljeni v procesu intervjuja, ne bodo posredovani ali izrabljeni v kakršnekoli druge namene.

Informacije v zvezi s kontaktiranjem odgovornih oseb:

Ce imate kakrsnokoli vprasanje v zvezi s postopkom raziskave, se prosim obrnite na osebo, ki izvaja intervju z vami. V primeru, da zelite kontaktirati z odgovorno osebo, se po končanem intervjuju obrnite na Majo Djorčev, in sicer na telefon (01.865.789.4327), na elektronski naslov mdjorcev@utk.edu ali pisno na Department of Geography, University of Tennessee, Knoxville, Tennessee, 37996.

Izvod dokumenta za soglasje o izvedbi intervjuja bo hranjen na Univerzi v Tennesseeju. V primeru, da imate kot udeleženec raziskave kakrsnokoli vprasanje o vasih pravicah, vas prosimo, da pišete na naslov University of Tennessee, Office of Human Subjects Research/ Pisarna za varovanje osebnih podatkov ali pa poklicete na Institutional Review Board/Raziskovalni oddelek na telefonsko stevilko 01.865.974.7697. Lahko pišete tudi na elektronski naslov blawson@utk.edu

IZJAVA

S podpisom tega dokumenta izjavljam, da sem seznanjen/a, da razumem in sprejmem vse informacije v zvezi z raziskavo in se strinjam s sodelovanjem.

____ Strinjam se s sodelovanjem v raziskavi.
____ Strinjam se s postopkov intervjuja v raziskavi.

Podpis sodelujočega:_____ Dne:_____

Podpis nosilca raziskave: _____Dne: _____

Interview Guide

These questions will be used as a guide during the interviews.

Introduction of interviewer

1. Hello, my name is Maja Djorcev and I would like to conduct an interview with you.
2. First, I would like to make sure that you have had time to review the Consent Form and ask if you have any questions about it or this study. Please feel free to stop me if you have a question at any time during this interview.
3. Also I would like to make clear that you know that this conversation will be recorded and later transcribed for the purpose of the study. Also I would like to let you know that you are not obligated to answer the question if you do not feel like it. All the questions will be used only for the purpose of the research.
4. During the interview I would like to discuss the following topics: small-scale organic grape and wine production, wine clustering, obstacles in marketing process and niche marketing issues.

Starting broad

5.Please tell me a little bit about your winery and yourself.

6.When did you start growing grapes and producing wines?

7.Why did you start with this activity?

8.How did you learn to grow grapes and produce wine?

9.Is this your only occupation/job?

10.Do your family and friends support you in your activity?

11.Are you satisfied with what you do?

12.Small - scale organic wine production

13.You said you are organic/biodynamic/natural wine producer?

14.Why did you decide for this production?

15.What are the differences within those three grape and wine production approaches?

16.Is a climate and soil characteristic beneficial for this kind of production?

17.Can you tell me more about the organic/biodynamic/natural wine production practices?

18.What are the positive/negative characteristics of organic/biodynamic/natural wine production?

19.Does this kind of production differentiate you from the other winemakers in your wine region?

20.Wine cluster

21.Why did you decide to form a wine cluster?

22.Who are other wine cluster members?

23.Tell me how is it to be a member of a wine cluster?

24.Can you compare your performance before joining the wine cluster and after?

25.Do you know any other wine clusters in Slovenia? Abroad?

26.Do you have any knowledge about the operation of other clusters?

27.Obstacles in marketing process

28.What is it like to market your wine?

29.What are your marketing strategies?

30.What challenges do you face and how do you overcome them?

31.Can you think of the last problem that you encounter when marketing you wine? What was the solution to the problem?

32.Can you think of the last great marketing success you had? Why this happened?

33.Can you think of the last failure? Why this happened? How can you prevent this in future?

34.Are there any other approached you would like to use when marketing your wine in future?

35.Tell me about your competitors and how you differentiate from them?

36.What do you do for the promotion of your wines?

37.Do you attend any wine fairs or other wine related events?

38.Niche marketing

39.Who are the customers of your wine?

40.Why this customers like your wine?

41.Is your wine different from the other wines?

42.Do you have any regular customers?

43.What do your customers say about your wines?

44.Conclusion

45.Thank you for your time.

46.May I contact you if I would have any further questions?

47.Is there anything else you wanted to share that we did not get a chance to discuss?

VITA

Maja Djorcev is originally from Slovenia, where she attended the University of Primorska in Koper from 2005 to 2010. While in her undergraduate program, she became interested in geographic aspects of grape and wine production. In her undergraduate thesis she sought to understand the processes of organic and biodynamic viticulture in Slovenia, from a physical geography perspective. Since writing her undergraduate thesis she has continued her viticulture research, but has since switched her focus to the economic, social, and anthropological aspects of grape and wine production.

Maja graduated from the University of Primorska in 2010 with Bachelor of Arts degree in Geography. After finishing her degree, she spent a lot of time visiting and working with organic, biodynamic and natural winemakers in Slovenia, Italy and Croatia to obtain a better understanding of their production approaches and lifestyles. With an intention to expand her knowledge on organic wines, Maja moved to London, England where she worked in London's preeminent organic wine bar and attended specialty wine fairs.

In July 2011, Maja moved to Knoxville and started the Master's Program in Geography at The University of Tennessee to study with Dr. Ron Kalafsky. Her research interest lies in developing a geographic understanding of economic relations and processes in the context of a wine industry that is situated in local environments yet deeply affected by global competition. Through the research of organic wine production

in Slovenia, she sought to understand the local characteristics of this production and investigated the occurrence of wine clustering. She placed a particular emphasis on conceptualizing how the young organic wine industry has shaped new niche markets, and how they in turn constitute geographies of economic assets.

In February 2012, Maja authored an article on Slovenian organic viticulture. This article was presented at the Wine Specialty Group's sessions at the Association of American Geographers' annual meeting in New York. Her paper focused on economic and cultural aspects of small and unique organic wineries, and how those wineries cope with globalization processes.

Maja is eagerly promotes Slovenian organic wine outside her country. In 2012, she organized two Slovenian wine tasting events – one held in a prominent wine store in New York in February and one at the Slovenian consulate of Knoxville in May of 2012. Maja has also organized multi-day wine tours for small groups of wine aficionados from the United States.