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Enhancing long-term grape grower/winery relationships in the Australian wine industry

Australian wine industry

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Abstract

Purpose – There are many factors which may influence the ability of wineries to build and maintain long-term relationships (LTR) with their suppliers of grapes. The aim of this paper is to identify the most important factors which enhance LTR between Australian wineries and grape growers.

Design/methodology/approach – A qualitative in-depth interview technique was employed with 13 Australian grape growers.

Findings – The relational dimensions of communication, goal compatibility and use of power were found to influence the relationship quality dimensions of trust and satisfaction, which are also linked to the level of commitment and hence long-term relationship.

Practical implications – The Australian wine industry is currently suffering economic instability which has resulted in the demise of some relationships between grape growers and winemakers. However, economic misfortunes will no doubt change and inefficiencies will result if LTR are not maintained. These inefficiencies could prove detrimental as the Australian wine industry strives to produce regionally branded and higher quality wine products which are both grape grower derived element. Furthermore, issues related to communication frequency and reduction in trust have implications for communication strategies which may result in the reduction of winery grower liaison staff.

Originality/value – This paper offers a grape/grower-winery perspective on buyer-seller relationships. It moderates the theory on communication and its effect on trust and commitment. Furthermore it posits the issue of buyer size on relational dimension and outcomes, which has had little attention in the literature.

Keywords Wines, Communication, Trust, Australia, Viticulture, Channel relationships

Paper type Research paper

Introduction

The wine industry is rather a unique one. The industry involves the production of grapes, the transformation of grapes into wine and the marketing of the wine products. It is one of the few industries where a business can be involved in primary and secondary production as well as the marketing of the end product. The producers of wine products obtain their grapes from their own vineyards or from grape growers who sell their grapes to the wine producer. In order to obtain grapes, a wine producer (winery) must liaise with the grower to acquire grapes of a required specification. In some cases, the wineries obtain the grapes from the open market which is characterised by the use of an arm's length method of transacting. This method of exchange is often associated with high levels of transaction costs and may generate inefficiencies (Hobbs and Young, 2000). In order to overcome this, the development and maintenance of long-term and closer relationships between the growers and wineries is



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required. Long-term relationships (LTR) between the wineries and grape growers may provide additional advantages including the reliable supply of grapes, improvement in the level of technical interaction between the wineries and the growers, potential product adaptation, reduction in the level of uncertainties as well as enhancements in the capacity of the wineries to plan and forecast production schedules (Batt and Wilson, 2000). LTR would also enable the wineries to influence grape growers' production methods and exercise greater control over which chemicals the grape growers are using on their farms. This has implication for market access and information (Low, 1996) especially as the Australian wine industry is highly export oriented. Currently, certain relationships between grape growers and wineries in the Australian wine industry have become strained and adversarial which has led to short-term relationships which could harm the long-term viability of the industry (Speedy, 2006). Therefore to prevent long-term instability in the industry, action must be taken to create LTR between the two actors.

The aim of this paper is to throw further light on the main relational variables that can enhance the development and maintenance of LTR between Australian grape growers and wineries. A qualitative research approach is used to obtain in depth information about the main relational variables and their antecedents. Our methodology is clearly delineated from the previous studies on relationship management in the Australian wine industry which are predominantly quantitative in nature (e.g. Batt and Wilson, 2000). In view of the limitations of traditional quantitative bases for knowledge (Goulding, 1998), the qualitative research approach which is adopted for this study is quite relevant.

We proceed with the remaining sections of this paper in the following way: First, there is a discussion of current economic circumstances of the Australian wine industry. Following, we provide an overview of the various relational elements in buyer-seller (grape grower/winery) relationships. The research methodology is then described and findings, discussion, recommendations and suggestions for further research are presented.

Research context

The Australian wine industry is considerable in terms of the area under vine and the production of grapes. Winetitles (2009) states that in 2008 the total area under vine was 172,676 hectares with a grape crush of 1.82 million tonnes. This is an increase of approximately 31 per cent from the 2007 vintage. Winetitles (2009) lists 2,320 companies which commercially sell wine, of which two companies, Foster's Group and Constellation Wine Australia account for approximately 41 per cent of all branded wine sales with the top 20 companies accounting for 80 per cent of total sales. These figures indicate that the remaining 2,300 producers compete for 20 per cent of the total sales of branded bottled wine. Evidently, the Australian wine industry's sales are consolidated with the largest wine producers dominating sales.

The industry is currently facing numerous problems. New planting of vines in the late 1990s and early 2000s have led to falls in grape prices and wine production increased faster than sales. The increase in production volume has coincided with a less than equal increase in sales with a wine inventory level of 2.1 billion litres in 2006. Furthermore, market forces have also affected the Australian wine industry. A global oversupply of wine, international and domestic retail consolidation and decreasing returns for wineries and grape growers is forcing the industry to change its production and marketing strategies. The industry is repositioning itself to focus on the

production of quality wines (as opposed to volume production) and emphasising regional branding (Hobley and Batt, 2005; Deloitte & WFA, 2006). As a result of this excess, some wineries have been cancelling and not renewing grape supply contracts much to the detriment of grape growers (Speedy, 2006).

As a result of the actions of certain wineries during the period of oversupply of grapes, many relationships between themselves and grape growers have become adversarial which may harm the future prosperity of the Australian wine industry. These buyer-seller relationships are the issue to be addressed by the study and are further discussed in the next sections of the paper.

Conceptual framework

The conceptual framework of this paper is shown in Figure 1 and regards LTR as the central outcome variable in business-to-business (B2B) relationships which ensures the strength, stability and permanency of the relationship. The framework is based on the premise that relationship quality mediates between LTR and relational norms, and that moderating variables moderate the effect that relational norms have on relationship quality, as further illustrated below.

Long-term relationships

LTR provides benefits to the parties involved (Berry, 1995; Bolton *et al.*, 2000). It is argued that LTR can create barriers against competition, reduce price competition and generate more revenue per customer (Venetis and Ghauri, 2004). Sharma (1994) has argued that relationships go through several processes before they can be considered long term. Wilson (1995) concluded that the development of mutual commitment is the same process as developing LTR. Based on this premise, we will consider the existence of relationship commitment as a measure of LTR. Since relationship commitment is not built overnight, it can be considered as a good measure that reflects the ongoing process of the relationship (Venetis and Ghauri, 2004).

Several definitions that reflect the different aspects of commitment have been proposed. For instance Dwyer *et al.* (1987) stress its behavioural dimension and defined it as “an implicit or explicit pledge of relational continuity between exchange partners” (Dwyer *et al.*, 1987, p. 19) whereas others refers to attitudes such as a desire for stable relationships, willingness to make short-term sacrifice for the sake of maintaining the relationship and the belief in relationship stability (Anderson and Weitz, 1989; Morgan and Hunt, 1994). Without commitment no actor has the ability to ascertain the duration of the relationship and therefore the long-term viability of their firm. Commitment is further described by Morgan and Hunt (1994) in relation to the value of the relationship, as the exchange partner believe that the relationship is so important as to warrant maximum efforts to maintain it.

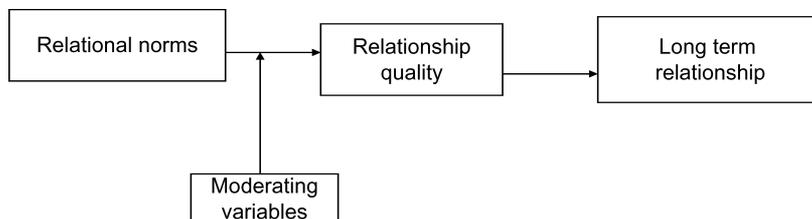


Figure 1.
Conceptual model of LTR in the Australian wine industry

Geyskens *et al.* (1999) distinguish between affective commitment and calculative commitment. Affective commitment refers to the desire to continue a relationship because it is enjoyed for its own sake and calculative commitment refers to the extent of the need to maintain a relationship due to significant perceived termination or switching cost (Venetis and Ghauri, 2004).

Relational norms

Although various researchers have used various variables in conceptualising the relational behaviour constructs, the relational contracting theory offers one of the more comprehensive ones (MacNeil, 1978; Dwyer *et al.*, 1987; Heide, 1994). MacNeil (1978) posits that formal contracting is but one of the mechanisms to govern business relationships and that exchange partners will develop joint values and expectations about what behaviours are appropriate in order to complete formal arrangements (Heide, 1994). A general property of the relational norm is the prescription of behaviours that aim at maintaining a relationship and their rejection of behaviours that promote individual goal seeking (Heide and John, 1992). In evidence of this, Ivens (2004, p. 301) has argued that "...every norm refers to a potential behaviour and the norm framework may be used as a structuring scheme for research on relational behaviour". The relational norms as summarised by Ivens (2004) and from other relationship literature are shown in Table I.

Relationship quality

While relationship norms and variables can be considered building blocks of the relationship, the quality of the relationship is an important factor and can also be

| Norm/behaviour | Description |
|--|--|
| Restraint in the use of power | The expectation that no actor will apply his legitimate power against the partners' interest (Kaufmann and Dant, 1992) |
| Cooperation | The coordination tasks which are undertaken jointly and singly to pursue common and/or compatible goals and activities undertaken to develop and maintain the relationship (Young and Wilkinson, 1997; Leonidou <i>et al.</i> , 2002, 2006; Woo and Ennew, 2004) |
| Social bonds | A personal relationship resulting from the economic exchange that can be linked to social bonds which are a "glue" that holds the individuals together (Turnbull and Wilson, 1989; Bendapudi and Leone, 2002) |
| Communication and information exchange | Readiness to proactively provide all information useful to the partner (Mohr and Nevin, 1990; Heide and John, 1992; Lusch and Brown, 1996) |
| Solidarity | The preservation of the relationship particularly in situations in which one partner is in a predicament (Kaufmann and Stern, 1988; Achrol, 1997) |
| Flexibility | Actors' readiness to adapt to an existing agreement (implicit or explicit) or to new environmental conditions (Noordewier <i>et al.</i> , 1990) |
| Conflict resolution | The use of personal, friendly, and informal mechanisms to resolve conflicts (Kaufmann, 1987) |
| Cultural fit | Understanding of partners' attitudes and behaviours and appropriate interpretation of actions (Gyau and Spiller, 2007) |

Table I.
Elements of relational norms

observed. Relationship quality refers to a supplier's perception of how well their relationship fulfils their expectations, predictions, goals and desires (Gyau and Spiller, 2007). According to Wong and Sohal (2002), relationship quality conveys a customer's impression about the whole relationship and as such, is manifested in several distinct but related constructs. There seems to be no consensus among researchers on the set of constructs or variables that constitute relationship quality.

Crosby *et al.* (1990), Wray *et al.* (1994), Kim and Cha (2002) and Kim *et al.* (2006) for instance, operationalised the relationship quality construct as indicative of the level of satisfaction. Other researchers such as Leuthesser (1997), Dorsch *et al.* (1998), Naudé and Buttle (2000) and Parsons (2002) highlight the relevance of trust, satisfaction, commitment, opportunism, customer satisfaction and ethical profile in the measurement of relationship quality. Given the framework that has been adopted for this paper, we conceptualise relationship quality as a measure of trust and satisfaction. In view of this preposition a discussion of trust and satisfaction follows.

Trust. This is defined by Zaheer *et al.* (1998, p. 21) as the principle that the business partner "can be relied upon to fulfil obligations and behave in a predictable manner". However, trust is not attainable in the short term. Blau (1964) commented that trust is the result of repeated exchanges between two organisations. Houston and Gassenheimer (1987, p. 10) affirm this statement and add that trust between two parties "... leads to a long term relationship". Trust also decreases risk particularly as it can act as an "... information resource that reduces the threat of information asymmetry and performance ambiguity" (Batt, 2003, p. 66). Trust also results from the expertise, reliability or intentionality of the partner, and can be built by the competence, honesty, dependability and likability of the partner (Batt, 2003). From an SME context, trust has been shown as an important ingredient in the creation of partnerships, strategic alliances and networks (Brusco, 1986; Smitka, 1991; Powell, 1996). Additionally, Sako (1997) viewed trust from three perspectives namely contractual, competence and goodwill trust. Contractual trust is concerned with the extent to which parties can carry out their contractual obligations. Competence trust relates to the understanding of professional and technical standards and goodwill trust denotes that the relationship has a degree of fairness related to practices.

Satisfaction. This refers to a positive affective state resulting from the appraisal of all aspects of a firm's working relationship with another firm. Anderson and Narus (1990) indicated that satisfaction encourages long-term relationship. Various dimensions of the BS relationship have been discussed, particularly how their intensity affects the relationship quality. If the intensity is low, the relationship quality is poor; however, satisfaction is a consequence of a positive relationship. Batt (2003) describes satisfaction as occurring when performance exceeds expectations. Olive (1980) further describes satisfaction as a result of an evaluation between partner's performance and the firm's expectations. Further studies show that satisfaction positively enhances trust (Mackenzie and Hardy, 1996) with Geyskens *et al.* (1999) arguing that if the channel members are highly satisfied the partners believe them to be more trustworthy. However, satisfaction's influence on trust is not easily attained. Batt (2003, p. 69) stated that "... satisfaction with an exchange will lead to some initial trusting behaviours, but as satisfaction increases, trust will increase". Fornell (1992) further adds that satisfaction is evident in LTR and is cumulative over time and based on experiences.

The conceptual framework regarding LTR and relationship quality has been made. The next section of this paper discusses the methodology used to collect the data and the study results.

Methodology

An exploratory qualitative study was performed utilising in depth interviews with grape growers in order to uncover the most important factors influencing their relationship with wineries. A depth interview is a one-on-one interview between a researcher and a respondent (Zikmund and Babin, 2007). The target population was wine grape growers residing in South Australia. However due to circumstance, two grape growers were recruited from Victoria, Australia. The rationale for selecting South Australian grape growers stems from their close location to the researcher; however, the South Australian wine industry has 3,790 grape growers (Phylloxera & Grape Industry Board, 2008) which allowed for the interviewing of various grape growers with differing size and production foci. The interviews were audio recorded and transcribed and analysed using the computer program *HyperRESEARCH* (Version 2.8). *HyperRESEARCH* is a computer program used to analyse and highlight words sentences and phrases from transcription and categorises them (Hesse-Biber *et al.*, 1991). The interviews were structured around the issues related to the relationships they have with wineries and were free-flowing, with open ended questions allowing the participants to answer at their will. The questions were generated through a review of the literature and discussions with wine industry experts.

Results and discussions

Description of the sample

Table II illustrates the business details of the interviewed grape growers. The growers range from small, "hobby" style business (less than ten acres) to substantially large professional grape growing businesses (up to 50 acres). The respondents also differ based on the quality and size of production, based on their grape cropping regimes. The respondents also sell their produce to both privately and publicly owned wineries, large and small. It can therefore be surmised that the grape grower respondents are relatively representative of grape growers in Australia.

| Location | Size |
|--------------------|-------------|
| McLaren Vale, SA | <10 acres |
| McLaren Vale, SA | 30-40 acres |
| McLaren Vale, SA | 10-20 acres |
| McLaren Vale, SA | <10 acres |
| Clare Valley, SA | 10-20 acres |
| Adelaide Hills, SA | 20-30 acres |
| Adelaide Hills, SA | <10 acres |
| Adelaide Hills, SA | <10 acres |
| Barossa Valley, SA | 40-50 acres |
| Barossa Valley, SA | 20-30 acres |
| Barossa Valley, SA | 10-20 acres |
| Yarra Valley, Vic | <10 acres |
| Yarra Valley, Vic | 10-20 acres |

Table II.
Business location and
size of interviewed grape
growers

Table III illustrates the main relational variables and the frequency of appearance in the interview.

Antecedents of LTR

The relationship quality antecedent of communication was of crucial importance to grape growers, evident in their large frequency of discussion as shown in Table III. The research results affirm the literature (Morgan and Hunt, 1994; Mohr *et al.*, 1996) which has commented that communication positively influence the BS relationship. Comments by the growers include:

I think that communication is without in this scenario [in the current relationship with their winery] and it is the most valuable thing you have got in the relationship

I just like good honest communication . . . I know times have been hard and wineries need to make cutbacks but good honest communication is what is needed

One guy rejected our fruit because he said it had too much MOG [material other than grape] in the bins . . . I reckon he just didn't have the space to take the fruit . . . I would have felt better if he'd been honest

These comments affirm the notion that the honesty and completeness of information aid the relationship and therefore enhance the quality of the relationship. Of interest was the discussion relating to communication's influence on trust. A representative comment included:

We just entered into a five-year contact with these guys and it is fabulous . . . its a small company and the GM [General Manager] popped around the other morning for breakfast . . . it was great to be able to talk with him . . . I have a good feeling about these guys and I really trust them to do what best is for me

This comment relates to the concept of trust and that communication was positively influencing trust, which is determined as a measurement of relationship quality. Further to the discussion relating to communication frequency. Comments included:

They had the winemaker come over . . . then the viticulturalist . . . then the grower liaison . . . they all seemed to be saying different things . . . confused the hell out of me . . . I don't know how much I trust that these guys are all telling the truth

The comments indicate that the increased frequency and mode of communication led to confusion and decreased trust which is contrary to the findings of Morgan and Hunt (1994) who discussed that communication positively influences trust and the work of Mohr *et al.* (1996) who discuss that communication frequency positively influence satisfaction. It was observed that this communication "overload" decrease satisfaction.

| Topic of discussion | Frequency of comment |
|------------------------------------|----------------------|
| Communication | 62 |
| Trust | 38 |
| Commitment | 19 |
| Shared goals/cooperation | 16 |
| Discussion about state of industry | 16 |
| Buyer (winery) size issues | 15 |
| Discussion about preceding vintage | 8 |

Table III.
Frequency of topics of discussion

The notion of goal compatibility was also discussed by growers. Such comments included:

The relationship was really . . . tight . . . and I am trying to give them more because they are working so close with us and I want to do what is best for them

The comment alludes to the fact that both parties had compatible goals, which is an antecedent of trust and increases relationship performance. The issue of goal compatibility was particularly evident when the grape grower was closely collaborating with the winery to produce certain types of wine, generally a higher quality wines. This is evident in the comment below:

The winery wanted to put our grapes into the GSM [Grenache Shiraz Mourvedre] blend. We spend a lot of time working with them to make sure it was good and it was a real buzz when we won a trophy at the Adelaide wine show

This may be due to the concept of wine quality being grape derived (Domine, 2000). If a winery wishes to make a higher quality wine, they require higher quality grapes and as such there needs to be greater collaboration, trust and commitment in the relationship in order for the winery to obtain the necessary grape products.

Of interest was the discussion of power asymmetry in the relationship. Comments made include:

We know times are tough . . . we were around in the 1980s [difficult period] but they [winery] shouldn't treat us as though we are stupid

There are too many companies [wineries] just squeezing us too hard . . . it's difficult [the current industry scenario] but they could be a little more honest

The wineries sometimes take advantage of the fact that we have no alternative market for our grapes . . . also because of oversupply of grapes

There are often threat of rejection of our grapes

The comments illustrate that grape growers have knowledge of issues related to industry oversupply and they believed that some wineries were exploiting the oversupply of grapes scenario to better suit their circumstances. This may be a result of a power imbalance in the relationship which favours the winery and this coercive power is leading to decreased trust and commitment as proposed by Morgan and Hunt's (1994) extended KMV model of relationship marketing. Furthermore, the climatic conditions that lead to power asymmetry are evident in their assessment of grape quality and leading to the rejection of the grapes. This action is highlighting the notion that wineries have the greater power in the relationship and wish to take whatever action necessary to maintain it as discussed by Cox *et al.* (2001). This scenario is leading to conflict and disturbance as discussed by Gaski (1984) and Seyed-Mohammed and Wilson (1990). It can be surmised that this power imbalance and the resulting conflict is diminishing relationship quality.

Another important issue was the discussion relating to the size of the winery that growers had relationships with. Representative comments were:

When we were contracted with these small guys [winery] everything went well . . . there was not dramas

We were with [contracted] to . . . [large corporate winery], they demanded too much of us . . . we are now with . . . [a small winery] . . . all the grape terms are more flexible . . . I felt better with them

Winery we are now with are really easy to *get along* with . . . when we were with the . . . [a large corporate winery] there were always problems

We were with this winery for ten years . . . then it was taken over by . . . [a large corporate winery] . . . and that was very different . . . the initial contract was draw up between mates . . . it was really fantastic but the whole thing changed when it switched to . . . [large corporate winery] . . . there were always problems.

Much discussion was made that grape growers had higher levels of commitment and satisfaction when they were selling their grapes to smaller sized wineries than larger wineries. The issue of buyer size could also be associated with other relational elements such as communication as the larger wine companies having the financial ability to employ various grower liaison staff (e.g. viticulturalists, winemakers, grower liaison officers, etc.) and, as previously mentioned, this communication “overload” led to a decrease in trust and satisfaction. The smaller wineries, with less liaison staff (maybe only a winemaker) and therefore less communication frequency and a more “one-to-one” approach to grower communication engendered trust and satisfaction and lead to a higher level of relationship quality. Therefore, it can be surmised that the size of the buyer (firm size) is a moderating variable that influence trust and satisfaction and therefore relationship quality.

Long-term relationships

As discussed in the literature, trust is a variable affecting the level of commitment and relationship quality. Comments were made by growers regarding trust, such as:

This is the first year of our five-year contract but . . . I have this guy [winery] sitting across from me saying “look I am not sure what we will do with this extra tonnage but we will look after you” . . . I trust him implicitly

We tried to help them out and they tried to help us out . . . I really trusted those guys

These comments indicate that trust was an important aspect of the relationship and affected the levels of relationship quality and commitment. Furthermore, comments were made that less formal levels of commitment (i.e. handshake style contracts) lead to a greater level of trust and therefore a greater level of relationship quality. Such representative comments were:

Yes before hand [previous contract] . . . but with the new contract there had to be a lot of stuff written in . . . most of it was useless . . . they could have trusted us

I suppose there was contracts around but that the way it was done [with handshakes] we just trusted each other

Grape growers were particular to discuss commitment in their relationship and is evident in the following comments:

We worked for these guys for years and it was great . . . we knew exactly where we stood

When the times were good we had a contract with these small guys [winery] for five years and it worked out really well, they were a nice family

We had a contract for ten years, it was really great

We wish to remain with the wineries even in times of problems

The wineries are nice and we expect our relationships to continue . . .

The comments suggest that commitment allowed financial stability and security. The comments also suggest that commitment was effected by contracts and trust. Trust has been discussed as a measurement of commitment and relationship quality (Morgan and Hunt, 1994) and long-term commitment in the form of contracts was posited as creating satisfaction. Combined with the discussion relating to the formality of contract and its affect on trust, we can surmise that contract formality was influencing trust and having an impact on commitment and relationship quality.

The results have illuminated numerous relational dimensions of the grape grower/winery relationship. It can be conjectured from the literature and comments that the antecedents of LTR such as power, communication and goal compatibility are affecting trust and satisfaction which in turn affects LTR (commitment). Furthermore, the size of the buyer firm is also moderating trust and satisfaction.

Conclusion and recommendations

The Australian wine industry has witnessed difficult times in recent years. The industry has endured an oversupply of grapes which has led to many wineries and grape growers suffering hardship. This is particularly true for grape growers who had contracts cancelled with little opportunities to sell their products. However, potential periods of undersupply (due to climatic factors) and a shift in production focus to the manufacturing of higher quality wine and the marketing of regionally produced products may shift the power in the relationship back to the grape grower. Therefore satisfying growers and making provisions for long-term commitments with grape growers will become a high priority for wineries. This exploratory study attempted to uncover the determinants of relations between the two wine industry actors. In uncovering these relational variables the authors wish to illustrate the importance of long-term commitment in wine industry BS relationships but also the vital importance of grape growers in the wine supply chain. Engaging grape growers, by taking heed of the relational variables discussed in this paper creates benefits not only for the grape grower and winemaker but the industry as a whole. Furthermore, long-term commitment between the two actors will better prepare the wine industry for future periods of change.

Numerous implications and recommendation for the wine industry can be extracted from this study. Of importance are the implications of the strategic focus of the Australian wine industry to the production of quality wine and regionally branded wine products. Therefore, as the product variables such as quality and regionality are grape grower derived (Domine, 2000), then the relational elements resulting in long-term commitment should be heeded by wineries. One such relational element discussed in detail in this paper was communication. The fact that excessive communication with many different modes of transmission led to a reduction in trust and confusion suggests the need for wineries to place emphasis on providing quality information which should be transmitted in a more streamlined mode at specific time intervals. For instance, this may take the form of periodical journals/newsletters or conferences that can be issued or organised at specific periods in order to provide new production information to the grape growers. This could be organised by peak industry bodies or individual winery, however it stands to reason that large volume grape grower/winery meetings (which involve large numbers of grape growers meeting with the winery officials at a particular time) would be the domain of the larger wineries as smaller wineries would not contract such a large number of growers due to their production size. Furthermore, the dyadic communication between the actors could be streamlined

so that certain winery officials could become redundant. However, due to wine export laws regarding the spraying of vines and potentially adverse chemical contamination of wine, certain technical information can only be transmitted by appropriate technically qualified and knowledgeable winery officials, which may lead to their continual use. This could be rectified by wineries employing grower liaison staff with higher wine/grape technical knowledge allowing for a streamlining of mode/frequency of communication and the continual transmission of technical wine/grape information.

Secondly, since contracts and trust have also been found to enhance the level of commitment, it will also be necessary for the wineries to provide long-term contracts to the grape growers. This is exacerbated by the notion that wine quality is grape derived and to secure such quality production, a higher level of commitment must be established. These notions are tempered by the fact that a current oversupply of grapes exists in the Australian wine industry, however such oversupply will not be perpetual and in future wineries with secure grape sources will be able to better meet consumer demand for wine products.

It is also important for the parties to build trusting relationships which may include promoting high level of cooperation. Grower gained satisfaction from working closely to produce a product of a certain quality which is linked to the notion of goal compatibility. Goal compatibility appears to be linked to cooperation as the act of working together towards the goal requires a higher level of cooperation. Trust is then built in relationship. Linked to these notions of cooperation and goal compatibility is the fact that producing quality, regionally branded grape and wine products engenders cooperation particularly as regionality is grower derived, therefore growers who suffice the appropriate regionally derived grapes must be contracted.

Further study

This study was exploratory in nature and highlighted a number of relational dimensions between grape growers and winemakers. These dimensions could be tested quantitatively to confirm these results and the strength of the relationship between the variables could be observed through modelling. Of interest is the dimension related to the mode and frequency of communication. While the literature discusses that an increase in frequency of communication engenders trust and commitment, the findings of this study conclude otherwise. The effect of communication frequency on trust also needs to be affirmed. Furthermore, the study highlights the issue of sources of communication and its interactive effects with frequency. This issue needs to be further investigated. The concept of buyer size was also of interest. This study concluded that buyer size was directly affecting satisfaction, trust and commitment and could be considered to be a moderating variable in the relationship. This issue needs to be confirmed. In relation to buyer size the effect of buyer ownership, whether privately or publicly owned, could be investigated and observe whether ownership affects commitment, satisfaction and trust. The relational dimension of compatible goals was positively influencing trust and commitment and it would be of interest to observe how communication and its elements, such as frequency, influence goal compatibility. Furthermore the effect of compatible goals on contract creation could also be observed including the effect that buyer size has on the formality of contracts and whether trust could replace the need for certain aspects of contracts or the need for written, formal contracts. This study has focussed on the grape grower perceptions of the relationship. As the relationship between the two actors is dyadic in nature it is of interest to observe the winery perspective of the relationship.

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