Value in the territorial brand: The case of champagne

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1.0 Introduction

In business there is a tendency to see brands as being proprietary, related to a single product or a series of linked products and owned by one company. However, increasingly attention is being given to brands which are not so neatly defined – for example, 'leader' brands (Uggla, 2006) or 'umbrella' brands (Wetzel, 2006). One example of such a brand is the territorial brand, which exists where a good or service is indissolubly related to a single place (Charters, Mitchell, & Menival, 2011), as with certain foodstuffs and tourism products. The territorial brand operates widely, and may be especially relevant to the disciplines of management, marketing, tourism and leisure.

A key issue with territorial brands is that of the creation and sharing of value where multiple actors (often with proprietary brands of their own) have an interest in the territorial product. Specifically, how do different actors, from different backgrounds, understand what value creation means, and how do these varying perspectives play out within the context of an overarching brand which has a number of independent proprietary brands operating beneath it. This exploratory study was designed to examine that problem within one of the more well-known territorial products – champagne – from the perspective of the producers of the wine and other key actors. In an attempt to try to understand their views and particularly in the light of multiple possible definitions of value (Lindgreen & Wynstra, 2005; Lindgreen & Hingley, 2008), an exploratory, qualitative study was established to examine the diverse ideas held by actors about such an ambivalent notion. The study was designed to be interdisciplinary, in order to try to develop a broad-ranging and subtle idea of a complex concept, and included researchers from the fields of management accounting, economics, marketing and strategic planning.

The paper starts by considering the development of academic thought around value, as a means of giving context to the conflicting ideas expressed by interviewees in the research project. It then examines briefly the idea of the territorial brand, and how it operates in Champagne. After setting out the process used for the research, a series of findings are outlined and then discussed, so that some more general conclusions for territorial brands can be suggested.

2.0 The nature and measurement of value

Each business discipline considers value to be a significant issue, yet each has a different interpretation of what value is. As this was an interdisciplinary project a number of different viewpoints on value will be synthesised, as each forms part of the context for the research which follows.

Essentially, approaches to economic value turn around two main aspects: value-in-use and value-in-exchange (Smith, 1937). This difference resulted in two ways of seeing the benefits of a product, the use value referring to the intrinsic quality and the exchange value being the subjective quality. For Lancaster (1966), price reflected more the intrinsic characteristics of product, its use value. However, other authors (e.g. Akerlof, 1970; Grossman and Stiglitz, 1980) challenged this position and gave more importance to the exchange value in determining price. Ultimately, whatever the approach, economic value is expressed through price, the issue being to know the weight of its various components.

At the same time, the question of for whom value is created is crucial. Two main models have existed in the corporate governance literature since the time of Berle & Means (1932) and Dodd (1932). The shareholder model considers that shareholders are the owners of the company and, as they bear the risk, so they should receive any residual income. In its most recent version, this model implies that the company should therefore try to maximise shareholder value; thus economic value is the creation of shareholder value. The stakeholder model (Freeman, 1984) proposes on the other hand that managers should take into consideration all the stakeholders of the company, including also employees, customers, suppliers, and the local community) and thus that created value should be shared more widely than just among the owners of the company themselves. In this interpretation value creation is not limited to wealth, but has a social and institutional dimension– the latter relating, for instance, to organisational cohesion.

Stakeholders may have divergent interests. Consequently strategic planning has to minimise conflict between them. Managing those interests is different from merely managing shareholder values. From this, moreover, spring questions about the economic performance of a business. For some researchers the stakeholder is considered as being at the centre of a process of value creation, so their contribution can be viewed as a reference point for the creation of value for shareholders (Yahchouchi, 2007). This produces a management model of value which is more equitable and includes organisations' social responsibility. Further, according to Noguera and Khouatra (2004), it is necessary to merge issues of value creation with those of organisational structure – including human resource management. Again, this is a pluralist approach.

Marketing researchers take this stakeholder perspective further, seeing value as being only partly a benefit for the producer, but crucially significant for the consumer. For marketing academics, as for economists, consumer value has a close relationship to quality and to price (Holbrook & Corfman, 1985; Sweeney & Soutar, 1995; Zeithaml, 1988). However, whereas price is an extrinsic cue (i.e. located outside the product), value is an intrinsic aspect of consumption rooted in the consumer's perception. Value as used in common speech (and by extension in much marketing analysis) regularly has an element of monetary equivalence attached to it (Lindgreen & Wynstra, 2005), and this interpretation is the most general within the mainstream of marketing thought on value (Bolton & Drew, 1991; Zeithaml, 1988). Crucially, however, the perspective in marketing is that value is something which the consumer experiences, and which is therefore rooted in consumption rather than production. In contemporary marketing thought this is developed into the idea that value is co-created by consumers, as they use marketing value propositions to create benefit for themselves (Babin & James, 2009).

Finally, it is also worth noting that there exist two potential approaches to the analysis of value in marketing. The first is the idea of value in the product itself, and the second is value created by relationships between producers, intermediaries and consumers (Lindgreen & Wynstra, 2005; Lindgreen and Hingley, 2008). This too must inform any research into the understanding of value within enterprises. Nevertheless, a fundamental caveat to all of this discussion is the observation that enterprises themselves often have not definition of value and are uncertain how to quantify it (Lindgreen & Wynstra, 2005).

3.0 The territorial brand in champagne

3.1 The nature of the territorial brand

Increasing attention has been given to the branding of place over recent years (Skinner, 2008). This work has covered a number of disciplines, and includes destination marketing (Pike, 2005), regional brands (Lewis & Stubbs, 1999) and country brands (Kotler & Gertner, 2002), which may be related to country-of-origin effect, although this latter is not necessarily a branding issue, and tends to operate more as a cue (Verlegh & Steenkamp, 1999). The territorial brand intersects with these categories, although it is not coterminous with them (Charters et al., 2011). A regional brand relates to any product with regional associations (including that of country) but which does not necessarily have to be produced in that place, such as leather goods from Italy; savoir faire has given Italy a reputation for the quality of its shoes and handbags, but the products could as easily be made elsewhere with identical ingredients. An explanation of the relationship between these categories of place brand is shown at figure 1. **Insert fig. 1. here.**

Consequently, the territorial brand is effectively a collective brand which appertains to a specific place and which relates to a product that cannot be divorced from that place; it includes services (such as destinations) but also goods – especially food-stuffs, which show specific environmental characteristics as a result of having been produced in that place. These characteristics can operate as quality cues or signals for consumers and thus increase profitability for the producers who belong to this specific geographical location (Lacroix, Mollard, & Pecqueur, 2001). Thus Gruyere cheese, Barossa Valley wine and Colchester oysters can each form a territorial brand, with a number of individual proprietary brands existing beneath its umbrella. In some cases the individual brands may be more well-known than the territorial brand but very often that is not the case. Crucially, the creation and sharing of value – which is the focus of this study – is a co-operative process, and may have to be managed by a proprietary brand manager. It is necessary to stress, however, that the value which exists in a territorial brand cannot be realised; no-one has shares in it, as they may in a company producing a proprietary brand, so that the value accrues to the territory and to all the individual brands together as an intangible which cannot be sold.

3.2 The champagne industry

Champagne is an excellent example of a territorial brand which has worked effectively for some time. Although sales have undergone a temporary downturn since mid-2008, as figure 2 shows exports of the product have been rising consistently since the end of the Second World War. The region in which the grapes for the wine can be grown has been demarcated for over eighty years, and no wine produced outside that area of northern France can call itself champagne.

Insert Fig 2. here

Nevertheless although the wine has shown remarkable success, the production structure of champagne is complex. Historically, as in much of Europe, grapes have been grown by many small, agricultural producers (the 'growers'), of which there are currently about 15,000 in the region, and together they own 90% of the viticultural land. However, most of the champagne sold worldwide (two-thirds, including 80% of all exports), is produced by larger companies (the 'houses' or 'négociants'), who make the most well-known brands, such as Moët et Chandon, Perrier Jouët, and Taittinger. Additionally there are a number of growers' co-operatives which also produce large brands. Further, nearly one quarter of all sales are made by the growers themselves, although 90% of their market is domestic rather than export. Thus the houses rely on the growers and co-operatives for the supply of grapes and wine for their champagne, yet at the same time are in competition with them for market share. Additionally, the houses must jointly manage their relations with the growers, but again vie with each other for consumers. Simultaneously, all the actors share in the value of the territorial brand of champagne, yet are also competing for share of value at the level of the proprietary brands. Consequently the power of the territorial brand results from the readiness of the separate proprietary brand owners to associate their products with it, and to share commonly-held brand values.

The territorial brand is managed in champagne by the Interprofessional Committee of the Wines of Champagne (CIVC), which brings together, on a strictly equal footing, the two sides of the industry (houses and growers/co-operatives), and is managed jointly by them. The CIVC was founded after centuries of conflict between the two parts of the industry, and its structure was designed to balance precisely their competing needs and demands. The organisation has quasi-governmental status; it can make regulations for the region which have legal authority and must be accepted by each house and each grower (Barbier, 1986), and it has a wide range of functions. Importantly, as it has been noted that there is a democratic element when a number of owners of proprietary brands share common values (Wetzel, 2006), the CIVC is vigilant to maintain a feeling of shared ownership of its mission and activities, and to ensure support from both growers and houses.

4.0 Process

Because this was an exploratory study, it was decided that qualitative methods would be used to try to obtain a broad perspective - a 'total' picture of a particular sample, rather than data which were widely generalisable (Calder, 1977). Interviews were used as they offer the potential for the depth of data needed (Douglas, 1985). Thus, the focus of this study was on ten people who work within the champagne industry: two grape growers, one person who worked for a grower's co-operative, three négociants, one financial actor and one broker (who acts as an intermediary between houses seeking to buy grapes and growers who wish to sell) and finally, two people who represented interprofessional organisations. These were selected as they represent a complete range of those involved in the management of the territorial brand and are directly or indirectly concerned with the production of wine in the region, but with the emphasis on those with primary responsibility for how it is made. The interviewees equally balanced both 'families' of champagne (growers/co-operatives and négociants) as well as exploring the view of intermediaries and those in major supporting roles. Whilst not statistically representative this selection nevertheless allowed all principal views to be reflected in data collection. Selection was made by specifically choosing interviewees who would be known to have varying backgrounds (size of enterprise, from the region and from outside of it), age and the ability to express clear views. Originally twelve interviews were planned, but after ten it was considered that saturation had been reached (Strauss and Corbin, 1994), so data collection was suspended.

A semi-structured interview guide was created as the primary means of data collection; it contained, however, only two broad questions, asking the interviewees what value was and how they felt it was created in the champagne industry as this was considered to be the most appropriate for eliciting a wide range of unprompted and top-of-mind perspectives (Fontana & Frey, 1994). This approach guaranteed some continuity of data between informants but also offered flexibility so that other, unplanned-for, information and ideas could feed into the data collection process (Denzin, 1989).

Interviews were recorded in detailed field notes, and were additionally tape recorded. The average time of discussions was around 45 minutes, which was enough to detect several levels of views about value and its creation in champagne. In order to maintain the interdisciplinary approach of this study, each interview was carried out by two researchers from different disciplinary backgrounds.

As the interviews progressed, the research team started to identify patterns in the responses. Certain recurring themes suggested specific, related views on value. The analysis of the data was continuing and cross-comparative, examining the ideas of each interviewee contemporaneously. It was performed by the entire research team, initially individually and then as a group (Janesick, 1994), although different researchers took responsibility for various disciplinary areas of the project. The use of interviewees from different backgrounds, variably-sized businesses, industry intermediaries and an interactive, interdisciplinary team – drawn from marketing, economics, strategy and financial management – allowed a level of data triangulation (Wallendorf & Belk, 1989). Given the qualitative nature of the research we do not claim any proportionate or relative statistical weight for the findings, but we are confident that they represent the range of views held by actors in the champagne industry. All the quotations which follow have been translated from French by the research team.

5.0 Findings

At the start of each interview, and for about the first ten minutes, almost all the interviewees tended to voice the same ideas about value and its creation, without any real distinction between the perspectives of grower, co-operative, négociant or intermediary. There was a sense in which each was offering a scripted presentation of what value in champagne is. However, subsequently variations began to appear as the interviewers probed, and greater variation – even conflict – in approaches began to develop. The findings are accordingly structured to deal with responses that were 'top-of-mind' followed by more reflective ideas.

5.1 The top-of-mind view: A single voice in the industry

Nine informants started with a collective perception of value in champagne. Value is the sum of several activities managed by all the operators. They act co-operatively to maximise their joint image of quality and they share it equally. Thus one said 'there is value from which [all] benefit; that is to say they all get the benefits, the dividend of a shareholder who is collective' (I4 – négociant). This idea is based on a common view that it is the production techniques used which guarantee the intrinsic quality of the wine, confirming the consumers' opinion of its excellence (and thus their purchase behaviour), which in turn produces its value. This vision resulted in the bold claim that 'even those who speak maliciously know that it is very hard to find a bad champagne' (I9 – interprofessional).

In order to maintain this relationship between intrinsic quality and image, collective management of the supply side is essential, and this positive image is an asset to be shared by all actors; this is seen, however, as primarily requiring fair relationships between the houses on the one side and the growers on the other. One négociant noted that 'if we want this [success] to last, and if we want things to develop, we must accept that our partners, who supply us [with grapes] also create value – otherwise [the system] won't work' (I1 – négociant). Only a single interviewee (from a very large company), claimed that value was the additive result of individual activity creating operational profit, and that the territorial brand 'champagne' is just a small part of the intangible value of a commercial brand. This latter, he argued, was less significant than the sum of his company's intangible 'savoir faire'. However, in the initial discussion this more individualist approach was an outlier. Only subsequently did some interviewees begin to change the philosophy and thrust of their argument and reveal more nuanced perspectives.

5.2 The reflective perspective: Nuance and disagreement

Two key elements informed the more subtle divergences which emerged as the interviews progressed. The first was a focus on quality, the second on image. The two are linked – perceived quality is an element of the image of the product. However, perceived quality focuses on the consumers' engagement with the product *per se*. Image is much broader than just the intrinsic nature of the product and covers reputation, branding (particularly its visual side) and position in the market.

This analysis of the informants is based on their views about the collective activity needed to support the territorial brand, perceived image, intrinsic product quality and the status of proprietary brands. An evaluation of these issues resulted in the creation of three sub-groups of interviewees. Given the extremely small sample no claims are made about the relative weight of these perspectives in the region – but there was sufficient difference in their approach to suggest the existence of distinct viewpoints.

The first group (n=4), included those, termed the 'individualists', who saw value as the result of perceived quality represented by the individual brand, and included three interviewees who progressively joined the initial outlier in stressing the significance of the individual proprietary brands and the way that they constructed the quality perceived by consumers independently of the collective approach. Interestingly (though hardly surprisingly) this group comprised the representatives of the houses plus the interviewee who represented the Union of the Houses. It is the large companies who provide the dynamic in developing value, and thus in this schema collective action takes second place. The role of the territorial brand is perceived to be self-evident but an element which is less and less useful and sometimes even dangerous.

> The word champagne is in fact the pedestal – an image which we maintain. It's magic to say that in whatever country in the world you are in, when someone has succeeded they lift a glass and say 'champagne'. It's magic. But it isn't enough (I1 – négociant).

Thus, in this quotation, there is a hint that to rely merely on the reputation of champagne overall (however successful it has been) is insufficient to maintain the drink's market presence, and more is required. Another suggested that the idea of collective promotion had become banal, so that it might even be negative now that the individual brands were more significant. To the extent that collective activity is necessary its purpose is to improve the perceived quality of the proprietary brands. Furthermore, it is essential that promotion focuses on more than the mere intrinsic quality (taste) of the product; value (as represented by price in this argument) is the intangible extra created in the mind of the consumer.

A second group (n=3), comprising the two intermediaries who were not directly involved in selling to consumers plus one interviewee who worked for an interprofessional body (and was from outside the world of champagne) also saw value as a reflection of perceived quality – but allied it very much to the image of the territorial brand, and were much more collectivist in their approach. Thus one said:

> For me, there is a greater link between price and image than between quality and price. Thus I think that this moves indisputably to perceived value. If we always communicate better we will add value to the perceptions of champagne … and all that will push champagne yet higher still (I3 – interprofessional).

Therefore, all the foundations of value have to work together to match the consumer's expectations. For these interviewees it is possible to optimise the image, which is something best done collectively, and particularly by the CIVC.

> We have an orchestra – and in an orchestra everyone is important. The instruments, the choice of musician, the score, the conductor, the acoustics of the hall and the piece of music chosen. To make a modern piece of music understood by people who aren't there for something like that you have to play very well – that is very hard (I6- broker).

In this context image is more than taste and more than the perceived quality of an individual brand; it includes a range of associations, views and attachments to champagne as a whole.

The third group of three interviewees also placed emphasis on collective rather than individual activity, but tended to see value residing not so much in image or consumer perceptions as in the intrinsic quality of the product. For them, consumers were looking for a well-made wine, with the quality the result of hard personal work and a collective direction. These informants talked about ideas such as "terroir", "typicité" (the notion that a wine is typical of its region), production techniques and human know-how, to explain the value in the champagne industry. These elements are seen to stem from a necessary collective management of production, via regionally determined rules. The interviewees who stressed this position were the two growers plus the employee of the co-operative, rather than those involved in the promotion of major and large scale brands, and this focus by growers on the product is again logical – their business centres on the creation of the raw materials, and so they think in terms of product quality; equally, not managing large brands, they have no opportunity to influence directly the perceived quality of the product. This finding is in line with previous research carried out in the region amongst the growers (Charters & Menival, 2008).

6.0 Discussion

The significance of the findings of this study operates at two levels. The first, an emic perspective, is the actual differentiation of what value is perceived to be; perceived quality (often represented by price), image and intrinsic quality. This variance creates a situation of complexity. The second significant issue is that – within a territorial brand – the very fact that these differences exist (and can be seen in the individualist versus collectivist dichotomy) challenges the cohesion of that brand. This is a more etic analysis, but suggests that different views of value and different places for it to be sited offer possibilities for conflict and the potential to undermine the role of the territorial brand manager – in this case the CIVC. This bears out the strategic management viewpoint that varying stakeholder interests need to be carefully managed (Noguera & Khouatra, 2004; Freeman, 1984).

The first of these issues has been clearly set out in the findings. Reflecting the approach of some marketing academics (Holbrook and Corfman, 1985), for some interviewees, value was cohesive, and inheres in the excellence of the product, based on the use of refined production techniques. Beyond that, it is the perceived quality of individual brands based especially on price as a signal – an approach particularly attractive, perhaps, to the larger actors with a very global perspective. Alternatively, value is linked closely to image – but an image which again has to be managed collectively (Freeman, 1984). For others value remains linked to the product, but more especially to the land and the grapes, and to the legal structure which has been developed to control and manage them.

It may also be that, particularly for a luxury product such as champagne, territorial brands offer benefit to the proprietary brand owners of which they are less consciously aware. The latter focus on profitability and value for the individual company; on the other hand the territorial brand is not managed for personal profit but for regional benefit (and by extension value for local but discrete enterprises). Thus territorial brands encourage a certain divorce between profit-seeking motives and less explicitly mercenary aims; they allow a focus on experience, pleasure and excitement. In industries where the product image needs to minimise apparent commercial motives (Beverland, 2005), this can be invaluable. Beverland (2005) has shown very clearly that for luxury products, including champagne, playing down the commercial imperative is essential to maintain the image of an authentic product so that to have a territorial brand with an independent and non-commercial manager supports rather than hinders that goal.

Beyond this, the nature of value in champagne is complicated by the fact that brand value at territorial level is the creation of many actors. One can therefore see value moving from the proprietary brands into the territorial brand (which benefits naturally from individual success) but also moving back from the territorial to the proprietary level. If one company succeeds in part because of a strong territorial brand image, then other players could come to feel that they have a stake in their competitor's value creation. This is potentially a complex situation which, as noted, needs careful management.

Quality was regularly mentioned by the interviewees as being linked to value (Sweeney & Soutar, 1995). However, a factor, which underlay all their comments, but which was never made explicit, is that the individual brands are also all required to sustain their commitment to an equivalent quality level in their product. Given that the success of champagne is based on the perception that it is the best sparkling wine, and consequently symbolises celebration and achievement (Beverland, 2004), this perception will only continue so long as most of the producers continue to work at maintaining that perception. Nevertheless, this dimension of the territorial brand is fragile, as in order to maximise revenue individual brands could stretch production and reduce the quality of the product (Landon & Smith, 1998). This does not yet appear to be the way that champagne operates but it could occur, and in that event other individual brands with a greater commitment to perceived intrinsic quality could suffer, as would the territorial brand itself, with no way of remedying the problem other than by using informal influence on the coasting brands. It is evident that much of the publicity emanating from the CIVC focuses on product quality (for example, CIVC, 2009, 2010). This may not just be for the benefit of the consumer but also for internal consumption; it aims to ensure that the individual producers remain committed to the superiority of the wine. This is certainly the message promulgated by the CIVC and the growers' and houses' organisations at events for their members which take place throughout the region.

Thus in practical terms this research has relevance for all proprietary brands which operate under the umbrella of a territorial brand, and for those organisations responsible for organising the latter. Crucially, it is clear that there is a disparity of views about value and how it is constructed. This disparity has existed in equilibrium in champagne for some years, but the fact that there are divergent views could provoke tensions, especially when the brand is under threat. It could also result in clear disagreements about how the territorial brand is managed and particularly about its image, the maintenance of quality and negotiating equitably the input of and benefits to key actors.

Further, the requirement of a collective commitment to quality is mirrored by the need for the individual brands to avoid undermining each other – at least too obviously. Again, this is implicit in some of the more collectivist statements of the interviewees, but nowhere spelt out. If one company overtly questions the quality or style of another that could reduce consumer confidence in the territorial brand and, as a result, its value.

7.0 Conclusion and practical implications

The territorial brand of champagne has been built on the synthesis of several conflicting points of view about value, each tending to reflect one of the conflicting perspectives in the academic analysis. Thus, we find all the definitions of value in the region. From the economic point of view, price is definitively the default signal of product value, whatever the degree of information. That seems to be accepted to a certain extent by all the interviewees. Lancaster's (1991) view that price reflects objective quality and is the best signal where perfect information exists is found within the third group of interviewees who defend the importance of intrinsic product quality in defining the value of champagne. For others price reflects subjective quality (Zeithaml, 1988), and mainly results from the reputation of product (Spence, 1973; Tadelis, 1999). This position was highlighted by the first sub-group, the individualists. This group concentrated on the consumer's perception of the quality of the product, and focused on the quality of the proprietary rather than the territorial brand. However, this economic analysis is insufficient, as it fails to explain the perspective of the second group of interviewees who defended both intrinsic quality and the role of reputation as the source of value.

Significantly, what is missing in all of the interviews is any awareness of the marketing or stakeholder view – that value belongs more widely than merely owners/shareholders, or that consumers have an interest in how value is created. It may well be that – given the tension that already exists between the individual and the collective brands – the individual brand managers (at all levels of the industry) are unwilling to allow a wider share in the control and/or benefit of the value created by their brands. Nevertheless, given the changing views about the nature of brand ownership and co-creation (Holt, 2002; Schroeder & Salzer-Morling, 2006), this seems a rather old-fashioned perspective.

Historically, champagne producers accepted a common idea: that they had to create the highest reputation for their wine based on the best intrinsic quality. Having reached this goal champagne has enjoyed a long period of prosperity. However, our findings suggest that relationships between key actors are evolving. Whilst some continue in this symbiotic paradigm, working together for the common good of the territorial brand (the second and third sub-groups of our sample), others are moving to more individualist positions to define the value of champagne based on the significance of individual proprietary brands. Further, whilst there was a top-of-mind view that everyone shares a common perspective on value, when pressed the actors in the region actually promote three separate definitions of its nature.

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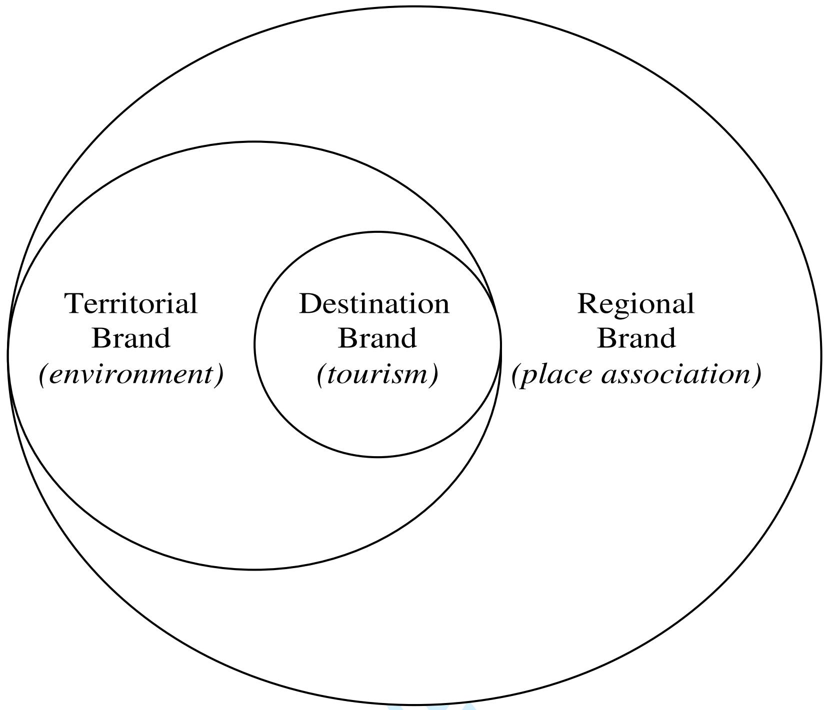

Figure 1: The relationship of varying types of place brand

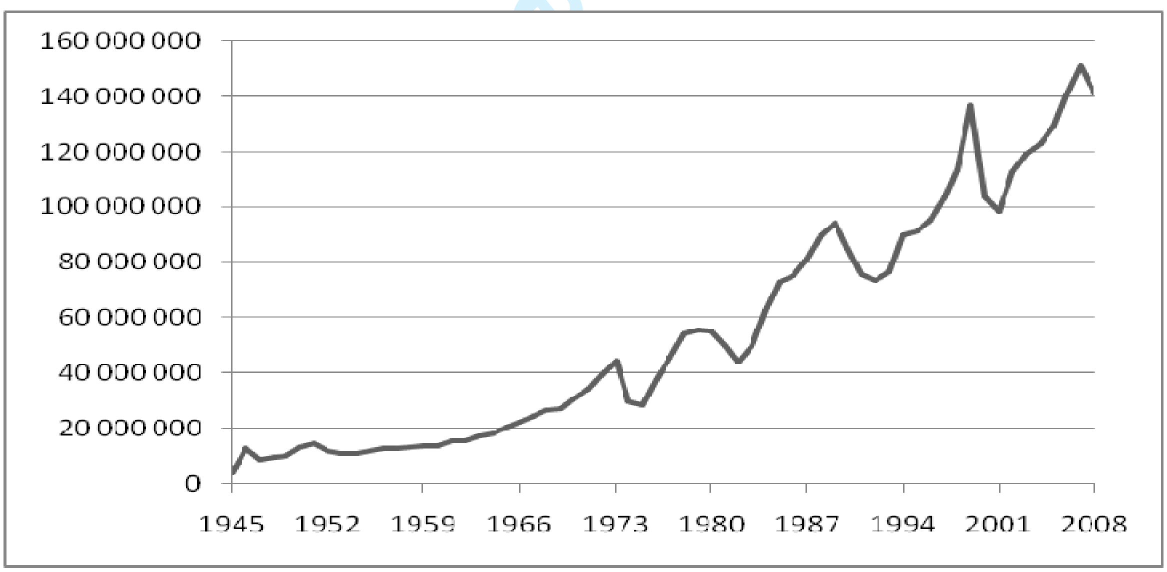

Figure 2: Champagne exports since 1945 (millions of bottles).