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## **An exploration of Cava wineries: A resource-based approach**

### **Abstract**

**Purpose:** The purpose of this exploratory study is to identify the most important resources, and emerging issues among Spain's Cava wineries, including opportunities and challenges, from predominantly winery operators, and through the lens of the resource-based view of the firm (RBVF).

**Design/methodology/approach:** Unstructured, face-to-face, in-depth interviews were conducted with the representatives of five Cava firms, and with the manager of the local Institute of Cava in Sant Sadurní d'Anoia, Spain. In addition, owners/managers of seven other Cava wineries provided responses and comments via email.

**Findings:** The attributes pertaining to the RBVF, such as valuable, rare, imperfect imitable resources, and (non)substitutability emerged in the present study, illustrated by the local designation of origin (DO), tradition/history, territory, specific grape varieties, and increased perceived quality of Cava products. In order to address pressing challenges and maximise opportunities, particularly the decline of domestic Cava consumption, participants underline strategies to gain more exposure in international wine consumer markets, and also benefit from the growing popularity of gastronomy and wine tourism.

**Originality/value:** Originality and value in this research are demonstrated in two ways. First, the study focuses on a region, which, despite its long history and tradition, has received limited attention from the academic literature, especially in recent years. Second, the study adopts the RBVF to facilitate understanding of contemporary issues affecting Cava wineries, and in aligning theory and findings. To date, this theoretical framework has been marginally adopted to examine the wine industry; this limitation is even more evident within the Cava industry.

**Keywords:** Cava wineries, resources, resource-based view of the firm, opportunities, challenges, Spain.

**Paper type:** Research.

### **Introduction**

Cava wines are Spanish sparkling wines with their own designation of origin (DO), which was approved in 1991 (Institute of Cava, 2015). A DO refers to a specific place, the name of a region, or even a country to describe a specific agricultural product/foodstuff, which originates in the place, region, or country (EEC Council, 1992). Furthermore, the characteristics or quality of the product are fundamentally based on a certain geographic environment, with its inherent human or natural factors, and with preparation, production, and processing occurring in the demarcated geographic area (EEC Council, 1992).

The Cava industry has its origins in the 19<sup>th</sup> century (Cava Regulatory Council, CRC, 2015a). As much as 33.2 thousand hectares are dedicated to varieties used in Cava production (CRC, 2015b). While most municipalities associated with Cava production are located in the Spanish region of Catalonia (132), an additional 27 are found in Alava, Badajoz, La Rioja, Navarra, and Valencia (CRC, 2015a). Within Catalonia, the municipality of Sant Sadurní

d’Anoia, which is located approximately 50 kilometres to the West of the city of Barcelona, Spain, has become the ‘main capital’ of Cava; in fact, this municipality was home to the first Cava wines in 1872 (CRS, 2015a). Main grape varieties used for Cava wine production are Macabeo, Xare.lo, and Parellada (CRC, 2015b).

The number of Cava cellar producers has grown from 82 in 1980 to 244 in 2014, and that of bottles produced (750 cc.) from 197 million in 2000 to 242 million in 2014 (CRC, 2015b). The bulk of Cava production is exported, primarily to the European Union (EU) (CRC, 2015b); in 2014, 46.1% of production was exported to the EU, and 17.8% to other markets (CRC, 2015b). Apart from small decreases in exports, for instance, in 2014 and 2015 to the EU, a continuous growth has been reported since 2003 (CRC, 2015b).

Data from the CRC (2015b, Table 1) show the first five major export markets of ‘standard’ Cava sparkling wines, ‘Reserva’ (premium/high quality), and ‘Gran Reserva’ (extra-premium/very high quality). To qualify for each Cava category, different requirements must be met. For example, whereas ‘standard’ Cava wines demand a minimum of nine months of ageing, Reserva wines must age at least 15 months, and Gran Reserva wines at least 30 months (CRC, 2015c). The United States is clearly one of the most important export markets, particularly of high-end Cava wines. In contrast, the gradual growth in exports has not been matched by domestic consumption, which has been inconsistent, with decreases between 2007 and 2009, and then again between 2011 and 2013 (CRC, 2015b).

Table 1 Here

Despite the Cava industry’s socio-economic and historic relevance, the literature on Cava wines, particularly in the areas of business management or entrepreneurship, is very limited, with only few existing contributions to date (e.g., Costa-Font, Serra, Gil, and Gras, 2009; Garganté, 2015; Martínez Carrión and Medina-Albadalejo, 2010; Valls-Junyent, 2007, 2009). Partly in response to this dearth of academic research, the present study seeks to add to the body of knowledge of Cava entrepreneurship research, investigating various contemporary issues related to this industry, primarily from the perspective of Cava winery operators. The following overarching research questions (RQs) are examined:

RQ1: What are the most important perceived resources among Cava wineries?

RQ2: How are wineries’ resources contributing to exploiting/maximizing existing opportunities?

RQ3: What are the most significant challenges affecting wineries?

This research makes several contributions. First, by addressing the questions above from the perspective of predominantly winery operators, the study contributes to the limited body of knowledge of academic research on entrepreneurship in the century-old, traditional Cava industry. For example, Cava production follows the “*méthode champenoise*”, the same method used in the production of Champagne (Cetó et al., 2010). Further, the region under study, Sant Sadurní d’Anoia, is located in the Penedès region, which itself gained DO status in 1932, or more than 80 years ago, and its regulatory council was established in 1960 (Medina and Tresserras, 2008). Second, new information could be of practical value to Cava wineries, the Cava industry, and government in their efforts to continue positioning Cava wines on a global stage. Third, resulting implications identified in the research could be of value for practitioners, as well as academics. Fourth, the study adopts the resource-based view of the firm (RBVF) (Barney, 1986, 1991; Barney, Wright, and Ketchen, 2001; Peteraf,

1993) as its theoretical foundation to facilitate understanding of the themes under investigation. In doing so, the study also addresses a research gap, in that the adoption of the RBVF to study the wine industry, including the Cava industry, has been very limited.

## **Literature Review**

### **The RBVF**

According to Wernerfelt (1984), a resource is anything believed to be a strength- or weakness- of a particular firm, and can include brand names, machinery, capital, knowledge of technology, efficient procedures, trade contacts, or employing skilled personnel.

Wernerfelt (1984) extends this definition by referring to Caves (1980), who posits that firms hold intangible as well as tangible semi-fixed skills or assets.

The RBVF is intrinsically linked to the principles of firm resources, heterogeneity of strategies or endowments (Barney and Hoskisson, 1989), immobility as a barrier impeding entry by competitors, and (sustained) competitive advantage (Barney, 1991). A comprehensive literature review of the RBVF conducted by Barney, Wright, and Ketchen (2001) also identifies the associations of the theory with a number of fields. These fields include entrepreneurship (Alvarez and Busenitz, 2001), international business (e.g., Peng, 2001), human resource management (e.g., Wright, Dunford, and Snell, 2001), marketing (e.g., Srivastava, Fahey, and Christensen, 2001), and corporate governance (e.g., Castanias and Helfat, 2001).

In this study, the relevant work of Barney (1991) is adopted and conceptualised in the context of Cava winery operators, the main focus of the research. Barney (1991) for instance explains that firms may possess such significant attributes as imperfect imitability, rareness, or non-substitutability. However, these attributes can only be considered resources when they contribute to neutralising threats, or maximising opportunities in firms' environment (Barney, 1991). The long history and tradition of Cava production, the prescribed grape varieties used in production, the DO status, the location, including the territory, soil, and climate, coupled with operators' knowledge and expertise clearly illustrate various resources Cava wineries possess. To a great extent, these elements constitute heterogeneous and immobile characteristics.

Indeed, the RBVF analyses sources of competitive advantage, and emphasises two assumptions. The first assumption refers to the heterogeneity of firms regarding "the strategic resources they control" (Barney, 1991, p. 101). The second assumption posits "that these resources may not be perfectly mobile across firms" (Barney, 1991, p. 101), with implications for long-lasting heterogeneity. The RBVF considers the implications of the above assumptions, and supports "the analysis of sources of competitive advantage" (Barney, 1991, p. 101). Under firm resources and sustained competitive advantage, Barney (1991) identifies the following key attributes:

**Valuable resources:** When firm resources are valuable, they can be sources of competitive/sustained competitive advantage. Moreover, the valuable element is illustrated when firms implement strategies that may help improve their effectiveness and/or efficiency (Barney, 1991). Cava winery management's implementation of export strategies appears to match this attribute. An earlier study (Valls-Junyent, 2009) describes that, in the last decades, Cava wine exports rose by 71.8%, from 72.8 million bottles exported in 1994 to 125.1 million bottles in 2007. Additional aspects related to exports, including quality improvements

to maintain consistency and enhance brand image, or innovative initiatives are arguably associated with valuable resources.

**Rare resources:** Firms enjoy competitive advantage when they implement value-creating strategies that are not applied simultaneously by many competitors. While Barney (1991) underlines the complexity of assessing the level of rareness of a resource in generating a competitive advantage, he acknowledges that it is possible for a small number of firms possessing a valuable resource in a particular industry to create a competitive advantage. Cava wineries in the studied area possess characteristics associated with these attributes. For example, winery operators' accumulated knowledge and expertise over time could be influential and critical in designing and executing marketing/sales, or diversification strategies. In fact, Teece, Pisano, and Shuen (1997) posit that the RBVF places diversification and vertical integration in a new perspective, helping capture rents.

**Imperfectly imitable resources:** Firms characterised by or fulfilling this attribute are often strategic innovators, as they can be involved in strategies that other firms do not perceive or apply, because those firms may lack the appropriate resources (Barney, 1991). Further, the strategic management literature provides examples of the endowment represented by a firm's unique historic situation, one characteristic of imperfectly imitable resources, which cannot be imitated or controlled by competitors (Barney, 1991). In this context, Cava wineries' history and tradition, perceived image and reputation are key elements illustrating imperfectly imitable resources that could potentially be adopted as strategies.

**Non-substitutability:** The principle or requirement that "there must be no strategically equivalent valuable resources that are themselves either not rare or imitable" (Barney, 1991, p. 111). While not strategies per se, the territory, region, and the prescribed grape varieties in the Cava production, which form the basis and the 'uniqueness' of the Cava product and represent a very specific market (sparkling wines), are arguably inimitable and non-substitutable resources, and can clearly be part of wineries' business strategies. Moreover, the fact that Cava wines are represented by the local DO has clear implications, not only in maintaining quality and other standards, but also in helping minimise imitation and substitutability by other regions/countries.

While the RBVF has been significantly adopted to date, there are views that it has reached the maturity stage, which consequently may result in revitalization or decline (Barney, Ketchen, and Wright, 2011). During the last decades, however, academics have seized opportunities for further refining the theory, or for proposing alternative theoretical directions. One of these alternatives is illustrated by the concept of dynamic capabilities (DC) (Teece et al., 1997). While more appropriate in environments with rapid technological changes, the DC facilitates the analysis of methods and sources of wealth creation. Together with resources approaches, the DC theorises that competitive advantage stems from high-performance practices operating within firms that, among other factors, are shaped by processes (Teece et al., 1997). Moreover, through the DC concept, firms' competitive advantage is perceived to be based on such distinctive processes as evolution paths that firms have inherited or adopted, and on management's forms of coordinating that are influenced by firms' asset positions (Teece et al., 1997).

Despite its significant potential, very few wine research studies have adopted the RBVF; this shortcoming is more obvious concerning Cava wine research. Among the few contemporary contributions, Fensterseifer and Rastoin (2013), for instance, recognize the value of the

RBVF in providing a degree of integration of different concepts associated with wine firm value creation and wine cluster-level resources. Fensterseifer and Rastoin (2013) also propose the RBVF perspective to consider a wine cluster as a unit of analysis instead of individual firms, and analyse potential benefits wine firms obtain from clustering.

## **Methods**

The present research examines the perceptions of predominantly Cava winery operators regarding the resources wineries possess, how wineries' resources may contribute to maximizing present opportunities, and the challenges wineries face. The usefulness of the RBVF, reflected in the literature review, justifies its adoption as the theoretical framework of the study.

Previous studies focusing on contemporary issues affecting wineries were consulted in the process of developing the themes of the study, including the research questions. Those studies, for instance, examine resilience in the wine industry (Duarte Alonso and Bressan, 2015), winery entrepreneurs' strategic responses to a crisis situation (Duquesnois, Gurão, and Le Roy, 2010), or marketing initiatives they execute, and challenges they face (Chaudhury, Albinsson, Shows, and Moench, 2014). Complementing these sources, wine research adopting the RBVF (de Oliveira Wilk and Fensterseifer; Fensterseifer and Rastoin, 2013) was also reviewed.

In addition, Barney's (1991) work was incorporated in the research questions. These questions elicit information concerning the individual wineries. However, given the nature of the data collection process, where extended comments were possible, responses may also apply to the local Cava industry. First, RQ1 seeks to identify existing resources among wineries. Second, as part of firms' external analysis, Barney's (1991) research considers the relevance of opportunities and threats (p. 100); to this end, part of RQ2 and RQ3 were designed. Furthermore, RQ2 attempts to ascertain how winery firms are responding to issues arising in the external environment, namely, to opportunities. This question therefore highlights the links between wineries' resources and ways in which they could maximise or exploit existing opportunities.

In May of 2015, contact was established with two of the largest wineries in Sant Sadurní d'Anoia, Spain, as well as with the local Institute of Cava. Given the wineries' history and relevance in exports and volume of production, and the Institute's important role in supporting the Cava industry, the participation of these stakeholders was perceived as critical. The message sent to these entities briefly presented the study and invited managers/representatives to participate through a face-to-face interview; representatives of the three contacted entities accepted the invitation.

Similarly, an email was sent to 48 other Cava wineries located in Sant Sadurní d'Anoia; these wineries are associated with the Institute of Cava. Three of these wineries' managers agreed to be interviewed face-to-face, and seven agreed to send their comments and responses via email correspondence. Thus, in total, 13 individuals participated, whereby 12 are winery representatives (e.g., owners/managers), and one is the manager/director of the Institute of Cava. Various attempts were made throughout 2015 to elicit a higher response rate; however, no further responses were obtained. Thus, an overall 24% response rate was achieved (12/50). The percentage does not allow for making generalizations of the findings. Despite this limitation, the study provides first-hand insights of predominantly Cava winery operators

regarding an industry which, based on the evidence presented by the CRC (2015b), is seeking to enhance exports/globalization efforts, its brand image, and overall positioning.

The face-to-face interviews took place in July of 2015, when the researcher travelled to Barcelona. The interviews with the six respondents averaged 60 minutes each; one of the interviews was complemented by a one-hour tour of the winery, which allowed for observations and note-taking, particularly in regards to significant strategic assets the winery possesses (e.g., history/tradition, gastronomy, wine tourism). Five of the interviews were conducted in Spanish and one in English. The content of both interviews and electronic responses was transcribed verbatim by the researcher, who is fluent in both Spanish/English. In the following sections, participants' verbatim comments are coded as follows: P1 (Participant 1), P2 (Participant 2) and so forth.

#### Demographic characteristics of participants and the wineries

Table 2 provides a summary of participants and the wineries. Among the interviewees, three were responsible for the winery's exports section, one was the owner, and the fifth was involved in marketing. All 12 wineries were involved in exports, and three were family-owned. Regarding respondents who participated via email correspondence, three were owners, one was manager and three were involved in marketing and exports. Among all 12 participating wineries, two employed less than 10 people, and fit the category of micro-enterprise according to the European Commission (2015). Based on the same source, seven other wineries are considered small (less than 50 employees), one is medium-size (100-249), and two are large enterprises (250 or more employees). The additional respondent from the Institute of Cava has led this organization for seven years, and has an in-depth knowledge of the Cava industry, exports and consumption trends.

Table 2 Here

## Results

### Perceived resources of Cava wineries

The comments of the different participants underlined various strategically significant resources. The analysis also identified associations between these resources and the attributes related to the RBVF (Barney, 1991). Overall, the interviews and written comments provided ample evidence highlighting wineries' infrastructure, such as physical premises/building, increasingly technology-driven equipment, managerial processes, and expertise and knowledge in winemaking, in most cases accumulated through generations. In addition, the traditional, historic, and geographic elements, and the almost obsessive drive for quality improvements constituted key findings highlighting the associations of these elements with firm resources.

Regarding the strategically significant element of history, participants' responses indicated that five (41.7%) of the wineries are one or more centuries old, five (41.7%) between 50 and 100 years old, and two (16.6%) between 20 and 49 years old. According to various participants representing the 'older' firms, originally local wineries primarily produced still wines, and then evolved into Cava production. Moreover, while the Cava DO (Sant Sadurní d'Anoia) was established in 1991, all the interviewees reported that their wineries became Cava producers, or both producers of Cava and still wines, much before this date. Arguably, the apparent transitional process from still to sparkling wine production, or maintaining both styles, has equipped wineries with an in-depth knowledge and expertise of various wine-making processes. These findings again illustrate that history and tradition were both

embedded within the winery, and the Cava industry. P2, for instance, explained that the winery's ownership/management was in its 21<sup>st</sup> generation; this firm already existed in 1497, and produced its first sparkling wines in 1872. Various verbatim comments further reinforced the significance of history and tradition:

P1: *"We have 620 years of history, 60 of which have been in Cava production and bottling ..."*

P3: *"our first sparkling wine bottle went to the market 101 years ago."*

P9: *"there are different varieties of sparkling wines... different levels of quality and production, and different sizes of wineries. However, each of them [wineries] seeks to communicate its overall concept based on its business philosophy, production, or type of product."*

Another important resource, which fits within the dimensions of immobility and heterogeneity (Barney, 1991), is illustrated by the territory and the geographic environment, in this case, the municipality of Sant Sadurn d'Anoia, where much of the Cava production is concentrated. P3, representing a very large company, indicated: *"Here we have a climate, which is ideal for grape production."* P4, producer of Reservas and Gran Reservas, recognized the element of heterogeneity of the Cava industry in two different ways. First, while Cava is now produced in eight Spanish regions *"the climatic conditions vary from region to region, and even within the region, and therefore the final Cava product is not one and the same."* Second, attention paid during the harvesting process significantly contributed to the quality of the final product: *"...grapes ... are harvested at their optimal ripening stage..."*, and as opposed to other regions/countries producing sparkling wines *"there is no need for external manipulation (e.g., adding sugar)."*

Importantly, the above resources can complement each other, thus, reinforcing their strategic significance and potential to create sustained competitive advantage. For example, quality-related strategies can lead to stronger brand image and increased exports. Similarly, expertise, knowledge, traditional production methods, and educating consumers on the uniqueness of the grape varieties, the territory, and history could have impacts on consistency of quality, thus, enhancing the appeal of Cava wines.

#### Significance of resources to exploit perceived opportunities

The strategic potential of the different resources identified in participants' comments was further reinforced when these reflected on the main opportunities for the industry in the near future. The first and most important emerging theme concerned opportunities in exports to overseas markets. In fact, all participating wineries were exporting, four around 20%, six between 21% and 75% and two over 75% of their Cava production. Six participants perceived the United States as the strongest market, with potential for strong future growth. P3's winery, for instance, already had a presence in North America, Asia, and Europe, and was in the process of expanding into South America (e.g., Colombia, Peru, and Venezuela). P1's winery had expanded to 140 different countries, and was even selling Cava in France: *"Ten years ago, it would have been unthinkable... Now, we sell approximately 3.5 million bottles a year; French consumers have noticed the high-quality-price relationship of Cava wines."* Despite these significant achievements, another participant's (P2) comment revealed that the internationalization process is fraught with complexities: *"A colleague in our winery was just telling me about his first visit to Russia 25 years ago; before selling the first Cava bottle he had to travel back-and-forth to Russia another 17 times..."*



Second, wine tourism was perceived as a significant strategy contributing to wineries' business in various ways. Among other comments, P5 explained recent developments taking place at the winery: "Since our establishment (1915), the winery has been open to visitors; in the last 20 years, wine tourism has become much stronger for us. We currently receive some *100,000 visitors a year...* Wine tourism is strategically important for our brand, as it contributes to building values of our brand and tradition, of our origins, of new products and modernization." Queried about the fact that many businesses in Spain do not open on weekends and holidays, P5 admitted that his company was working on extending days and hours of visitation: *Little by little we are learning... of course, how could you not open on Sundays? We used to close during Easter holidays... but it is a fantastic week for wine tourism!*

While P6's winery was currently not open to the public, the participant acknowledged the strategic importance of wine tourism as "*...a way to inform people about the winery's philosophy, show them what you are doing, and also promote the region.*" These favourable views of (Cava) wine tourism are in stark contrast with earlier research in the Champagne region (Charters and Menival, 2011), where most operators recognized that wine tourism was not relevant to them, and did not know much about what wine tourists may perceive as acceptable. These findings led Charters and Menival (2011) to conclude that wine tourism may be more suitable for the smaller Champagne wineries as a way of adding value.

Third, there was recognition of the growing trend and the role of gastronomy. In fact, some participants highlighted its importance in facilitating the consumer-Cava relationship, with P5, for instance, stating: "*Gastronomy is a 'pull' element, and the foundation on which the Cava industry should build more demand, especially in enhancing consumers' perceived value.*" P4 referred to the sensorial value of pairing different foods and Cava, while P7 acknowledged the need to build relationships between wineries and other industries: "*We need to develop synergies and communicate Spanish culture through gastronomy and through our wines... we are just getting started, and I think that [gastronomy and Cava] is the right way to go...*"

#### Perceived challenges

While the different resources wineries possess had significant impacts on their export, wine tourism and other strategies, participants were in clear agreement that addressing the decline of domestic Cava consumption was the main current and future challenge. This downward trend is also noticed in wine industry reports. For example, the Wine Institute's (2015) figures indicate a steady decrease in consumption between 2011 and 2013 in Spain, though in 2014 a 9.9% increase was noticed compared to consumption in 2013. Despite recent gains in exports, another challenge identified was the lack of perceived value of Cava wines among consumers, with P5, for instance, recognizing: "*The problem Cava wines have within the context of sparkling wines is that of perception of value. Still today, Cava wines do not have a particularly high perceived value outside Spain... if the Cava industry is to survive, it needs to convince the global consumer that it is a product of higher value than its current price indicates.*"

This issue of perceptions is also related to the challenge of 're-converting' domestic consumers to be more accepting of Cava consumption. In her role as manager of the Institute of Cava, P10 noticed the constant decrease in Cava consumption for years. Moreover, P2, P10 and P7 explained that Cava consumption in Spain is mainly seasonal, and highly concentrated during December celebrations. The challenge, according to P10, is to develop a

perception that Cava is a product for all seasons, and also a product that can be consumed with different meals.

Aligned with wine research (e.g., Hanf and Schweickert, 2014), another challenge was competition, including the large availability of domestic sparkling wine products, and ongoing ‘price wars’ within the industry

P8: *“There are companies selling Cava products below our cost of production, and are therefore compromising the image of our industry.”*

P4: *“When you look at the numbers, the prices some Cava firms sell their wines do not even cover our own costs...”*

The cheaper Cava products on the market may even affect the image and performance of high-end Cava products (P4): *“...our winery elaborates Reservas and Gran Reservas; these products demand a significant investment, as they need to age for years before they are ready for the market.”* In response to these threats, and as previously identified, increasing exports was considered as the most important strategy among participants. While not all wineries may possess the required resources to access or implement alternative diversification strategies, several comments again recognized the importance of wine tourism (P3), the organization of events at the winery (P5), or diversifying the product portfolio.

P3 mentioned the development of non-alcoholic Cava, as well as Cava products that are Halal- and Kosher-certified, while P2 indicated that the winery was to become 100% organically certified by the end of 2015, with potential implications for brand image and entry in new markets. Additionally, five participants identified more professionalism within the Cava industry. One of these (P7) explained that, in contrast to earlier years, today Cava wineries are increasingly equipped with personnel who have marketing and language skills. Indeed, skilled staff represent very valuable resources that wineries can exploit, particularly when developing export strategies, or in drawing tourists to the winery.

Finally, in one case (P2), the emergence of political and ideological issues affecting the winery further encouraged the development of internationalization strategies: *“... the Spanish [wine / Cava] market is struggling... there are both economic and political crises. We are being boycotted by many consumers because our product is from Catalonia... we have had some three boycotts... To adapt to this new situation, we had to increase our exports; in 2010, we exported 8% of production; in 2014, we exported 40%, and in the first semester of 2015, we exported 50%.”* Recent research (Cuadras-Morató and Maria Raya, 2016) indicates that consumers in other Spanish provinces appear to be boycotting Catalan products, particularly those with symbolic value, including Cava wines.

## **Discussion**

Overall, the findings are consistently aligned with the attributes of the RBVF (Barney, 1991). Figure 1 proposes a refinement, incorporating the theory’s attributes and keywords identifying resources, opportunities and threats. First, alignments became apparent with regard to the heterogeneity and immobility of resources, two key aspects referred to in the RBVF literature (e.g., Barney, 1991; Peteraf, 1993). Fundamentally, the presence of a DO assists in the identification and adherence to approved grape varieties and production methods, and defines distinctive links between a product and a region. The DO’s requirements are complemented by the guidance provided by the Institute of Cava and the Regulatory Council, further adding to, or maintaining the rigour in production processes and overall quality standards, with clear strategic implications for wineries. The prescribed grape

varietals, or the fact that Cava is a synonym of Catalonia's sparkling wines also provide Cava wines- and the Cava industry- with elements of uniqueness.

Apart from these overarching principles and strengths that are inter-linked with a DO, the Regulatory Council, and, ultimately, with wineries, each of these businesses has arguably different characteristics and business philosophies, which further highlight heterogeneity and, to some extent, immobility, preventing entry of potential competitors. Indeed, there are clear variations in volume of production, including production of batches of certain Cava labels, or types of Cava (e.g., 'standard' Cava versus Reserva and Gran Reserva). In addition, and as some comments indicate (P2, P3), innovative strategies, increased experimentation, and diversification seek to cater for new consumer markets. The perceived quality improvements that both wineries and the local Cava industry have achieved also serve as complementary elements reinforcing those more pronounced and more related to immobility and heterogeneity.

Figure 1 Here

Barney's (1991) attributes, and their alignment with the findings are presented in the following paragraphs. These alignments, however, are not mutually exclusive to a particular attribute; instead, they appear to complement at least two attributes simultaneously.

**Valuable resources:** Supporting the figures illustrating the upward trend in exports of Cava wines, the findings identify wineries' increasing efforts in gaining international exposure and marketing their wines beyond Spain's borders. Clearly, this strategy is arguably implemented as a reaction to decreasing Cava and still wine consumption in Spain. Importantly, during some of the face-to-face interviews, comments repeatedly highlighted an almost obsessive notion to further improve Cava's quality standards. This process entails strategic initiatives implemented by wineries' management, from monitoring the vineyards, to applying rigour and attention to the production process, and, inevitably, to nurturing trade relationships with distributors and end consumers to sell the wines. In turn, this process has clear associations with valuable resources, one of which is the service climate, "a team-bodied, socially complex organizational resource" (Ray, Barney, and Muhanna, 2001, p. 28) that encompasses coordination, communication, procedures and policies to deliver customer service excellence. In addition, quality-related processes align with the DC concept (Teece et al., 1997) in that they are based on high-performance practices and processes conducted by Cava firms' management, potentially leading to competitive advantage.

**Rare resources:** Cava winery operators' knowledge of their winery business, their industry, and, increasingly, their external environment, has direct implications for strategy development. In fact, partly based on Cava wines' quality, and in response to market threats, operators are designing and executing diversification strategies. Apart from export initiatives, the increasing importance of wine tourism as a potential introduction of Cava to different consumers has direct implications in product exposure and promotion, more awareness and appreciation, and as a complementary source of revenues.

Similarly, strengthening ties between gastronomy and the Cava industry is yet another strategy that some wineries are considering and exploiting. Regarding this strategy, Medina and Tresserras's (2008) study in the Penedès region document the efforts to develop a thematic tourism and hospitality infrastructure, with 144 firms, including wineries, restaurants, accommodation operators and leisure and service enterprises adhering to this

movement. Two recent studies further suggest the potential for developing Cava wine tourism. First, Molina et al.'s (2015) research on the profile of Spanish winery visitors identified important segments characterised by married, middle-aged employees earning an upper-middle income. Similarly, Nella and Christou (2014) noticed that the more involved wine tourists were more mature, wealthier, and, consequently, were more prepared to spend on wine, with over one-third being repeat visitors.

In addition, the accumulated knowledge of some winery operators and their staff through generational experimentation and product development is helping identify new consumer markets, with new Cava products to adapt to specific tastes and cultural differences (P2, P3).

**Imperfectly imitable resources:** While the potential for producing sparkling wines with similar profiles as those from the 'Old World' of wines might exist, the tradition and history of Catalonia, especially the municipality of Sant Sadurní d'Anoia, represent very significant and imperfectly imitable resources. The interviews conducted identified that these resources were increasingly part of wineries' strategies. The century-old tradition of Cava wine production, complemented by quality improvements could contribute to wines' enhanced reputation and brand image. The strategic significance of wineries' history, for instance, was highlighted by Getz and Brown (2006) when they discussed Burgundy's history and gastronomy, as well as to Bordeaux's association with "its name-brand chateaux" (p. 147).

In referring to the work of Barney (1991), and Dosi, Teece, and Winter (1990), Peteraf (1993) emphasizes firms' 'path dependency' in their developmental process, which includes investment, development activities, asset stocks, and preceding levels of learning. Peteraf (1993) underlines the value of the historical element, in that the difficulty in repetition and discovery during the developmental process thwarts potential 'imitators', especially given "the considerable lag involved" (Peteraf, 1993, p. 183). Moreover, the immobility factor of history is bound to firms, and is a critical condition to achieve sustainable competitive advantage (Peteraf, 1993).

**Substitutability:** The territory, the region, the grape varieties used in Cava production, and the existence of a DO of Cava wines since the early 1990s represent invaluable and non-substitutable elements related to the local patrimony and identity. These elements are also associated with the distinctive brand image of Cava wineries and the region's Cava wines. Moreover, while other prominent sparkling wines exist (Champagne, France, Asti Spumante, Italy), Cava wines have become the 'Spanish Champagne' (Institute of Cava, 2015). However, in order to continue building its brand image, and 'win' over consumers, as P5 noticed, the Cava industry needs to make a number of investments, including promotional activities, to reinforce consumers' perception of value. Barney's (1986) argument seems to fit in this context, in that the economic performance of a firm does not only depend on whether or not the firm's strategies can create "imperfectly competitive product markets... but also on the cost of implementing those strategies" (p. 1231).

As conceptualized (Figure 1), the attributes underline the potential for competitive or sustained competitive advantage. Further, these attributes are intrinsically linked to the various opportunities that emerged in the research, namely, new trends, emerging consumer markets, or the need to re-engage or reach out to domestic consumers. In turn, the implications resulting from the identified challenges faced by Cava wineries and the industry highlight the importance of additional resources many wineries may not possess. For instance, financial resources may be needed to invest in 're-converting' Spanish consumer

market (i.e. new consumer generations), or attracting international consumers (Figure 1). However, wineries' existing resources clearly provide a vital supporting component.

## **Conclusions, Implications, Limitations and Future Research**

### **Conclusions**

Information presented by the CRC (2015a, 2015b, 2015c) illustrates the history, tradition, and socio-economic importance of the Cava industry, and underlines significant developments occurring over the decades. The establishment of a DO, and the steady growth in the number of wineries, production, and exports illustrate such developments. Despite the significance of the Cava industry for Catalonia, the rest of Spain, or consumers world-wide, very few academic studies have investigated aspects associated with Cava wine entrepreneurship. In addition, while the value of the RBVF has been widely acknowledged, particularly in guiding the understanding of organisations and associated business strategies, few wine research studies have adopted this framework in their findings, particularly to study the Cava industry.

This study contributes to both research streams, first, gathering the perceptions of Cava winery operators, predominantly owners/managers, and those of the general manager of the Institute of Cava. Second, in examining the main themes of the study, namely, wineries' main resources, how these resources are operationalised to maximise opportunities and challenges, the study adopts and proposes a refinement of the RBVF.

The overall findings underline the significance of various resources, including tradition/history, uniqueness of the territory (e.g., climate), and utilization of local grape varieties. Winery management's strategic efforts to exploit opportunities and position wineries' products and gain more national and international acceptance and recognition was also revealed. Indeed, such strategies were illustrated in participants' interest in increasing their involvement in export markets, as well as in innovative and diversification initiatives (e.g., new product development). These efforts are critical, particularly in responding to such challenges as the declining domestic Cava consumer market. The growing importance of gastronomy and (wine) tourism were also perceived as significant opportunities.

The usefulness of the RBVF to investigate contemporary issues among wineries involved in Cava production was also demonstrated. Moreover, and as previously noted, the study's findings align with the RBVF literature, mainly with the attributes discussed by Barney (1991), namely, valuable, rare and imperfectly imitable resources, as well as (non)substitutability.

### **Implications**

One practical implication of the findings concerns the significance of history/tradition in the process of developing a product's brand image. This strategic initiative could have important impacts for Cava regions, the Cava industry, and the long-term brand image development of Cava wines. Equally important is the planning and implementation of long-term strategies by wineries to position their products. For example, some wineries are becoming more involved in diversification strategies, including in (Cava) wine tourism, considering the links between Cava and gastronomy, or developing new products. The drive for diversification represents a fundamental practical implication; indeed, independently or as part of a bundle of strategies, this approach could be vital for wineries' long-term sustainability.

Arguably, given their more extensive and robust financial or human resources, larger wineries may be more equipped to diversify, for instance, in gathering information of existing

opportunities and challenges in overseas markets, or in executing required strategies. In contrast, and despite existing strengths in niche production or family tradition, for the smaller wineries the involvement in diversification strategies could be much more daunting. Moreover, these strategies may demand significant initial investments, more exposure, higher risks, and vulnerability. Smaller firms, which represent the large majority of Cava wineries, may therefore need significant support and encouragement to take strategic initiatives, including internationalising.

Such support could be from government agencies and regional chambers of commerce, and could focus on building winery management's capabilities in various ways. This notion is associated with Helfat and Peteraf's (2015) proposed framework illustrating the associations between managerial cognitive capabilities (MCCs), dynamic managerial capabilities (DMCs) and their effects on firms. In fact, the authors' framework illustrates that MCCs, defined as individual managers' capacity to perform at least one mental activity comprising cognition, can affect DMCs, with potential impacts on firms' strategic change, and, ultimately, on their performance. MCCs emphasise problem solving, reasoning, language and communication, while DMCs are linked to sensing, seizing, and reconfiguring (Helfat and Peteraf, 2015). In the case of small Cava firms, institutional support to develop MCCs may enhance management's awareness and increase interest of external events, potentially resulting in specific business outcomes. Moreover, new consumer trends, international wine events, export opportunities to specific markets, or knowledge of grants for small firms to develop marketing strategies could be some important outcomes.

From a theoretical perspective, the refined RBVF (Figure 1) emerged as a tool facilitating understanding of Cava wineries and their industry. This understanding is also associated with the attributes postulated by Barney (1991) highlighting the significance of valuable, rare, imperfectly imitable, and non-substitutable resources. Importantly, by allocating different firm resources to the respective attribute, the RBVF framework encourages reflection on the different firm resources, and guides the understanding of associations between these resources and winery management's strategies. This outcome represents a fundamental theoretical implication, clearly underlining the validity of the RBVF to explore and understand Cava wineries, their industry, or other related industries with significant domestic and international potential (i.e. wineries producing still wines, craft breweries).

Another theoretical implication relates to the consideration of additional abstract, yet useful assumptions, concepts, and frameworks associated with the theory, namely, heterogeneity and immobility, DC (Teece et al., 1997), or MCCs and DMCs (Helfat and Peteraf, 2015) to guide future research. As the alignment between the RBVF attributes and the findings illustrates, the adoption of these frameworks could illuminate both academics and practitioners in future research. For example, considering heterogeneity and immobility, crucial elements associated with existing resources among wineries and their region could be better understood. In fact, associated abstract elements, such as the impact and influence of the DO and its requirements, wineries' tradition, production processes, consideration of diversification strategies, or quality improvements emerged as particularly useful. Consequently, these elements could be considered in helping guide research and understanding. Moreover, the acknowledged stronger focus on diversification strategies (e.g., exports, or culinary and wine tourism) could be looked through the lens of heterogeneity and immobility, the DC concept, MCCs or DMCs. Doing so could assist researchers and practitioners in gaining more understanding to develop strategies in response to current threats, and overall, to contribute to enhancing Cava wines' brand image.

## Limitations

While the overall findings of this study may provide useful practical and theoretical insights, several limitations must be acknowledged. Fundamentally, despite including various large Cava wineries that together account for the majority of Spain's Cava production, the participation of only 12 wineries, irrespective of their size, may be insufficient to make broad generalizations of the Cava industry. Related to this limitation is also the lack of participation of Cava wineries from other Spanish regions. Finally, the year when the study was conducted (2015) coincides with a prolonged crisis in both the wine sector and the Spanish economy; this lingering crisis could have also added an element of bias to some of the responses. For these reasons, the overall findings should be treated with caution.

## Future Research

Future research focusing on the Cava industry could address some of this study's limitations, as well as broaden the scope of the research. For example, the perspective of micro Cava producers could be useful in making comparisons with larger-size wineries concerning resources and strategies, particularly in light of current domestic consumption trends, and resulting stronger need to become involved in exports. Further, other Cava producing regions in other provinces could be examined in future investigations.

The perceived potential of gastronomy, as well as its potential impacts on Cava consumption and knowledge could also be explored, particularly among hospitality businesses (hotels, restaurants). Further, the investigation of ways in which Cava wineries are 'spreading the word' or disseminating knowledge about their products, including promotional strategies, or involvement in wine tourism, could be of significant practical and academic value. In addition, future research could consider a longitudinal approach, which could help identify patterns of entrepreneurial and/or consumer behaviour among wineries over time. This approach could also guide future theory development. Concerning this last aspect, future studies could adopt the RBVF, as well as other related concepts (e.g., DC, MCCs, DMCs) to test, confirm or further enhance their value to examine the Cava or other traditional industries.

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