

# Entrepreneurship Marketing in North Carolina's Wine Industry

G. David Shows, [showsgd@appstate.edu](mailto:showsgd@appstate.edu)\*  
Pia A. Albinsson, [albinssonpa@appstate.edu](mailto:albinssonpa@appstate.edu)  
James Stoddard, [stoddardje@appstate.edu](mailto:stoddardje@appstate.edu)

## Introduction

It has long been known that economic recessions impact consumer buying behavior. Flatters and Willmott (2009) have identified several manifestations in the most recent recession including consumer willingness to simplify their buying choices and to prefer simpler offerings with the greatest value. Post-recession consumers are also thriftier, more mercurial, more interested in environmentalism and have less respect for organizations such as the government and businesses. Finally, consumer demand for extreme-experience-seeking (expensive, risky, frivolous, or environmentally destructive) purchases has decreased as a result of a recession-induced mood of seriousness and responsibility.

These changes in consumer buying behavior are evidenced in the wine industry as well. Adler (2011) observed that the most recent economic downturn in 2007-2008 prompted wine consumers to shift to purchasing bottles selling at lower price points, resulting in extreme downward price pressure for wineries. This shift to lower price point wines is expected to be long-term, having the greatest impact on higher-priced wine regions. With a greater focus on price, wineries must find creative ways to differentiate themselves from other purchasing options to avoid falling into price-only decision-making by consumers. For these reasons, it is of paramount importance that wineries adopt a more entrepreneurial marketing view of their organizations so as to offer winery consumers a greater value offering.

The purpose of this paper is to propose that wineries pursuing a greater degree of strategic entrepreneurial marketing will perform at higher levels than wineries utilizing less entrepreneurial marketing strategies. The paper will first discuss the concept of entrepreneurial marketing. Next, the research method is described and the results are presented.

## Literature Review

One of the more ironic statistics to comprehend is that the majority of Fortune 500 companies were started in bear markets or recessions (Stangler, 2009). Recessions create layoffs and unemployment, and these lead to the creation of self-employed

businesses (Faber, 1999). Evidence suggests that entrepreneurial firms can use marketing strategies to cope with recessions. Pearce and Michael (1991) found risk-taking strategies such as holding positions in diversified products and proactively establishing niche positions are prescriptions for survival during downturns. Srinivasan, Rangaswamy, and Lilien (2002) confirmed that proactive marketing practices in firms with an entrepreneurial culture have both a direct and indirect effect on market performance. Many large firms in times of recession view these marketing downturns as opportunities to exploit weaknesses in competitive firms. Thus, in the spirit of entrepreneurship, recession is an opportunity when entrepreneurial marketing practices are executed.

Morris et al (2002) conceptualized entrepreneurial marketing (EM) as the identification and exploitation of opportunities for acquiring customers through innovative approaches to risk management, the leveraging of resources, and the creation of value. Newer definitions have been proposed; Kraus et al. (2010, p. 27) proposed the fusion of the current AMA definition of marketing and others concerning entrepreneurship to create a definition of entrepreneurial marketing as “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders, and that is characterized by innovativeness, risk-taking, proactiveness, and may be performed without resources currently controlled.” Morris et al. (2002) conceptualized EM efforts to be able: (1) to recognize opportunities to create and cultivate new products, markets, customers, (2) to act proactively and be more acceptable to novel tactics, more willing to experiment, (3) to be innovative, (4) be willing to allow customers to be active in the process to create value, (5) be willing to accept and manage risk, (6) to leverage limited resources in a period of potentially unlimited opportunities, and (7) to be able strive to create value everywhere in the business.

Several of these dimensions are centered in the concept of entrepreneurial marketing. *Proactiveness* reflects leading rather than reacting (Morris et al., 2002), where a firm’s proactiveness supports its ability to anticipate market shifts and changes in consumer needs (Lumpkin & Dess, 2001). Proactiveness is defined as anticipating and acting to take advantage of new opportunities, being willing to eliminate products and operations when they are in decline, and being willing to risk competitive reaction to achieve first-mover advantage (Venkatraman, 1989). Proactiveness is a dimension that is in concert with *innovation*, which is a firm’s tendency to pursue unique opportunities and create new products (Lumpkin & Dess, 1996). Morris et al. (2002) describes innovation as having a “healthy dissatisfaction” with the “way things are” and with consumers attempt to predict future preferences and demands. *Risk-taking* stems from understanding that resources are finite and involves the capacity of a firm to handle difficulties (Wiklund & Shepherd, 2003). *Opportunity focus* derives from a firm’s capacity to pursue opportunity with finite resources (Morris et al., 2002, Morris et al. 2013). Opportunities are market

imperfections: perceptual aspirations consumers have that remain unfulfilled. Given these limited resources, an entrepreneurial firm will rely on their proactiveness and innovativeness to exploit resources they control to create unique competencies (Miles & Darroch, 2006). When firms have insufficient resources to pursue market opportunities, they will likely exchange knowledge and discuss strategies with other firms to succeed. In this way, they can lower risk and increase intellectual assets (Miles & Darroch, 2006; Kraus et al., 2012). *Value creation* is a key component of entrepreneurship (Stevenson et al., 1989) and implies adding value to the customer experience (Morris et al., 2002).

Extant research on entrepreneurial marketing in the wine industry is limited. However, Ray Chaudhury et al. (2014), conducted an exploratory study on New Mexico winemakers as entrepreneurial marketers. They found preliminary support for several EM dimensions such as pursuing opportunities, proactiveness and innovation, value creation via customer participation, and collaboration through the sharing of resources. Other scholars have explored entrepreneurial orientation in the Australian wine industry (Griffin & Coulthard, 2005), cooperative relationships as a requirement for industry growth in North Carolina (Taplin & Breckenridge 2008), various entrepreneurial models utilized by wineries in Tuscany (Mattiacci *et al.*, 2006; Charters & Menival, 2008; Taplin & Breckenridge, 2008), and the impact of entrepreneurial behavior on return on investment in a cross-cultural context (Gilinsky *et al.*, 2010). However, as no validated scale on the Entrepreneurial marketing dimensions has existed until recently (Fiore et al. 2013), we extend previous research on entrepreneurial marketing by conducting an empirical study on the EM characteristics of North Carolina winemakers.

## **The North Carolina Wine Industry**

While wineries have been in North Carolina not long after Sir Walter Raleigh landed in the 17<sup>th</sup> century (North Carolina's Wine History, 2014), the state has been the recipient of tremendous growth in the last 20 years. Between 1995 and 2006 the number of wineries in North Carolina went from 9 to 57 (Taplin & Breckenridge, 2008) and is currently 10<sup>th</sup> in the country in wine production. Commercial vineyards, those that do not sell directly to the public, increased from 68 in 1991 to over 350 by 2007. Currently there are about 142 wineries in North Carolina that focus on native muscadine wines and the more common table wine grapes such as the European vinifera grapes (Peacock & Haley, 2015) and have an annual economic impact of \$1.76 billion annually and support nearly 7,600 jobs. There are over 400 individually owned grape vineyards in North Carolina and cover over 1,800 acres, with 40 wineries clustered near each other in Yadkin Valley, comprising some 400 acres. This area is home to many boutique wineries which participate in the Yadkin Valley Wine tours, which run from January to October and visit different wineries during their celebration (Yadkin Valley Tours, 2016). Far from competition, the wineries coalesce

to create unique venues for tourists, including “trails” through North Carolina to visit multiple wineries in a given day.

Wineries that work together in such a fashion accept risk in banding together. Consumers visiting multiple wineries in a short period of time can encourage comparison between wineries, and thus allow consumers to mentally “rank” them from superior to inferior. Willfully participating in wine tours encourage consumers to forgo their total purchase dollar on a single winery and these wineries accept only a portion of the overall consumer expenditure. However, in accepting the risk in this proactive behavior, wineries create value by providing variety in the consumer experience. Collective action in rural development practices such as this have been found to enable local entrepreneurs improve economic performance and create opportunities for growth (Brunori & Rossi, 2000). Therefore, in accepting risk, wineries embrace the willingness to proactively engage potential competitors in a collaborative fashion thereby increasing the value of the overall customer experience. This increase in value in the customer experience is expected to improve customer satisfaction, which in the long term yields an increase in future purchasing behavior and company performance (Anderson, Fornell, & Lehmann, 1994). Given the preceding discussion, we propose that entrepreneurial marketing practices by wineries will be positively related winery performance.

## Research Method

Surveys were made available via Qualtrics to the 142 members on the list of North Carolina wineries identified by the North Carolina Department of Agriculture and Consumer Services in the summer of 2015. Data collection proceeded through November resulting in 33 usable surveys (23% response rate).

*Survey Instrument.* The survey included 2 sections, entrepreneurial marketing questions and general questions about the winery such as demographics and performance. The degree to which a winery employed entrepreneurial marketing strategies was assessed using a modified version of the scale developed by Fiore et al. (2013). The 20 scale statements identified the key dimensions of entrepreneurial marketing, including proactive orientation, opportunity driven, customer intensity, innovation focused, risk management, and value creation. The degree to which a winery practiced entrepreneurial marketing was assessed using a 7 point Likert scale anchored by (1) “Does not reflect my winery at all” and (7) “Fully reflects my winery.” Although not attempted was made to replicate the factor analysis conducted by Fiore et al. (2013) to validate the scale (due to the small sample size), scale reliabilities were acceptable (proactive orientation  $\alpha = .892$ , opportunity driven  $\alpha = .881$ , customer intensity  $\alpha = .804$ , innovation focused  $\alpha = .811$ , risk management  $\alpha = .615$ , value creation  $\alpha = .825$ ).

Winery performance was measured by 2 single item questions, one 7-point question asked wineries who satisfied with their winery’s performance anchored by (1) “Very unsatisfied” and (7) “Very satisfied.” The second performance measure

asked wineries to compare their 2013 sales with their 2014 sales and indicate the percentage change on a 7-point scale ranging from (1) “Down over 10%” to (7) “Up Over 10%.”

The demographic questions asked wineries about how long the winery had been operating, their annual sales volume (cases), and number of full- and part-time employees.

*Sample Statistics.* The sample statistics included the number of years the winery had been in operation ( $M = 13.77$ ), the winery’s estimated annual sales volume ( $M = 7,581$ ), and number of full- and part-time employees ( $M = 15$  and  $M = 11.58$  respectively) (see Figures 1a – 1d for frequencies).

## **Results**

The proposition advanced herein was that there would be a positive relationship between wineries that practice entrepreneurial marketing and winery performance. To test this proposition several simple linear regression analyses were conducted. The dependent variables included satisfaction with winery performance and percentage change in winery sales from 2013 to 2014. The independent variables in the 6 regression equations were proactive orientation, opportunity driven, customer intensity, innovation focused, risk management and value creation.

### **Satisfaction with winery performance.**

Six regression equations assessed the relationship between each of the entrepreneurial marketing dimensions and satisfaction with winery performance. Of the six, two were found to be statistically significant. Customer intensity, the degree to which wineries try to establish long term relationships was positively related to winery satisfaction with winery performance ( $F = 6.935$ ,  $p = .012$ ). Wineries that tried to establish long-term relationships with their customers were more satisfied with their winery’s performance (see Table 1).

In addition, innovation, the degree to which the winery seeks new ideas from within and outside the business, was also positively related to satisfaction with winery performance ( $F = 3.510$ ,  $p = .069$ ). Wineries that sought new ideas from within and outside the business were more satisfied with their winery’s performance (see Table 2).

### **Percentage change in sales.**

Six regression equations modeled the relationship between each of the entrepreneurial marketing dimensions and year on year sales percentage changes. Again, two of the six entrepreneurial marketing dimensions were found to be

statistically significant. Innovation, the degree to which the winery seeks new ideas from within and outside of the business was positively related to percentage sales change ( $F = 5.012$ ,  $p = .031$ ). Wineries that seek out new ideas from within and outside the business saw a positive percentage sales change (see Table 3).

In addition, value creation, the degree to which the winery discovers and delivers value for their customers was positively related to percentage sales change ( $F = 3.545$ ,  $p = .068$ ). Wineries that discover and deliver value for their customers saw a positive percentage sales change (see Table 4).

## **Discussion and Conclusion**

This research builds upon the qualitative work of Ray Chaudhury et al. (2014) by confirming via quantitative research the entrepreneurial characteristics of wine merchants, including their acceptance of innovation (idea seeking), and their commitment to long term customer relationships (customer intensity). These two dimensions were found to be positively related to the winery's satisfaction with performance. In addition, more innovative winery's (those open to new ideas) were associated with a positive percentage sales change. Finally, wineries that were more value creation oriented were also found to be positively rewarded by consumers resulting in a positive change in sales.

For the first time in the post-World War II period, the United States has lived through a decade in which there hasn't been a year of growth of 3% or more (Gosselin, 2015). Given this circumstance, wineries should reassess their traditional position on competition, growth, and strategy. As stated, in economic downturns, wineries that turn to entrepreneurial practices to succeed during difficult times increase their chances for success, or perhaps survival. Our research into the wine industry confirms these concepts and provides new insight in succeeding in difficult times.

Future research should explore other variables consistent with the entrepreneurial characteristics of wineries including concepts such as "competitive cooperation" when it adds to overall value for the customer. While collaboration in some industries may seem highly improbable, in the wine industry the possibility for successful cooperation and even collaboration seems reasonable (i.e., winery clusters).

**Table 1.**  
**The Relationship between Customer Intensity and Satisfaction With Winery Performance**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402 <sup>a</sup>	.162	.138	1.410

a. Predictors: (Constant), custintense

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	13.790	1	13.790	6.935	.012 <sup>b</sup>
	Residual	71.579	36	1.988		
	Total	85.368	37			

a. Dependent Variable: 28. Please tell us whether you are satisfied with your winery's performance:

b. Predictors: (Constant), custintense

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.110	1.023		2.062	.046
	custintense	.166	.063	.402	2.634	.012

a. Dependent Variable: 28. Please tell us whether you are satisfied with your winery's performance:

**Table 2.**  
**The Relationship between Winery Innovation and Satisfaction With Winery Performance**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.298 <sup>a</sup>	.089	.064	1.470

a. Predictors: (Constant), innovation

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.584	1	7.584	3.510	.069 <sup>b</sup>
	Residual	77.784	36	2.161		
	Total	85.368	37			

a. Dependent Variable: 28. Please tell us whether you are satisfied with your winery's performance:

b. Predictors: (Constant), innovation

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.502	1.216		2.057	.047
	innovation	.135	.072	.298	1.874	.069

a. Dependent Variable: 28. Please tell us whether you are satisfied with your winery's performance:

**Table 3.**  
**The Relationship between Winery Innovation and Year on Year Sales**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.350 <sup>a</sup>	.122	.098	1.065

a. Predictors: (Constant), innovation

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.689	1	5.689	5.012	.031 <sup>b</sup>
	Residual	40.864	36	1.135		
	Total	46.553	37			

a. Dependent Variable: 34. Compared to your winery's 2013 sales, what happened to 2014 sales?

b. Predictors: (Constant), innovation

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.407	.882		3.864	.000
	innovation	.117	.052	.350	2.239	.031

a. Dependent Variable: 34. Compared to your winery's 2013 sales, what happened to 2014 sales?

**Table 4.**  
**The Relationship between Winery Value Creation and Year on Year Sales**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.299 <sup>a</sup>	.090	.064	1.085

a. Predictors: (Constant), valuecreate

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.173	1	4.173	3.545	.068 <sup>b</sup>
	Residual	42.380	36	1.177		
	Total	46.553	37			

a. Dependent Variable: 34. Compared to your winery's 2013 sales, what happened to 2014 sales?

b. Predictors: (Constant), valuecreate

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.577	.954		3.749	.001
	valuecreate	.076	.040	.299	1.883	.068

a. Dependent Variable: 34. Compared to your winery's 2013 sales, what happened to 2014 sales?

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**Keywords:** *entrepreneurial marketing, value creation, proactiveness, innovation, wine industry, company performance*

**Relevance to Marketing Educators, Researchers and Practitioners:** This paper is useful for winemakers and wineries in that they can consider using entrepreneurial marketing strategies in their operations. In addition, researchers can further study the EM concept with additional empirical research.

**Author Information:**

G. David Shows (DBA Louisiana Tech University) is Assistant Professor of Marketing in the Walker College of Business at Appalachian State University. His research interests include Entrepreneurial Marketing, Restorative Atmospherics, and Personal Selling.

Pia A. Albinsson (PhD New Mexico State University) is Associate Professor of Marketing in the Walker College of Business at Appalachian State University. She is the Secretary of Society of Marketing Advances and serves on the editorial review board of *Journal of Consumer Marketing*.

James Stoddard (PhD Virginia Polytechnic Institute and State University) is Professor of Marketing in the Walker College of Business at Appalachian State University. His research interests include Organizational Buying Behavior, Psychometric Assessment of Measurement Scales, and Sales Force Automation.

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