

Niche firms in Bordeaux and their sustainable competitive advantages

Abstract

Purpose – to identify marketing-related resources and capabilities of firms operating in a niche market and assess them by applying the VRIO-framework to identify potential sustainable competitive advantages (SCAs), in accordance with the resource-based theory.

Methodology – the population is the group of Bordeaux *Grand Crus* wine producers combined. This research follows a two-stage process. First, 60 respondents answer a structured questionnaire and provide information about the firms' marketing-related resources and capabilities. Then, the highest ranked resources and capabilities are assessed through VRIO-based structured personal interviews of industry experts to identify potential SCAs of the niche firms combined.

Findings – this research identifies three potential SCAs for the Bordeaux *Grand Crus* firms collectively; the quality of the terroir, the brand image and the 1855 classification.

Implications – theoretically, this research presents a process to identify SCAs and to conduct a complete VRIO-analysis. Also, this research applies a combined group of firms as level of analysis. Managerially, this research lists a number of potential resources and capabilities, presents a practical process of performing an actual VRIO analysis, and suggests SCAs for a given group of case firms, providing specific examples for managers to consider in respect to their own firms' situations.

Key words – Wine marketing; Market Strategy

Classification – research paper

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INTRODUCTION

The concept of niche marketing has been widely used among practitioners and scholars over the last decades. However, niche marketing has not benefited from a specific theory of its own, nor from accepted and clear definitions or operationalizations (e.g. Dalgic and Leeuw, 1994). Not even the definition of market niche is properly accepted, although niche is often interpreted as being something small and specialized or differentiated. Definitions are scarce, but tend to be small variations of the definition of niche market offered by Dalgic and Leeuw (1994, p.40): “small market consisting of an individual customer or a small group of customers with similar characteristics or needs”. In a recent review of niche marketing, Toften and Hammervoll (2013), identify the most essential elements of niche marketing, which are narrow size, specialization, differentiation and effective competitive barriers in place between niche and referral market.

The reported benefits of applying niche marketing are often higher growth rates, prices or profitability, stronger loyalty and better competitiveness (e.g. Byrom and Lehman, 2009; Dalgic and Leeuw, 1994; Linneman and Stanton, 1991; Parrish, 2010). Given these benefits from pursuing niche marketing, it is of great interest to study the reasons behind the success of niche firms. What are the bases of these niche firms' success? In order to study this more in depth it is necessary to apply theories from other literature streams than the inadequate niche marketing literature, such as the resource-based theory (RBT) (Barney and Hesterly, 2015; Barney *et al.*, 2011; Wernerfeldt, 1984). The resource-based theory provides an important framework for explaining the basis for competitive advantage and performance for firms in general, and provides theoretical and empirical insights into relative effects

of multiple market-based resources on performance across many marketing contexts (Kozlenkova *et al.*, 2014).

The purpose of this research is thus to identify marketing-related resources and capabilities of firms operating in a niche market and assess them by applying the VRIO-framework to identify potential sustainable competitive advantages (SCAs), in accordance with the RBT (Barney and Hesterly, 2015). The identified sustainable competitive advantages will enrich both the RBT-literature, by providing practical examples and applications of the VRIO-framework, which has been called for (Kozlenkova *et al.*, 2014), as well as the niche literature, by providing examples and understanding of how niche firms use SCAs to excel in their marketplace.

The Bordeaux *Grand Crus* wine market was chosen as marketplace. The *Grand Crus* part of the market consists of only a small fraction of the total wine produced in Bordeaux, and the price and perceived product quality are much higher than for the remaining parts of the total market. This situation has remained consistently for a number of years. Thus, initially, this *Grand Cru* market resembles much of the characteristics and expectations of a niche market (Toften and Hammervoll, 2013), and is thus of interest for further in-depth studies. An earlier study has also suggested this as a potential niche market (Toften *et al.*, 2016).

This paper provides a brief presentation of the literature of the resource-based theory, followed by the methodology of this research. Then, a presentation and a discussion of the results are offered, followed by the conclusion, implications, limitations and suggestions for further research.

1. THE RESOURCE-BASED THEORY IN MARKETING

Resource-based theory (Barney *et al.*, 2011) (formerly known as the Resource-Based View) has emerged as a major theory within strategy since the 1980s (Barney, 1986; 1991; Lippman and Rummelt, 1982; Wernerfeldt, 1984), and shows more than a 500 percent increase in marketing research publications the last decade (Kozlenkova *et al.*, 2014). This theory emphasizes the importance of internal firm resources and capabilities for firm performance. There are two main fundamental assumptions (Barney and Hesterly 2015). First, firms possess different bundles of resources and this resource heterogeneity implies that some firms are more skilled in accomplishing certain activities. Second, these differences in resources may persist due to difficulty of trading resources across firms, which allows the benefits from heterogeneous resources to persist over time. A particular advantage of the Resource-based theory is the possibility to integrate multiple and diverse resources into one single framework in order to evaluate the relative and synergistic effects of different resources on performance (Kozlenkova *et al.*, 2014).

Resources are defined as the “tangible and intangible assets that a firm controls that it can use to conceive and implement its strategies” (Barney and Hesterly, 2015, p. 64), including resources such as factories, products and reputation.

Capabilities are defined as the “tangible and intangible assets that enable a firm to take full advantage of the other resources it controls” (Barney and Hesterly, 2015, p. 64), such as marketing skills, teamwork and cooperation among its managers or know-how.

However, although possessing or using internal resources and capabilities can be sufficient to gain temporary competitive

advantages and thereby improved performance, they are insufficient to provide long-term competitive advantages unless they fulfill the VRIO-criteria (Barney, 1991). The VRIO-criteria are: Value, Rarity, non-imitability and Organizational exploitability. If these criteria are fulfilled, the resources or capabilities are termed *sustainable competitive advantages* (Kozlenkova *et al.*, 2014). Firm resources are *valuable* if they enable a firm to develop and implement strategies that have the effect of lowering a firm’s net costs and/or increase a firm’s net revenues. A resource is regarded as *rare* if it is controlled by a small number of competing firms. A resource is *imperfectly imitable* if it is substantially costly to obtain or develop for competing firms. Finally, a firm must be *organized* adequately to be able to exploit the full competitive potential of the resource or capability.

The Resource-based theory has become popular also within the domain of marketing, particularly from the early 2000s (Kozlenkova *et al.*, 2014). With an emphasis on *market-based* resources this recent research has concentrated on resources such as market brands, relational resources, innovation and knowledge, as well as tangible resources such as equipment. In turn, these marketing resources and subsequent sustainable competitive advantages, are related to superior firm performance (Kozlenkova *et al.*, 2014). It has also been stated that internal resources have greater effects on performance than industry factors, explaining up to twice as much variation in firm performance (Evanschitzky, 2007; Kozlenkova *et al.*, 2014).

2. METHODOLOGY

Introduction

The purpose of this research is to examine marketing-related resources and capabilities of firms operating in a niche market and to apply the VRIO-framework

to identify potential sustainable competitive advantages (SCAs), in accordance with the RBT (Barney and Hesterly, 2013). Accordingly, the methodology for this research follows a two-stage process. First, a data collection provides information about the firms' marketing-related resources and capabilities. Then, in the second stage, the highest ranked resources and capabilities are assessed by a group of experts to identify potential SCAs.

The population of interest and level of analysis will be the group of Bordeaux *Grand Crus* wine producers combined, based on their membership in the *Union des Grand Crus*. These are about 140 producers – often termed *Châteaux* – located in five *terroirs* (Saint-Emilion, Medoc, Graves/Pessac-Léognan, and Sauternes). The category of *Bordeaux Grand Crus* results from the official classification system used in 1855 (*Les Grands Crus classés en 1855*), where brokers from the wine industry ranked the wines according to their reputation and trading price, which was used as an indication of quality. The best wines were ranked in importance from first to fifth growth (*crus*), and this classification system has, with only minor adjustments, been kept since then.

Data acquisition 1

The first data acquisition was conducted in terms of a quantitative approach. 60 respondents within the Bordeaux wine business were successfully approached, and individual interviews based on the final questionnaire were conducted. The total population is small, and it is difficult to access the actors in this business. Therefore, a student organization based in Bordeaux, was used to collect data. Being based in the region and having students specializing in the wine industry, they are well positioned to obtain information from producers and middlemen (such as

courtiers, négociants and châteaux) in the industry. The interviews were conducted in French, based on a translation of the questionnaire from English and back-translated into English. The interviews each lasted about 20 minutes.

The key informants represent 24 *Grand Crus* producers, four *courtiers*, four *négociants* and ten others in the Bordeaux wine industry, and have the following positions as indicated in Table 1:

Table 1 Key Informants; Positions

Position	Number
Commercial	13
Caviste	8
Producteur	8
Responsable	8
Assistant	7
Directeur	6
Marketing, export, gerant, production, propriétaire, courtier or asie	10

Initially, existing scales were used, based on Morgan *et al.* (2009) and Vorhies and Morgan (2005), anchored by -3 “much worse than competitors” to +3 “much better than competitors”. However, a pretest of the questionnaire and follow-up interviews on the actual target respondent group revealed that some items were irrelevant for this current study, and that other important items were lacking. This resulted in the deletion of the entire section of “Selling capabilities”, four of the five items from “Marketing Planning capabilities”, one item from “Marketing information Management capabilities” and one from “Marketing Implementation capabilities”. 11 original items in total were excluded following this pretest. However, 12 new items were included based on the pretest and follow-up interview. These new items concern the product-related capabilities (5), the distribution-related capabilities (1) and the communications-related capabilities (5). See appendix 1 for further details of the items.

Data acquisition 2

The second data collection consisted of personal interviews with six key informants following a structured questionnaire. This number falls within the range of the four to twelve cases recommended by Eisenhardt (1989) for this type of research in order to ensure sufficient data. The key informants were all marketing or economics scholars with a throughout knowledge of the Bordeaux wine industry, and thus well positioned to comment on the relevant issues for the group of *Grand Crus* producers combined. The face-to-face interviews were conducted at the location of each key informant, and lasted 10 to 20 minutes.

The questionnaire largely followed the VRIO-logic and structure as proposed by Babakhan *et al.* (2012), and consisted of the top ten items, as ranked by their means from the data acquisition number 1 (i.e. means ranging from 1,68 to 2,53). However, based on the findings from a pretest of the questionnaire by marketing scholars and industry experts of the Bordeaux wine industry, their nine-point scale was replaced with a seven-point scale, ranging from 1 (very weak) to 7 (very strong). Each of the ten marketing resources and capabilities was assessed in terms of their four components; Value, Rare, Costly to imitate and Organized properly. See appendix 2 for more details.

3. RESULTS AND DISCUSSION

Data acquisition 1

In this section the findings from data acquisition 1 are presented, and the descriptive statistics are provided in Table 2.

Table 2. Descriptive statistics

	Descriptive Statistics								
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Quality of terroir	60	-3	3	1,92	1,124	-1,682	,309	4,902	,608
Quality of vineyards	60	0	3	1,73	,821	-,224	,309	-,379	,608
Ability to grow and nurture wines in the field	60	00	3	1,53	,982	-,041	,309	-,969	,608
Quality of wine making (cellar-work)	60	0	3	1,77	,871	-,157	,309	-,689	,608
Quality of facilities for winemaking	60	0	3	1,90	,838	-,165	,309	-,823	,608
Quality of wine	60	-1	3	1,88	,904	-,904	,309	,985	,608
Ability to develop new products or service	60	-2	3	,57	1,064	-,005	,309	-,518	,608
Ability to successfully launching new products	60	-3	3	,23	1,267	,163	,309	,169	,608
Responsive to customer needs	60	-3	3	,40	1,304	-,366	,309	,277	,608
Developing new products or services to exploit R&D	60	-2	3	,67	1,244	-,204	,309	-,289	,608
Strength of relationships with distributors	60	0	3	1,17	,905	,226	,309	-,823	,608
Attracting and retaining the best distributors	60	-2	3	1,32	1,200	-,341	,309	-,356	,608
Adding value to our distributors' businesses	60	-3	3	,93	1,376	-,522	,309	,317	,608
Providing high level of service support to our distributors	60	-3	3	,22	1,552	-,066	,309	-,416	,608
Access to selective type of distribution channel	60	-3	3	,97	1,193	-,678	,309	1,094	,608
Brand/chateau image	59	0	3	2,39	,788	-1,044	,311	,179	,613
Brand image management skills and processes	60	-2	3	1,68	1,097	-,926	,309	1,112	,608
Public relations skills	60	-3	3	1,55	1,048	-2,008	,309	6,691	,608
Managing corporate image and reputation	60	-2	3	1,85	1,071	-1,062	,309	1,854	,608
Developing and executing advertising programs	60	-3	3	,92	1,331	-,734	,309	,685	,608
Advertising management and creative skills	60	-2	3	,13	1,127	,317	,309	,263	,608
Strong relationship with the press	60	-3	3	1,20	1,400	-,868	,309	,804	,608

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Strong relationship with wine critics	60	-2	3	1,57	1,170	-1,185	,309	1,445	,608
The appellation system	60	0	3	2,20	,819	-,773	,309	-,002	,608
Included in the classement de 1855	60	0	3	2,53	,724	-1,505	,309	1,749	,608
Pricing skills and systems	58	-3	3	-,67	1,526	,401	,314	,104	,618
Knowledge of competitors' pricing tactics	60	-2	3	,15	1,176	,345	,309	-,526	,608
Doing an effective job of pricing products	60	-3	3	-,22	1,223	,201	,309	-,033	,608
Monitoring competitors' prices and price changes	60	-2	3	,17	1,330	,176	,309	-,777	,608
Gathering information about customers and competitors	60	-3	2	,07	1,219	-,305	,309	-,222	,608
Using marketing research skills to develop effective marketing	60	-3	3	,00	1,450	-,138	,309	-,899	,608
Tracking customer wants and needs	60	-3	3	,33	1,258	-,243	,309	-,266	,608
Making use of marketing research information	60	-2	2	,35	,936	-,510	,309	,501	,608
Marketing planning skills	60	-1	3	,87	1,016	-,125	,309	-,986	,608
Allocating marketing resources effectively	60	-1	3	,62	,846	-,032	,309	,321	,608
Organizing to deliver marketing programs effectively	60	-2	3	,43	1,047	-,046	,309	-,443	,608
Translating marketing strategies into action	60	-3	3	,37	1,164	-,699	,309	1,080	,608
Valid N (listwise)	53								

Of particular interest is that the top ten item means all come from either the product or communication categories. Neither Distribution, Price, Marketing information, Planning or Marketing implementation displays item means sufficiently high to enter the top ten, which is surprising given their importance in other studies of marketing capabilities (Morgan *et al.*, 2009 and Vorhies and Morgan, 2005). It is further difficult to say whether this is common for niche firms as such or whether this is specific to this chosen market place. However, earlier niche studies have presented findings indicating that selected niche firms are primarily product- and customer-oriented, and thus less occupied with other marketing areas (Toften and Hammervoll, 2011), which are compatible with these current findings.

Data acquisition 2

All the average scores for the top ten item means, at the VRIO-component-level, are presented in Table 3. For the purpose of this research and due to lack of previous research to lean on, the average scores ranging from 1.0 to 3.9 are considered none-SCAs, since they are below the mid point value of the seven-point scale. The scores ranging from 4.0 to 4.9 are indecisive, and we chose not to include these scores in the further analysis. The items with scores ranging from 5.0 to 7.0 are regarded as potential SCAs, provided that all four components of the VRIO-framework for the same item are within this category. The resulting scores suggest that there are three potential SCAs; the quality of terroir, the brand image and the 1855 classification. These three resources are the only resources that have all their four VRIO-components above the average score of 5.0, as presented in Table 3.

Table 3

RESOURCES		AVG. SCORE	SCA
QUALITY OF TERROIR	Value	5,5	*
	Rare	6,0	
	Costly to imitate	6,2	
QUALITY OF VINEYARD	Organized	5,3	
	Value	5,3	
	Rare	5,0	
QUALITY OF WINE	Costly to imitate	5,2	
	Organized	4,8	
	Value	5,3	
QUALITY OF FACILITIES	Rare	5,2	
	Costly to imitate	4,8	
	Organized	5,0	
QUALITY OF WINE-MAKING	Value	5,0	
	Rare	4,7	
	Costly to imitate	4,5	
BRAND IMAGE	Organized	4,8	
	Value	5,2	*
	Rare	6,2	
BRAND MGMT SKILLS	Costly to imitate	6,2	
	Organized	5,3	
	Value	4,5	
CORP IMAGE MGMS SKILLS	Rare	4,0	
	Costly to imitate	4,2	
	Organized	4,0	
APPELATION SYST.	Value	4,5	
	Rare	4,2	
	Costly to imitate	3,8	
1855 CLASSIFICATION	Organized	3,7	
	Value	4,8	
	Rare	4,7	
1855 CLASSIFICATION	Costly to imitate	5,2	
	Organized	4,2	
	Value	6,3	*
1855 CLASSIFICATION	Rare	6,5	
	Costly to imitate	6,7	
	Organized	5,5	

1.0-3,9 = Not SCA
 4.0-4,9 = Indecisive
 5.0-7.0 = SCA

Of the three SCAs that stand out, it is likely that only one of them - the terroir – is based on the “geological and geographical reality”. This criterion has full legitimacy since, by definition, it differentiates production: indeed, each terroir is “unique”. However, the explanation of the notoriety of the *Grands Crus* of Bordeaux lies in the other two SCAs:

brand image and membership in the 1855 Classification. Unlike the first criterion (the terroir) those others are the result of “representations” or “opinions” that actors or experts have expressed. One conclusion that can be drawn at this stage is that even if all the terroirs in the world are unique, their differentiation is based on the ability of local actors to create, develop and protect this difference. This would be in accordance with core elements of niche marketing theory; narrow, specialized, differentiation and barriers (Toften and Hammervoll, 2013), as well as the essence of RBT (Barney and Hesterly, 2015). In the case of Bordeaux, one might think that this is as much a matter of time (it is more than a century since 1855!) than the land itself. A matter of history, as well as geography. A matter of representation as well as intrinsic parameters. The existence of different bundles of resources or competencies among firms as bases for SCAs is supported in RBT (Hesterly and Barney, 2015; Kozlenkova *et al.*, 2014). In this research we suggest that this also can be the case for groups of firms (niche vs mainstream) as well.

CONCLUSION

The purpose of this research is to examine marketing-related resources and capabilities of firms operating in a niche market and to apply the VRIO-framework to identify potential sustainable competitive advantages (SCAs), in accordance with the RBT (Barney and Hesterly, 2015).

A set of resources for these firms operating in this niche market were identified by using existing scales, which were modified after a pretest. The top ten ranking resources and capabilities, in terms of their means, were then tested by the VRIO-framework to identify potential sustainable competitive advantages (SCAs). This process resulted in three potential SCAs for this group of

niche firms; the quality of the terroir, the brand image and the 1855 classification. In order to fully understand these three SCAs, as they are identified in this research, we suggest that they should be considered both individually as well as together as a bundle. These insights can be used to explain and predict these firms' competitive advantages and performance.

Theoretically, these findings contribute in several respects. First, this study demonstrates a possible process to identify SCAs, and by conducting a complete VRIO-analysis. As pinpointed by Kozlenkova *et al.* (2014) researchers rarely perform an actual VRIO-analysis, and when they do, researchers tend to limit the analysis to only one or two of the VRIO-components, and in particular tend to neglect the O (organization). An increased reliance on the VRIO framework has previously been called for in future marketing research (Kozlenkova *et al.*, 2014). This current research has presented a two-step process for identifying and ranking marketing-related resources and capabilities and for conducting an actual VRIO-analysis on the most relevant parts of the same data. Also, the often neglected “O” in the VRIO-framework is included in this assessment. Second, the SCA literature has mostly been focusing on the firm level of analysis (Barney *et al.*, 2011), but also the exchange level of analysis has been suggested to be a suitable level of analysis within the resource-based theory (Kozlenkova *et al.* (2014). This current research has applied a combined group of firms as level of analysis, which is a third and an unusual level of analysis within the RBT. As indicated in the theory-section there are two underlying assumptions for the RBT; resource heterogeneity and resource immobility. These assumptions also hold when applied to certain groups of firms or market niches. As demonstrated in this research some of the key resources are

rather similar within the group, but quite dissimilar when compared to firms outside the group, although they are operating in the same industry. In this respect the resource heterogeneity is fulfilled. The second assumption, resource immobility, requires that the actual resource is not easily transferable across firms, or between groups for this research. This assumption is also regarded as fulfilled, as both the legal framework, the product quality, marketing communication and distribution all support this notion of resource immobility.

Managerially, this research lists a number of potential resources and capabilities, providing specific examples for managers to consider in respect to their own firms' situations. Second, this research demonstrates a practical process of performing an actual VRIO analysis, which is scarce in the literature as well as for practical purposes. Third, this research provides suggestions for SCAs for a given group of case firms, which are or should be core elements for these firms' strategy, and to be used as examples and inspiration for others.

We have further shown that the reality of a niche market is based both on the intrinsic qualities of a production, but also the ability to create, develop and protect this uniqueness. The economic performance of a product is often based on three layers (e.g. Kotler and Armstrong, 2010): the first one, the core customer value, is made of three elements: the components of the product (what is inside of my product?), its features (what needs does it meet?) and its performance (how does the product comply compared to others?). Having a clear vision of these three elements is crucial, especially when adopting a niche strategy. Secondly, marketing takes over. This is essential, but "it is just" a relay. Finally, the third phase involves all the services around the product. This is the "consumer experience", which is particularly important today. Wine tourism

and e-business in the wine sector are two pertinent illustrations of this approach.

Finally, it is important to note that the *Grands Crus* of Bordeaux have developed their reputation from a time - the nineteenth century - where little competition existed. Even today, when wine is produced "everywhere" in the world, this awareness is still very high. It joined the debate between strategy and business models approaches. The first approach makes extensive reference to the environment of the firm, while the second one is more based on internal resources.

There are, however, some limitations of this study. First, this study presents results from interviews of a limited number of respondents, in a limited geographic area and in a single industry. This limited data means that generalising the findings to a larger population is difficult, even though there still are lessons here to be learnt for prospective niche firms. Second, it is acknowledged that weaknesses are associated with cross-sectional research such as that presented here; a longitudinal study could have produced more reliable data. Third, although the grouping of firms to either *Grand Crus* or *non-Grand Crus* is valid, it is important to keep in mind that the quality differences between fifth *Cru* and the best *non-Grand Cru* products may be smaller than within the five *Crus* of *Grand Crus*.

There is also a complicating factor within this market. Most of the *châteaux* belonging to the category of *Grands Crus* also offer in their portfolio a "second wine". Their labels do not mention the word *château*, but these wines have many similarities with the "Premier vin": they often come from the same soil or terroir, same winemaker, same technical facilities used, same distribution channels via *La Place de Bordeaux*. Of course, even if prices differ, many components of their identities thus

seem very similar. The differences come from the plots used, winemaking or aging techniques. These second wines benefit from the reputation of the *Grand Cru*, and it is possible that they also have the four characteristics of a niche market: narrow, market specialization, differentiation and barriers to entry. In this sense, at least for some, this proximity between “*Grands Crus*” and “Second Wines” has the potential to blur the distinction between niche market” and mainstream market in regard to the *Grands Crus*.

For the future, additional or duplicative research on SCAs in different settings will further enhance our understanding and improve the validity of SCAs. Further, market-based resources and capabilities may have complementary effects, i.e. the benefits of one resource is leveraged by another resource (e.g. Morgan *et al.*, 2009), which implicates that several resources and capabilities may have to be viewed and assessed as a combined “bundle” instead of individual assessments (Hesterly and Barney, 2015). More research on this issue is warranted. Finally, more work in regard to the marketing capabilities, actual VRIO-testing and use of different level of analysis are encouraged to strengthen the validity of using RBT.

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Appendix 1 Questionnaire for data acquisition 1 (based on Morgan *et al.*, 2009 and Vorhies and Morgan, 2005)

Your situation **compared to non-Bordeaux GC firms or competitors:**

Please rate your business unit relative to your major competitors in terms of its marketing capabilities in the following areas.

Seven-point scale running from -3 ("much worse than competitors") to +3 ("much better than competitors")

Product-related:

- Quality of terroir (new)
- Quality of vineyards (new)
- Ability to grow and nurture vines in the field (new)
- Quality of wine making (cellar-work) (new)
- Quality of facilities for winemaking (new)
- Quality of wine (as a ready-to-be-sold product) (new)
- Ability to develop new products or services
- Ability to successfully launching new types of products
- Responsive to customer needs
- Developing new products or services to exploit Research and Development investments

Distribution-related:

- Strength of relationships with distributors
- Attracting and retaining the best distributors
- Adding value to our distributors' businesses
- Providing high level of service support to our distributors
- Access to selective type of distribution channel (new)

Communications-related:

- Brand/chateau image (new)

- Brand image management skills and processes
- Public relations skills
- Managing corporate image and reputation
- Developing and executing advertising programs
- Advertising management and creative skills
- Strong relationship with the press (new)
- Strong relationships with wine critics (new)
- The appellation system (new)
- Included in the *Classement de 1855*, including later revisions (new)

Price:

- Using pricing skills and systems to respond quickly to market changes
- Knowledge of competitors' pricing tactics
- Doing an effective job of pricing products
- Monitoring competitors' prices and price changes

Selling:

- Giving salespeople the training they need to be effective (del)
- Sales management planning and control systems (del)
- Selling skills of salespeople (del)
- Sales management skills (del)
- Providing effective sales support to the sales force (del)

Marketing information management:

- Gathering information about customers and competitors
- Using market research skills to develop effective marketing programs
- Tracking customer wants and needs
- Making full use of marketing research information
- Analyzing our market information (del)

Marketing planning:

- Marketing planning skills

- Ability to effectively segment and target market (del)
- Marketing management skills and processes (del)
- Developing creative marketing strategies (del)
- Thoroughness of marketing planning processes (del)

Marketing implementation:

- Allocating marketing resources effectively
- Organizing to deliver marketing programs effectively
- Translating marketing strategies into action
- Executing marketing strategies effectively (del)

Appendix 2 Questionnaire for data acquisition 2 (inspired by Babakhan *et al.*, 2012)

Please assess each resource or strength according to their potential Value, Rarity, how costly it is to imitate, and how capable the Bordeaux GC firms are to exploit these resources or skills – based on your perceptions. Please see explanations on next page.

Explanations of the VRIO-components

The focus is on the Bordeaux wine firms, and in particular the Bordeaux GC firms as one group. Please assess each resource or skill to the best of your ability and based on your own perceptions, according to these four criteria:

Value:

Does this resource or skill have the effect of lowering the Bordeaux CG firms' net costs and/or increase a firm's net revenues beyond what would have been the case without this resource or skill?

Rare:

Is this resource or skill controlled by a relatively small number of competing firms? (consider here the entire marketplace in terms of production – the Bordeaux region.)

Imperfectly imitable:

Is this resource or skill substantially costly to obtain or develop for any potential new

entrant?

Organization:

Do you think that the Bordeaux CG firms, in general, have the ability of exploiting or using this resource or skill to their own advantage?

In other words, do they have sufficient organizational support, such as employee commitment and skills, resources, and internal firm routines, to take advantage of this resource/skill?

Resource/skill	Description	Levels	#	
1	Quality of terroir	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
2	Quality of vineyard	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
3	Quality of wine	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
4	Quality of facilities for winemaking	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
5	Quality of wine-making (cellar work)	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
6	Brand image	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
7	Brand image management skills	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
8	Corporate image management skills	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
9	The appellation system	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	
10	Included in the 1855 Classement	Value	1 (very weak) - 7 (very strong)	
		Rare	1 (very weak) - 7 (very strong)	
		Costly to imitate	1 (very weak) - 7 (very strong)	
		Organized properly	1 (very weak) - 7 (very strong)	

