

How digital platforms affect the internationalisation of wine firms in China

Digital
platforms
affecting wine
firms

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Abstract

Purpose – The Chinese market represents an increasingly popular destination for wine firms and recent opportunities derive from the growth of e-commerce. The aim of this paper is to understand the impact of digital platforms on wine firms' internationalisation in China by adopting the service ecosystems approach.

Design/methodology/approach – The authors carried out a case study of Italian premium wine firms from the Valpolicella area by collecting 27 semi-structured interviews with key informants that operate at the micro-, meso- and macro-levels of the internationalisation ecosystem. Italian wine firms were selected as the focus of the analysis, given the recent sales growth of their products in the Chinese market.

Findings – Results show that digital platforms hold a key role in the wine firms' internationalisation in China, intervening with resource integration mechanisms, alignment to the cultural context and mediating firms' digital presence in the market. The platformisation dynamics also reveal the existence of enablers and constraints in the firm internationalisation through digital platforms.

Research limitations/implications – The authors aim to contribute to the marketing literature by analysing how digital platforms influence the wine firms' internationalisation in China through an original perspective, i.e. the service ecosystems lens.

Originality/value – The study adopts the service ecosystems approach to understand the internationalisation of wine firms in the Chinese market through digital platforms.

Keywords China, Digital platforms, Internationalisation, Service ecosystems, Wine

Paper type Research paper

1. Introduction

Over the past few decades, China has become a major international market for wine products. With a 1.6bn euro import value, China is now the world's fifth largest import market for wine (Statista, 2021). Moreover, the growing popularity of digital platforms has created new opportunities for international wine firms (Del Vecchio *et al.*, 2018). Although this trend had started before coronavirus disease 2019 (COVID-19), pandemic-related restrictions further boosted online sales, increasing the adoption of e-commerce for purchasing food products (Gao *et al.*, 2020) and the pervasiveness of food delivery apps (Nguyen *et al.*, 2023). Despite Chinese consumers' growing interest in wine, China remains a major challenge for wine producers. First,



its complex market environmental factors and cultural differences pose difficulties to conducting business (Jiménez-Asenjo and Filipescu, 2019; Shao *et al.*, 2020; Walters and Samiee, 2003). Second, wine consumption is relatively new in China as local consumers are not used to drinking grape wine (Hu and Baldin, 2018; Li *et al.*, 2011). Since most Chinese consumers still lack wine knowledge, they rely on product attributes such as country of origin to make purchasing decisions (Balestrini and Gamble, 2006; Masset *et al.*, 2016).

Scholars have highlighted that technological advances can lead to a consumption convergence across countries, resulting in increasing similarities in consumer spending, as consumers display higher motivation to behave in line with a global consumer culture (GCC) (Alden *et al.*, 1999; Ozturk *et al.*, 2021). In China's case, digital platforms hold a primary role both in communicating product information and acting as a main purchasing channel (Hu, 2020). Indeed, according to a recent survey, large, comprehensive e-commerce platforms are Chinese consumers' preferred channels for purchasing imported wine, followed by hypermarkets and liquor brand stores (Statista, 2021).

Along with market opportunities, the increasing digitalisation process following the worldwide spread of COVID-19 amplifies the complexities of the socio-cultural context through which value creation occurs in international markets (Kaartemo *et al.*, 2017). Akaka *et al.* (2013) proposed the service ecosystems perspective to better understand the international marketing process. In the firm internationalisation, value co-creation extends beyond the firm-consumer interaction to a broader and much more complex context in which heterogeneous actors at the micro-, meso- and macro-levels contribute to creating (or destroying) value for the entire ecosystem (Vargo and Lusch, 2016). Moreover, through service platforms, value is co-created by all the participants of the ecosystem and this has an impact on the network as a whole (Tiwana, 2015). Therefore, due to the high level of complexity and dynamism (Kaufmann and Jentzsch, 2006) and an advanced digitalisation (Hardaker and Zhang, 2021) of the Chinese market, the service ecosystems approach is appropriate to explain firm internationalisation in such a context.

We aim to contribute to the marketing literature by analysing how digital platforms influence the wine firms' internationalisation in China through an original perspective, i.e. the service ecosystems lens. The remainder of the paper is structured as follows. In the next section, we review recent research about the internationalisation of wine products in China and the dynamic nature of service ecosystems. In the methodology section, we describe the research setting, data collection and data analysis. We then present research findings, followed by a discussion. We conclude with a note on limitations and suggestions for future research.

2. Literature review

2.1 Internationalisation of wine products in China

China imports wine mainly from France, which holds 41.93% of the total market, followed by Chile and Italy, which account for 19.42 and 10.26%, respectively (Statista, 2021). Italy became China's third wine supplier after the local government imposed high tariffs on Australian wines from 2021 [1].

In wine purchase decisions, several studies have demonstrated the influence of the country-of-origin effect (COO) amongst Chinese consumers (Balestrini and Gamble, 2006; Liu and Song, 2021). Grape wine is a relatively new alcoholic drink in China, where people traditionally drink rice wine (Camillo, 2012; Hu and Baldin, 2018). Therefore, the population's limited knowledge about wine is an obstacle to the entry of foreign wines (Franco and Martins, 2020). Chinese consumers usually rely on product cues such as COO to choose wines perceived to be of the highest quality (Balestrini and Gamble, 2006), or as conveying greater prestige if bought as a gift (Yu *et al.*, 2009). Recently, China's improved economy and developed e-commerce have entailed changes in wine preferences that indicate consumer maturation (Dal Vecchio *et al.*, 2018). This, in turn, has created new opportunities for international wine firms.

The wine industry is mainly composed of small and medium enterprises (SMEs). Therefore, internationalisation is often synonymous with export orientation (Olmos and Diez-Vial, 2015). Bretherton and Carswell (2001) highlighted that, in approaching the Chinese market, wine firms should consider barrier tariffs and cultural differences. In particular, a network of mutually beneficial interpersonal relationships (*guanxi*) is crucial to doing business in China, which has implications for internationalisation (Gao *et al.*, 2018; Lovett *et al.*, 1999; Zhuo *et al.*, 2007). Differences in culture and business practices are features of psychic distance, which comprises factors that make it difficult to understand foreign environments (Johanson and Vahlne, 2009; Kusi *et al.*, 2021).

Due to the importance of *guanxi*, local intermediaries act as gatekeepers to foreign firms' internationalisation in China (Guercini and Runfola, 2010). Beverland (2009) analysed the business relationships of Australian and New Zealand wineries in China, identifying advantages and boundary conditions. The latter might arise when firms have limited resources to invest in pull strategies or when the product category is new to the market, as wine is in China, so that firms experience discontinuous orders and lack of end-consumer knowledge.

More recently, Jiménez-Asenjo and Filipescu (2019) found that most Spanish wine exporters adopt a standardised strategy in China, using the same product range and labels as the domestic market. However, firms rely on their importers or distributors for communication, promotion and training activities due to limited resources and the fact that intermediaries have better knowledge of the Chinese market.

Traditional distributors maintain their relevance through export activities, as sole use of company websites does not lead to sales (Francioni *et al.*, 2017). However, recent studies have suggested that wine firms could reduce their dependence on intermediaries by implementing multichannel distribution, i.e. using both offline and online channels to reach customers (Calderón *et al.*, 2020; Neslin and Shankar, 2009). Moreover, retailing has recently experienced a shift from a multichannel to an omnichannel approach, which stresses the integration of the different tools activated (Jocovski *et al.*, 2019; Verhoef *et al.*, 2015). Omnichannel strategies are advantageous to wine consumers, who can use online channels to find information and interact with brands at various stages of the purchasing process (Calderón *et al.*, 2020).

Previous studies have argued that the Internet is a channel that enhances exports and internationalisation (Sinkovics and Sinkovics, 2013; Watson *et al.*, 2018) and a tool for competitive advantage, generating international sales from a home-market base (Samiee, 2020). However, companies operating online might face problems related to service quality, logistics and customer satisfaction (Bilgihan, 2016; Huang *et al.*, 2019). Therefore, local market presence is crucial for tangible and time-sensitive goods such as food items (Samiee, 2020).

Thomas-Francois *et al.* (2023) demonstrated that cultural acceptance of the digital technology used in food shopping, which is widespread in China, strongly contributes to adoption. Recent data have highlighted the growing use of e-commerce to purchase wine amongst Chinese consumers (Statista, 2021). Moreover, since wine is not a locally embedded product category, it is better suited to the online channel than locally embedded product categories like tea (Van Ewijk *et al.*, 2020). However, in developing their digital presence in this market, firms should understand the market's specific digital scenario and patterns. One main characteristic of the Chinese Internet is that it is dominated by local players, in particular third-party marketplaces such as Alibaba and JD.com (Bei and Gielens, 2020). In this context, according to the service ecosystems approach, digital platforms could generate value within firms' internationalisation processes.

Digitalisation has led to an increased blurring of boundaries and the emergence of new actors, roles and relationships (Hagberg *et al.*, 2016). The disruptive relationships between actors that shape the global business scenario come from processes of innovation,

digitalisation and learning that are typical of the service ecosystems for co-creation. Indeed, scholars have highlighted the importance of digitalisation during the co-creation process (Lenka *et al.*, 2017), also in the retail context (Rubio *et al.*, 2021).

2.2 The dynamics within service ecosystems

Physical and virtual interactions are fundamental to co-creating value in light of the “benefit realised from integration of resources through activities and interactions with collaborators in the customer network” (McColl-Kennedy *et al.*, 2012, p. 1). Resources such as digital technologies do not have value on their own but gain it when used and combined in different ways by social and economic actors who, therefore, play an active role in creating such value in service ecosystems (Vargo and Lusch, 2016). Digital resources and platforms impact how actors interface with each other through “many-to-many” informational touchpoints (Vargo and Lusch, 2016; Payne *et al.*, 2018). Moreover, digital platforms allow actors to co-create value and share information through the ecosystem (Chandler and Vargo, 2011).

The understanding of the interactions’ dynamics amongst actors within the ecosystem is crucial to explain the complexity of digitalisation in service ecosystems. The ecosystem concept allows a broader view of complex systems and their dynamics (Chandler *et al.*, 2019), as in the case of the internationalisation of wine products.

Three interdependent levels of the system intervene in the internationalisation process (Alexander *et al.*, 2018): micro (individuals and organisations), meso (networks and collectives) and macro (social, national and global). Value is co-created at each level, and all levels dynamically influence one another (Lusch and Vargo, 2014). At the micro-level, composed of individual actors, dyadic interactions prevail, whilst at the meso-level, intra-organisational actors impact the system through multiple interactions. The macro-level is characterised by shared norms and rules that enable and constrain the behaviour of meso- and micro-level actors (Lusch and Vargo, 2014). In service ecosystems, both service provision and value co-creation result from the integration of resources amongst multiple actors at the different levels, which in turn requires communication and coordination to ensure the viability and evolution of the very service ecosystems (Maglio and Spohrer, 2013).

Within the service ecosystem, consumers and resource providers form a value co-creation network that shapes the overall marketplace (Eberhard and Craig, 2013; Fu *et al.*, 2017). Whilst the meso-level plays a key role in this process, it has been under-investigated in the literature (Frow *et al.*, 2019).

3. Methodology

The main research questions this paper addresses are:

- RQ1. Who are the main actors shaping the internationalisation of wine products in China?
- RQ2. How do digital platforms affect the ecosystem of wine firms’ internationalisation in China?

To answer these questions, we conducted a case study of Italian wineries selling Valpolicella wine in China based on 27 semi-structured interviews.

As our objective was exploratory, we used a qualitative methodology (Yin, 2009). Like Francioni *et al.* (2017), who analysed firms producing Bianchetto del Metauro wine in Italy’s Marche region, we selected a single geographical area (the Veneto region) to avoid the influence of location-related factors and only one premium wine typology (Valpolicella) to avoid the influence of reputation-related factors. Valpolicella is a fine wine produced in a geographical area within the Veneto region, which ranks as the largest exporter of Italian

wines. With 11 million hectolitres both for red and white wines, Veneto is also the Italian region that produces the most wine (ISTAT, 2021).

The service ecosystems perspective has been used to manage the complexity of exchange and to understand the drivers of different social and economic systems (Vargo and Lush, 2008). Considering international markets, the focus of the analysis in literature has evolved over time. Indeed, it has moved from the early development phase (with focus on differences between distant cultures) to the recent development phase (with focus on the dynamic nature of the interactions in a global system of exchange), characterised by complex relationships and networks (Cavusgil *et al.*, 2005). Due to the dynamic nature of these new phenomena, the understanding through traditional theories of international marketing can lead to limitations (Ryans *et al.*, 2003). On the contrary, the use of a service ecosystems lens permits to better understand complex phenomena, such as the ones that occur during exchanges in international markets, and the dynamics between actors, leading to a more robust theoretical basis (Akaka *et al.*, 2013). Thus, the service ecosystems approach has been used to “represents a first and necessary step toward the building of a true positive theory of exchange” (Vargo, 2007, p. 59).

Building on Akaka *et al.*'s (2013) service ecosystems framework for international marketing, we interviewed actors at the micro-, meso- and macro-levels of the ecosystem in which wineries operate.

At the micro-level, we analysed 13 wineries producing Valpolicella in Veneto. Key informants were export managers for China, export managers for Asia–Pacific, or firm owners. In general, we interviewed the person who could best describe the firm’s implementation of international activities. At the meso-level, we interviewed intermediaries in the internationalisation process in China: two large Chinese companies that own digital platforms, winery associations, including the official winery consortium for Valpolicella promotion and other facilitators in building the presence of Italian wineries in foreign markets (i.e. a trade exhibition company, consultancy agencies). At the macro-level, we interviewed a trade commissioner of the Italian Trade Agency – an institutional office that supports firms’ internationalisation – and two representatives of the Italian Chamber of Commerce in China.

We collected data through video and phone calls between November 2020 and April 2022, with an average duration of one hour per interview. Upon the respondents’ consent, we recorded and transcribed all interviews. Table 1 presents the descriptive data of the key

No. of interviews	ORGANISATION	ROLE
13	Valpolicella wineries	<ul style="list-style-type: none"> • Export Managers and Owners
1	Italian Trade Agency	<ul style="list-style-type: none"> • Trade Commissioner
2	Italian Chamber of Commerce in China	<ul style="list-style-type: none"> • Office Manager • Food and Beverage Representative
1	E-commerce company	<ul style="list-style-type: none"> • Business Development and Marketing Manager
1	Internet-based platform company	<ul style="list-style-type: none"> • Head of Partnership and Channel
1	Trade exhibition company	<ul style="list-style-type: none"> • Digital Specialist
2	Wine consortium	<ul style="list-style-type: none"> • PR and Communication Manager • International Relations Manager
2	Start-up	<ul style="list-style-type: none"> • Founder • Operations Manager
1	Importer	<ul style="list-style-type: none"> • Chinese Importer of International Wines
1	Intermediary	<ul style="list-style-type: none"> • Export Manager of Italian Wines in China
1	Consultancy firm	<ul style="list-style-type: none"> • Business Owner
1	Wine association	<ul style="list-style-type: none"> • Representative for Veneto Region
TOTAL 27		

Source(s): Table by authors

Table 1.
List of key informants

informants interviewed in the research, which have been anonymised to maintain privacy. In addition to the interviews, one researcher conducted a participant observation by attending online webinars and a physical national wine trade fair concerning the Italian wine industry and internationalisation to China. Participant observation is considered an appropriate method for collecting data, providing context and identifying commonalities across cases (Stavros and Westberg, 2009).

Primary data from the interviews and participant observation were triangulated with secondary data (e.g. sector reports, news articles, available public data etc.) and company data provided by some key informants.

As in previous international marketing studies (Kaufmann and Jentzsch, 2006; Moen *et al.*, 2003), we built theory from our case study research (Eisenhardt and Graebner, 2007; Miles and Huberman, 1994) in an iterative process moving between data and the emerging theories (Locke, 2001).

The analytical process was based on an abductive approach that continuously compares data and theory. We modified the theoretical framework over the course of the analysis, taking into consideration findings from the interviews, participant observation and secondary data (Gioia *et al.*, 2012). We coded the data in two stages. In the first stage, we built our case description by analysing interviews and secondary data to understand the internationalisation system of Valpolicella wineries in China. To identify first-order concepts, researchers initially conducted open, axial and selective coding separately (Strauss and Corbin, 1998) and later compared the analysis through a discussion as a group. In the second stage, by iterating between emerging themes and the relevant theories from the literature, first-order codes, second-order themes and aggregate dimensions emerged. This process resulted in the identification of a data structure (Figure 1) that underlined the connection between the data and the final aggregate dimensions (Gioia *et al.*, 2012).

4. Research findings

Findings suggest that the relationships between different actors in the wine internationalisation ecosystem have changed since the appearance of COVID-19. Indeed, new dynamics have shaped the importance of intermediaries and institutional actors in the creation of strategies to enter the Chinese market. Old and new actors at the three levels of the service ecosystem are actively involved in the internationalisation process of Italian wine firms. Findings highlight that the main actors shaping the wine firms' internationalisation in China are macro-level actors, digital platforms, traditional and new intermediaries, wineries associations and consumers.

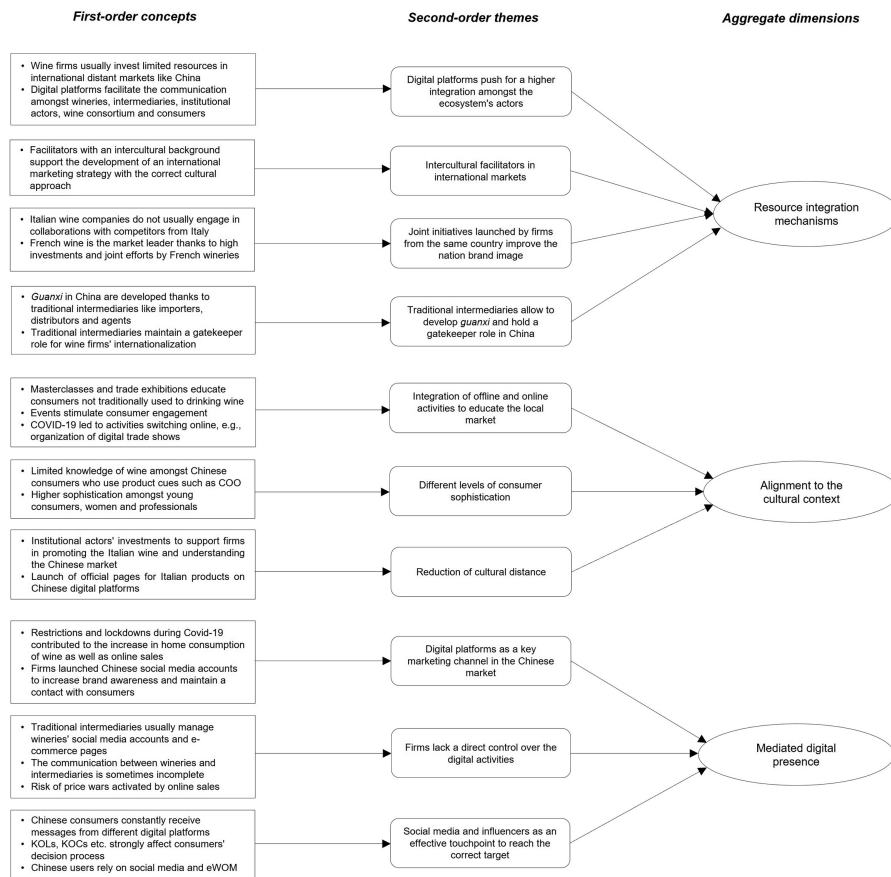
Macro-level actors are represented by governmental offices and chambers of commerce, which play a primary role in providing firms with support and training activities. Furthermore, these actors have launched institutional activities to educate Chinese consumers about wine products.

Regarding Chinese digital platforms, they differ significantly from Western ones and are Chinese consumers' primary channels for searching, communicating and purchasing.

Intermediaries include traditional actors (e.g. distributors and importers), which continue to be the main actors allowing access to the Chinese market, but also new intermediaries that support firms in understanding the market and developing their international communication.

Then a supporting role is played by winery associations and representatives that promote the wineries belonging to their networks.

Finally, consumers actively shape wine firms' internationalisation. On the one hand, the higher consumer sophistication in wine products push firms to differentiate their strategies. On the other hand, consumers with a strong wine expertise can act as influencers driving online sales.



Source(s): Figure by authors

Figure 1. Data structure

Following the growth of e-commerce, digital platforms have strongly impacted traditional relationships amongst actors and retail in China. This has led to platformisation dynamics, where value is co-created and new forms of communication amongst actors are activated. Another factor that has affected the relationship amongst actors is the Chinese regulatory environment, which presents specific restrictions. For instance, to export products to the Chinese market, firms must perform duties and observe strict bureaucratic rules, such as mandatory registration of the brand name at the General Administration of Customs of China (GACC). Digital platforms, social media and other digital actors have acquired a key role in the ecosystem, impacting the way wineries and traditional intermediaries interact in the market. Data analysis has allowed us to identify three aggregate dimensions related to wine firms' internationalisation in China through digital platforms: (1). Resource integration mechanisms; (2). Alignment to the cultural context; and (3). Mediated digital presence.

4.1 Resource integration mechanisms

The internationalisation of wine firms is enhanced thanks to the interactions of all the ecosystem's actors – at the macro- and meso-levels, but also with competitors from the micro-

level. Data analysis showed that traditional intermediaries play a central role in the internationalisation of Italian wine firms in the Chinese market. Key informants highlighted that first, Italian wineries entered the market by developing offline retail channels through distributors and importers. Later, digital platforms (e.g. opening a WeChat account or creating pages on Alibaba marketplaces) have strengthened firms' digital presence, but only if the platforms are adapted to local characteristics (e.g. culture, language, graphical layout). Wineries and intermediaries have increased investments in digital platforms, however traditional advertising is still relevant. Brand awareness and the product's recognisability are the basis for the success of online sales.

The main players [in the internationalisation of wine] are importers, distributors, export managers, brand ambassadors of the main brands, specialised sommeliers and interested parties who simply by word of mouth involve important players who allow this process of spreading the culture of wine.

(Trade Commissioner, Italian Trade Agency)

Indeed, traditional intermediaries interact closely with digital platforms and act in the interests of the winery. However, findings suggest that products sold online can suffer from potential price wars and loss of brand value. Therefore, the role of wine importers and agents also involves checking online prices, promotions and special sales. If discounts are too high, they can harm the brand's image and positioning.

On the other hand, wineries can build a more direct contact with consumers through digital platforms; indeed, during the COVID-19 pandemic, wineries have strengthened their online presence. Social media allows firms to communicate both with intermediaries and consumers and sometimes with importers or agents who manage official social media accounts. Investment in digital marketing is crucial for wineries to build brand equity in the Chinese market. It is insufficient for wine firms to sell products only through e-commerce platforms; rather, it is necessary to develop brand image through a digital strategy that also includes Chinese social media.

Meso-level actors such as the wine consortium contribute to co-creating value in the relationships that involve different micro- and macro-level actors in the Chinese market. For instance, the interviewed consortium developed a WeChat profile to communicate both with traditional intermediaries and Chinese consumers by sharing content about the Valpolicella area and Italian wine in general.

As local marketing activities are usually managed through intermediaries such as wine importers, the intermediation can lead to the lack of value-sharing between wineries and consumers, a limited control over consumer behaviours and difficulties in understanding local habits. Moreover, most importers work with several wineries, so they dedicate a limited amount of time to the marketing and communication strategies of each company. For these reasons, some wineries started to collaborate with communication agencies or start-ups specialised in the Chinese market. These facilitators employ human resources with multicultural backgrounds, i.e. they have deep knowledge of both Italy and China as markets and cultures. Such interactions between wineries and facilitators have reduced cultural distance. The companies that activated these collaborations reported positive results, such as the development of more focussed digital strategies, whilst their importers can focus on sales. New actors are becoming increasingly relevant to Italian wineries in approaching and developing business in the Chinese market, as they give the wineries visibility on both physical and digital channels.

Competitors are another group of actors involved in the internationalisation process. In foreign markets, the collaboration amongst companies from the same country can improve the nation brand image. However, by contrast with other countries such as France, Italian wine companies entered the Chinese market without common strategic policies and without sharing investments. The consequence of this approach is reflected in a fragmentation of the market for Italian wines and low awareness of Italian premium wine brands.

Findings suggest that after COVID-19, digital channels allowed companies to reach the Chinese market by communicating directly with consumers through e-commerce and social commerce platforms. However, despite the growth of online sales, traditional intermediaries have not been completely replaced by digital channels. On the contrary, new meso-level actors, including digital intermediaries – which interact both with wineries and traditional micro-level actors – and institutional macro-level actors are actively involved in the internationalisation of Italian wine firms. The process of value creation has changed following the integration of actors at the ecosystem's three different levels.

4.2 Alignment to the cultural context

Chinese consumers' limited knowledge about wine is linked to cultural distance, as Chinese people are not used to drinking wine in their daily lives. Hence, wine products represent something new and unexplored. Findings confirm that inexperienced consumers rely on product cues such as price and COO. However, key informants also suggested that the level of consumer sophistication toward wine has increased over the past few years, especially amongst young consumers and professionals. Moreover, new segments are emerging amongst Chinese women and millennials.

According to our data analysis, sampled wine firms invest in experiential physical activities integrated with digital activities in the local markets. Specifically, wine trade fairs and masterclasses are the most important tools to educate consumers not only about wine products but also about Italian food and beverage (F&B) and Italian culture in general. The spread of Italian wine culture is managed by several actors at different levels. As the division of tasks is not always clearly defined, only the integration of resources from different levels can impact the visibility of the wineries in the ecosystem. Indeed, experiential activities are the basis for developing a strong presence in the Chinese market.

We organised a masterclass and tasting classes to share knowledge of Italian wine. It is difficult to talk only about Valpolicella, as the Chinese consumer wants to know more about the Italian wine in general.

(Export Manager, Winery 1)

Data analysis has revealed that wine education should be supported by both online and offline tools, which would lead to positive results in terms of awareness and knowledge of Italian wines. One of the micro-level interviewees underlined that the activities organised offline also increased brand awareness and sales online. Actors integrate the use of physical and online channels at different levels of the ecosystem.

Wineries meet challenges in directly managing the Chinese market, so meso- and macro-level actors play a fundamental role in reducing cultural distance for Chinese consumers. For instance, institutional actors support Italian wineries with investments and activities aimed at sharing Italian culture and wine traditions. Interview data indicate that the national trade agency and meso-level actors (i.e. the trade exhibition company and wine consortium) have developed training and educational campaigns in China over recent years.

The consortium acts as a representative of the wineries from a specific geographical area, supporting the associated wineries by sharing knowledge about their tradition and terroir.

Digital platforms, together with institutional and local actors, have developed educational activities to spread knowledge about Italian wine and culture. They also organise online trade shows that replicate the experience of physical ones and can thus reach a wider audience.

Usually, foreign firms face obstacles in understanding the Chinese market and identifying the right digital strategy due to their physical and cultural distance from the market. To overcome these obstacles, wineries strongly trust their local importers and delegate the development of marketing and sales strategies to them.

We trust our importer; without him, it would be impossible for us to sell our wines and to compete in the Chinese market . . . The problem is not only the different language and culture but also the geographical distance.

(Export Manager, Winery 12)

4.3 Mediated digital presence

Due to the COVID-19 pandemic, wine consumers were not allowed to buy products from physical channels or consume them in restaurants or bars during lockdowns. This has favoured home consumption and the growth of online retail for purchasing wine. To adapt, many wineries have switched to digital platforms, which are the Chinese market's most important communication tool and sales channel. Online retailing is now Chinese consumers' first choice of channel for buying wine (Statista, 2021). From our data analysis, the sample wineries' investments related to the implementation of digital strategies have increased since the beginning of the pandemic, whilst physical tools like trade exhibitions have been interrupted or moved online.

Key informants highlighted that Chinese digital platforms are an important part of the wine ecosystem; firms can obtain positive results by integrating these channels in developing retail and advertising strategies. Indeed, the wineries' social media presence is important for developing their brand image and, consequently, increasing sales. Wineries' digital strategies involve the use of digital platforms to communicate the value and uniqueness of their premium products. However, these activities are planned in cooperation with their wine importers or agents.

Our importer sells our wines also through digital platforms, but we don't have direct contact with these platforms and, consequently, with consumers.

(Export Manager Asia, Winery 5)

Digital platforms can help companies identify target consumers and enter into direct contact with communities of wine lovers and professionals. The Chinese market is diverse and extensive in terms of geographical areas; consumers have different needs and habits, so it is difficult for Italian firms to develop the right strategies to compete in this market. The mediation of digital platforms and meso- and macro-levels' wine importers and actors is crucial for wineries to better understand the market and consumers in such a context.

Digital platforms are extremely powerful in the Chinese market, allowing companies to reach consumers at any time throughout the day. Compared to other international markets, e-commerce is more pervasive, especially amongst young consumers. Fast and cheap delivery was amongst its main reported advantages. Moreover, findings suggest that digital platforms in China help firms to better manage consumers, suppliers and stakeholders, creating a competitive advantage in terms of process efficiency.

To reach the right target, partnerships with Key Opinion Leaders (KOLs), Key Opinion Consumers (KOCs) and social media influencers, in general, are growing in popularity. Chinese consumers are attracted by these individuals' lifestyles and suggestions, especially in the premium segments of industries such as fashion and makeup. Wineries have also started investing in collaborations with these actors to communicate directly with a sophisticated audience and boost sales.

Nevertheless, since Chinese consumers are very diverse and constantly receive online messages, it is difficult to create brand awareness and recognisability in the marketplace. Italian wine firms have difficulty developing a strong image in the Chinese market; therefore, they might not succeed in communicating the uniqueness of the product or justifying its high price. Linked to these difficulties, companies could face the risk of the price wars that big e-commerce platforms may activate online. Moreover, due to China's strict regulation of imports through, for

instance, mandatory registration of the brand name at the GACC, wineries need local actors or agencies to manage their relationships with authorities.

The distance between wineries and local intermediaries has been widened by the COVID-19 pandemic due to lockdowns and travel restrictions. Consequently, digital platforms have acquired primary roles in managing local relationships and the issues associated with geographical distance.

5. Discussion

This case study of Valpolicella wineries suggests that digital platforms positively affect firms' internationalisation in China, including those selling products that do not traditionally belong to the destination market. Digital platforms act as the primary touchpoint for consumers' searching, purchasing and post-purchasing activities in China. Already prior to COVID-19, mobile commerce was the most used channel for online shopping (Hu, 2020). Chinese consumers rely on mobile apps, e-commerce platforms, or social media integrated with social commerce like WeChat to search for products and brands. Mobile commerce provides purchase efficiency and convenience of mobile payments (Huang *et al.*, 2019).

Not only do they act as communication and retail channels, but they also support consumer education by spreading wine-related knowledge and lifestyles in China. Therefore, digital channels are particularly interesting for international exporters. This research also corroborates the findings of recent studies about the maturation of the Chinese wine market (Yabin and Li, 2019). Chinese consumers, especially professionals and younger generations, have become more knowledgeable about wine. This education process has been facilitated and enhanced by online channels. Governmental activities are crucial to consumer education for firms with small dimensions and limited resources, such as in the case of Italian wineries, but also for those firms that operate in other food industries with a premium price (e.g. olive oil) or product industries that display high fragmentation (e.g. the footwear industry). The implications deriving from this study are relevant for all international firms, in particular belonging to countries with a large number of SMEs, for instance from Europe. Indeed, institutional actors at the meso-level support small firms by complementing their existing resources with specific investments for export support and promotion (Samiee, 2020), specifically towards those international markets characterised by a high level of complexity and cultural distance like China.

Digital platforms allow international brands to develop resource integration mechanisms in the market by sharing information and emotional experiences (Gao *et al.*, 2018; Sklyar *et al.*, 2019). As new actors have become active players, internationalisation should be considered at the ecosystem level (Jaakkola and Alexander, 2014; Vargo and Lusch, 2008). Therefore, digital platforms can facilitate firms' internationalisation process by creating a global marketplace (Kotha *et al.*, 2001).

Considering the platformisation dynamics' three pillars, enablers and constraints emerge within the service ecosystem of wineries' internationalisation in China (Figure 2).

Specific enablers are represented by enhanced managerial competences with regards to digitalisation and internationalisation. Another key enabler is the cultural context-based value co-creation (Akaka *et al.*, 2015), indeed value co-creation occurs with the mediation of practices, norms, meanings and resources activated in the new market.

Customer engagement through education is also an enabler that is particularly relevant for products that are perceived as innovative in the market (Gehlhar *et al.*, 2009).

In the internationalisation process, platform activation is central as digital platforms are effective and efficient channels for the internationalisation of SMEs (Kim and Cavusgil, 2020). However, firms should integrate online and offline retail channels under an omnichannel perspective (Gao and Huang, 2021; Verhoef *et al.*, 2015) and an alignment of aims amongst the ecosystem's actors should be achieved.

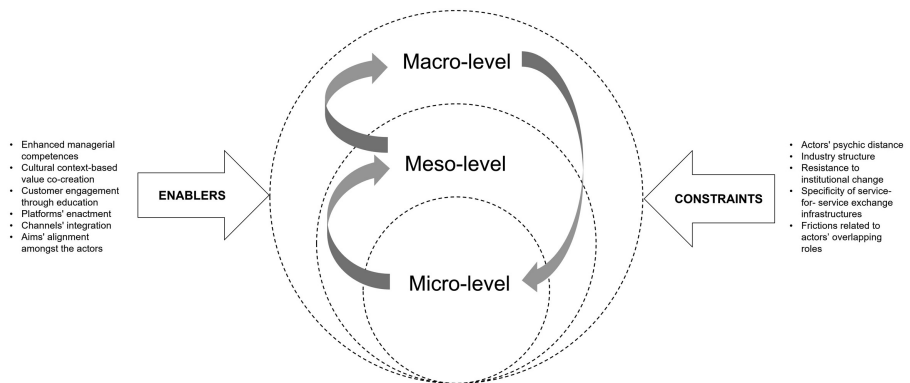


Figure 2.
Enablers and constraints in the firm internationalisation through digital platforms

Source(s): Figure by authors

On the other hand, platformisation dynamics addresses constraints such as the actors' psychic distance (Johanson and Vahlne, 2009; Kusi *et al.*, 2021), which is particularly high between China and Western countries. Additional constraints include industry structure as the Old World wine industry is mainly composed of SMEs (Olmos and Diez-Vial, 2015) offering products with similar characteristics, resistance to institutional change (Tuominen *et al.*, 2020), specificity of service-for-service exchange infrastructures (Previte and Robertson, 2019) and finally, frictions related to actors' overlapping roles, following the introduction of new resources thanks to digitalisation (Fremont *et al.*, 2018).

6. Conclusion

With this study, we attempted to contribute to the scant literature addressing international marketing and the Internet (Samiee, 2020) by investigating the use of digital platforms in the internationalisation of Italian wine firms in China. Digital transformation has altered the nature of intermediation (Gielens and Steenkamp, 2019), both locally and internationally. This case study of Valpolicella wineries extends the literature on firm internationalisation in China, a challenging international market due to its cultural and environmental characteristics (Shao *et al.*, 2020) but that also offers opportunities for expansion thanks to its leading digital scenario (Hu, 2020).

By adopting the service ecosystems lens (Akaka *et al.*, 2013; Vargo and Lusch, 2008), we identified platformisation dynamics within the internationalisation process of wine firms revealing both enablers and constraints. This article provides a framework that can be applied in further studies focussed on F&B products with similar characteristics to wine, i.e. products that do not traditionally belong to the destination market (e.g. olive oil) and have a premium price, or to other industries that display high fragmentation (e.g. the footwear industry) and high resistance to institutional change. Given the increasingly complex international scenario, the service ecosystems perspective is useful to understand exchanges in global markets and the dynamics between the different actors that operate in international retail and distribution. Moreover, the service ecosystems perspective helps to explain the structural flexibility and integrity of digital systems (Lusch and Nambisan, 2015). Although the service ecosystems lens provides a robust framework to strengthen the theoretical foundations of international marketing, it has been highlighted that more work is needed to advance the development of a positive, service-centred theory of markets (Vargo, 2007) that includes local, national and global contexts (Akaka *et al.*, 2013).

Another limitation of our study is related to theoretical generalisations (Eisenhardt, 2021) as we analysed only one product category, i.e. premium wine, from a single country's region. Therefore, future research should analyse the internationalisation of exporting firms with a different positioning and from other countries (e.g. France) to verify any differences in their internationalisation ecosystems and retailing approach.

Note

1. <https://news.unioneitalianavini.it/ranking-2021-fornitori-cina-litalia-e-al-3-posto/> (accessed 21 October 2022).

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