IDENTIFYING INNOVATION IN BUSINESS MODELS: A WINE INDUSTRY STUDY (INTERACTIVE PAPER)

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6-11-2011

Recommended Citation
Available at: https://digitalknowledge.babson.edu/fer/vol31/iss12/16

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Principal Topic

Innovative business models have been linked to superior firm performance in prior research. The current research examines business models in the wine industry to identify characteristics related to innovative models and external influences that can moderate innovation. We empirically examine innovative ways in which firms design the customer interface portion of their business model. This part of the business model is vital to persuade customers as to the value of the firm’s offerings. We suggest that a major factor wineries use to differentiate from one another relates to innovative business model designs of their customer interface. We hypothesize that innovation has a positive relationship with the extent to which customer information is collected/used and experimentation. There are also forces that work against innovation; inertia is included in this research as a moderator. Firms are pressured to conform to industry standards and this hinders innovation. Evolutionary theory provides the overall theoretical framework focusing on variation.

Methods

The current research examines the entire wine industry population of New York. A major advantage of a single population study is that it decreases (eliminates) sources of unobserved heterogeneity, common in entrepreneurship research. Detailed information was collected from 116 wineries (52% response rate) using on-site observations, surveys and combined with secondary data. K-means clustering was used to identify common business model designs and to measure innovation. Regression was then used to test the hypotheses.

Results and Implications

Results show distinct clusters for the winery’s business models. Innovation was evident. Regression results show a significant relationship between customer information collection/use, experimentation and innovation. The presence of inertia did not show a significant moderating effect on innovation.

These findings contribute to the literature in several ways. First, it highlights the importance of customer relationships and the willingness to experiment. This begins to unravel firm characteristics associated with promoting innovative business model design adding to our understanding of the concept. The results show that within this low tech industry firms can rely upon innovative business model designs as means of differentiation, which is important for wineries where product innovation is difficult. Finally, the research is grounded in established theory which we use to empirically test our hypotheses.

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