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## IS EMBEDDEDNESS A KEY FEATURE OF BUSINESS ECOSYSTEMS?

### THE CASE OF CRAFT BREWERIES IN ITALY

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#### Abstract

The aim of this study is to analyze how a local economic system can grow without a pre-existing sector-related tradition. The case analyzed is that of craft beer production in Italian region where the production of beer is not part of the local culture. A multiple case study analysis has been conducted in order to identify the development conditions and the competitive features of a local system in the Italian region Marche. The perspective adopted was that of business ecosystems, deepening how the lack of embeddedness in the local production fabric could still allow the development of relationships characterized by mutual trust between firms, common language and uncodified systems of rules, similarly to traditional local systems. The study was conducted by analyzing six cases, which made it possible to identify the characteristics of the relationships between companies and the role of the local social, economic and cultural context. Results highlight that in the sector analyzed the lack of a sector-related common culture hinders the development of cooperative relationships, thus eliminating that character of interdependence between the companies, which identifies both traditional industrial districts and business ecosystems.

**Keywords:** *Business Ecosystems, Craft Beer Industry, Embeddedness.*

## 1. INTRODUCTION

The local/regional specialization of production activities and the resulting geographic concentration of firms within the same industry, with similar or complementary skills and expertise, has been widely recognized and analyzed in literature (Scott and Storper, 2003). Several concepts have been proposed in order to interpret the dynamics within local economic systems, such as: clusters (Porter, 1998; Maskell, 2001; Andersson et al., 2004; Humphrey and Schmitz, 2002; Tallman et. al., 2004), industrial districts (Becattini, 1990; Markusen, 1996; Boix e Trullen, 2010; Belussi and Seida, 2012), innovative milieu (Camagni, 1991), local systems (Asheim and Coenen, 2005; Crouch et al., 2001), and local networks (Grandori and Soda, 1995).

More recently, the concept of business ecosystem (Iansiti and Levien, 2004; Pierce, 2009; Daidj, 2011; Peltoniemi, 2006; Peltoniemi and Vuori, 2004; Koenig, 2012; Adner, 2006; Gueguen and Torres, 2004; Caraganciu et al., 2016; 2018) has been introduced, which better highlights the adaptive and evolutionary nature of local systems facing the changes in the external environment and markets. According to this perspective, the dynamic character of the local system whose components interact, adapt and evolve has been highlighted (Eisenhardt and Galunic, 2000; van der Borgh et. al., 2012; Moore, 2006; Pierce, 2009).

One of the features of local systems and business ecosystems that have been identified by the literature is embeddedness (Boschma et. al. 2002) by which "economic and social cohesion are intertwined so that economic and social actions and structures blend together" (Zucchella, 2006, p. 22). Embeddedness determines the creation of a system of ties, where exchanges are based on a long-term experience. It entails commitment among firms, mutual trust and knowledge sharing (Zucchella, 2006). Geographical embeddedness favors innovation and competitive advantage (Belussi and Sedita, 2012), social embeddedness produces cumulative advantages coming from social cohesion, friendship, and conformity. Trust based-relationships regulate their functioning and favor innovation. Therefore, the cohesion effects are fundamental components in allowing the consolidation of existing ties (Giuliani, 2013).

Traditionally, embeddedness characterizes those local systems whose development was based on manufacturing or agricultural traditions, which gave rise over the years to industrial districts or even, in the agri-food sector, to localized agri-food systems. However, in this sector the development of local systems in the absence of a previous tradition and free from the agricultural production of the territory, has not so far been explored.

This study aims to verify the conditions of development of local systems in the agri-food sector without a previous production culture. This is the case of the production of craft beer that has been developed in Italy, a country where beer production does not fall within the national agri-food traditions, and where even one of the main components, hop, is not grown, except in a very small part (Musso and Francioni, 2015).

The perspective adopted is that of business ecosystems. The aim is to understand if the lack of embeddedness in the local production fabric affects the development of relationships characterized by mutual trust between firms, common language and uncodified systems of rules, similarly to traditional local systems (Esposti et al., 2017).

The study was conducted by analyzing 6 case studies, which made it possible to identify the characteristics of the relationships between companies and with the local social, economic and cultural context.

The remainder of this paper is organized as follows. The second section proposes a review of the literature on local systems. The third section briefly introduces the craft beer industry in Italy and in Marche region, the fourth section presents the conceptual model and the methodology adopted for the study. The fifth section analyzes the six cases, followed by the discussion in the sixth section. Finally, the main contributions, limitations and directions for future research are presented.

## **2. LITERATURE REVIEW**

### **2.1. Local Systems as Local Concentration of Companies within the Same Industry**

Since the 1990s, an increased interest of economic geographers, economists, sociologists, and policy makers has been focused on local production systems (Rocha, 2004). Among the main reasons for this interest is the impact of local systems on firms' performance, regional economic development, and country competitiveness.

Local production systems are complex entities within which social, economic, institutional and geographical factors are closely entwined (Lombardi, 2003).

The concept of specialization and geographic concentration of companies within a single industry has been analyzed by several theories as regards its determinants. Among them, the unbalanced distribution of resources at the geographical level has been highlighted (Fujita et al., 1999). Porter (1998) focused his attention on the growth paths of individual industries, which tend to be characterized by a disposition to clustering in a few places as opposed to be

scattered in many places. The ability to introduce new products and services can be enhanced by a close interaction with other firms in the same geographical area (Becattini, 1990).

Specialization is based on, and is fostered by, the producers' ability of manufacturing products with distinctive or unique characteristics. Such characteristics refer to: i) the possession of goods or materials that are not obtainable elsewhere; ii) innovation; iii) the ability to create products with distinctive features, on the basis of experience and know-how, and; iv) an unique image linked to a given geographical area (e.g. in the case of tourism or agri-food products) or a registered brand.

In the following sections, the main concepts and theoretical models related to local/regional specialization will be investigated.

## **2.2. Custers, Industrial Districts, Local Networks and the Role of Embeddedness**

Porter (1998) introduced the concept of cluster for defining local economic systems, and described them in terms of i) geographic concentration, ii) interconnection of firms and institutions, iii) presence of both competition and cooperation, and iv) specialization. Specialization in the value chains brings to interdependence among firms.

The relational dynamics within clusters have been considered in terms of inter-firm relationships and relationships with the local context, with focus on economic factors, among which are those which influence internal (to the local system) relationships and external ones, with supplying and selling markets (Brown et al., 2007).

Based on the type of relationships, Porter (1990) described two types of clusters: vertical and horizontal clusters. Vertical cluster are mainly characterized by buyer-seller relationships. Horizontal clusters include companies which have in common the same market (and channels) or same technology or labor force skills.

Another relevant concept that has been adopted for interpreting local systems is that of industrial districts. Unlike clusters, for which geographical concentration and specialization of firms coupled with productive complementarities appear as the more characterizing elements, in case of industrial districts two more elements are highlighted: a homogeneous system of values and a strong influence of the social dimension (Zucchella, 2006). Long-term and trust-based business relationships supported by personal ties and deep interpersonal knowledge create a strongly embedded local system. Within an industrial district, shared values and vision characterize the relationships and members: firms, individuals, local banks, and public institutions (Becattini, 1990; Sforzi, 1990). Cognitive distance among local members is small,

which encourages collective exploitation of local resources and knowledge bases (Nooteboom, 2004).

Industrial districts have a network shape, rather than a hierarchical one, making the system more flexible. Inside the network each firm has its specific task. To provide an output that fits to the customer's requirements a coordinator role is played by a firm that acts as interface between the market and the internal (to the industrial district) supply chain (Musso, 2013).

A key concept related to industrial districts is that of embeddedness (Boschma et al. 2002; Uzzi, 1997) by which "economic and social cohesion are intertwined so that economic and social actions and structures blend together" (Zucchella, 2006: 22). Moreover, "embeddedness is a logic of exchange that promotes economies of time, integrative agreements, Pareto improvements in allocative efficiency, and complex adaptation" (Uzzi, 1997).

### **2.3. Localized Agri-Food Systems**

The local concentrations based on territorial anchorage emphasize the focus on sectors like agri-food, cultural heritage, and tourism. With reference to agri-food, in many regions, farms, agri-food firms and institutions, form geographic concentrations of interconnected activities. The term Localized Agri-Food Systems emerged in the 1990s in order to better investigate the organizational and social structure of locally linked firms and institutions, and to explore their potential. Localized agri-food systems were then defined as "a concrete set of farms, agri-food enterprises, business or services organizations, restaurants and institutions linked to a specific geographic area" (Muchnik and de Sainte Marie, 2010, p. 1465).

Within the substantial body of literature that has emerged on localized agri-food systems, researchers have focused on three main questions (Fournier and Muchnik, 2012): i) the factors that contribute to competitive and innovative agri-food systems, with a particular focus on the role of local knowledge (Requier-Desjardin et al., 2003); ii) the specificities that make the field of agriculture, broadly conceived, distinct from other types of industries, in particular the ways in which farms and agri-food firms could be grounded in unique territories (Muchnik and de Sainte Marie, 2010); and iii) the development of the local system approach aimed at facilitating local communities to valorize their resources in order to produce territorially linked food.

Studies of localized agri-food systems have been influenced by previous work on industrial districts, clusters, and local productive systems, and they seek to understand whether similar (spatially delimited) specificities exist in the agricultural sphere (Requier-Desjardin et al., 2003). From the previous works on agricultural districts (Lopez and Muchnik, 1997) to the

most recent studies revealing the specificities of localized agri-food systems (Muchnik and de Sainte Marie, 2010; Fournier and Muchnik, 2012), scholars have suggested that networks between entrepreneurs are a key to understanding the dynamism of these local systems.

Many studies have explored how localized agri-food systems are different from other productive systems by their specific “territorial anchorage,” (Thompson and Scoones, 2009), that is, the ways in which farms and agri-food firms are necessarily grounded in delimited and organizationally unique territories (Pecqueur and Zimmermann, 2004). The links between the localized agri-food systems and the territories are multi-dimensional (i.e., ecological, economic, institutional, cultural, and relational), combining different processes of collective action (Muchnik and de Sainte Marie, 2010). Moreover, scholars have suggested that territorial anchorage has a relational dimension rooted in the ties between farms and firms managers and their local communities (Chiffoleau et al., 2007).

#### **2.4. The Business Ecosystem Perspective**

The concept of Business Ecosystem emerged in the 1990s as an extension of works based on ecological systems, being defined as "systems of interactions between people of different species in the same site, and between people and the physical environment“ (Hannan and Freeman, 1989). On the economic domain, the concept stems from the organizational ecology literature, which analyzes the financial condition of firms' agglomerations, which collectively form ecosystems (Carroll and Hannan, 2000). Doing so, the ecological metaphor has been transposed to the relations between firms. Moore (2006) and Hannan & Freeman (1989) applied this concept to the business environment and corporate behavior.

A business ecosystem can be defined as a system of complex interactions enabling co-evolution through reciprocal cycles of cooperation and competition to support the creation of capabilities for innovation (Moore, 2006).

Some main features of business ecosystems have been identified. The first is interconnectedness involving a large number of loosely interconnected participants who depend on each other. Interconnectedness provides protection, given the opportunity to form alliances and thrive in a network. A second essential character is competition and cooperation (Moore, 2006), which has already been analyzed by the literature on both clusters and industrial districts. In addition, business ecosystems have a dynamic and adaptive structure that develops and evolves over time as its internal and external environment changes (Peltoniemi, 2006). Indeed, the concept of business ecosystem is the one that better highlights the adaptive and evolutionary

nature of local systems to the changing external environment. The dynamic perspective has been emphasized in terms of co-evolution of business ecosystems. Merry (1999) defines co-evolution as a change in the fitness of one system that determines changes in the fitness of another system, and vice versa. This interdependency is what can be considered as co-evolution.

The business ecosystem perspective, with its focus on common platforms and relationships among actors (members or stakeholders), is a good setting in which to examine the dynamic adaptation process of a local system to the external environment.

### 3. THE CRAFT BEER INDUSTRY IN ITALY AND MARCHE REGION

In Italy, the craft beer sector has a young tradition, being emerged in the nineties with the birth of an increasing number of small craft producers who entered the market. The period of fastest growth started from 2010. More recently, the growth rate in the number of breweries has slowed (Figure 1). Currently, the sector is still growing thanks to the increased production capacity of the existing breweries, which improved their marketing strategies and extended the geographical coverage of their market. At the same time, most of them shortened their distribution channels, by opening brewpubs, opening taprooms and own-brand pubs, and cooperating with other breweries (Francioni and Viganò, 2020).

In 2018 the Italian craft beer sector produced 483,000 hL of beer, reaching 3.2% of the total national beer production (source: [www.assobirra.it](http://www.assobirra.it)). In 2018, 1,371 craft breweries were active. At the regional level, most of the breweries are located in the north and center of Italy, such as Lombardy (19.8%), Veneto (10.2%), Piedmont (10%), Tuscany (8.8%), Emilia Romagna (8.7%), and Lazio (8.1%). In Marche region 72 microbreweries (5.3% of the national total), producing more than 320 different beers (Francioni and Viganò, 2020).

Source: [www.microbirrifici.org](http://www.microbirrifici.org).

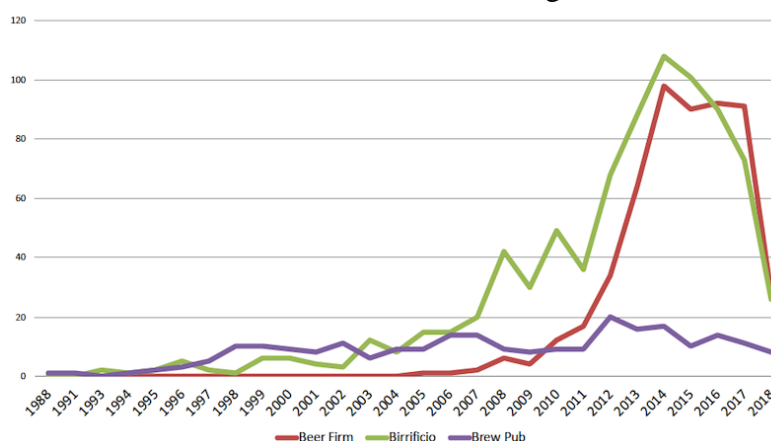


Figure 1. Opening of new microbreweries in Italy (1998-2018).

## 4. RESEARCH METHOD

### 4.1. Analysis Framework

In the light of the literature review, some major issues have been identified, and they have been considered with reference to the main factors which can influence local systems, according to the business ecosystem perspective (Figure 2). As a consequence, some key relationships have been highlighted. These relationships provide a first hypothesis, in the light of which other possible relationships and factors can be added. Therefore, they have not yet considered research hypotheses.

The first issue refers to innovation (Issue a in Figure 2), which can be hypothesized to be influenced by the degree of firms' specialization (Factor 1), the level of flexibility of firms (Factor 3), the embeddedness in the local system (5), the level of trust (6) and the development of ICTs (7).

The second issue (Issue b) is the transmission of knowledge, which in local systems often occurs as uncodified knowledge. This transmission is hypothesized to be influenced by the interdependence between local firms (2), the geographical proximity (4), which facilitates face-to-face interaction, embeddedness and common culture (5), the level of trust (6), and ICTs, which in turn represent a driver for the formalization of knowledge exchange.

The third issue (c) highlights the difference between informal relationships, mainly based on trust, which are more easily deployed in local systems, and formal relationships, based on distrust, thus requiring formalization at each stage of a relationship. The development of informal relationships is favored by mutual interdependence (Factor 2), flexibility of firms to rapidly adapt to customer requests (3), geographical proximity, which promotes social control (4), embeddedness and common system of values (5), and by the degree of trust (6). The development of ICTs, on the other hand, pushes for the increasingly formalization of relationships.

The coevolution with the environment (d), which is a typical feature of business ecosystems, is a key issue. The Italian case provides indications on the ability of industrial districts to react to changes and critical conditions. Coevolution seems to depend primarily on interdependence (2), flexibility (3), and embeddedness (5).

The reproducibility of the model (e) is based on the features of business ecosystems, namely business specialization (1), geographical proximity (4), embeddedness, common culture, traditions and value system (5) and the development of ICTs (7), which can compensate



for the lack of trust within a local system with weaker historical roots. The relationship between trust and formal/informal relations among firms should be defined, given that formal relationships are to some extent related to distrust, and, on the opposite, informal relationships are trust based. Similarly, the role of embeddedness and the influence of the local culture, traditions and local value systems on local systems need to be examined, with the aim of understanding if and how their reproducibility is possible.

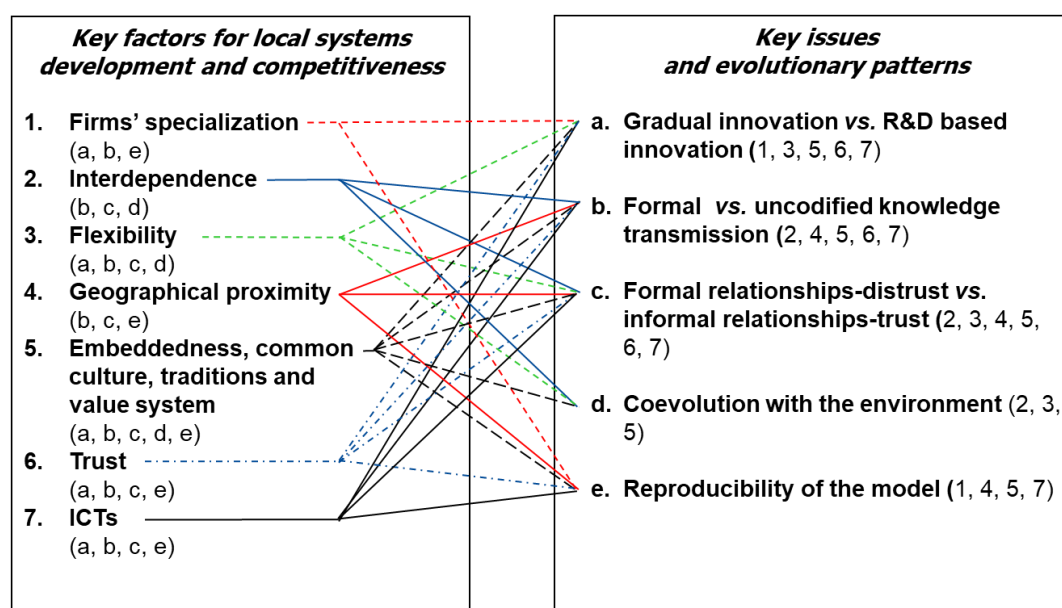


Figure 2. Key factors and issues for local systems according to the business ecosystem perspective

## 4.2. Case Study Methodology

For this research, a methodology based on case studies was adopted. This method is suitable for the development of theoretical / practical hypotheses based on empirical evidence (Eisenhardt, 1989; Miles and Huberman, 1994), allowing to compare results with those emerged from previous studies (Yin, 1994), and identify new theoretical developments and advances on a given topic (Chetty and Blankenburg Holm, 2000). Six cases have been analysed. According to the literature, although it is not possible to define an ideal number of cases to be considered, the optimal number is between four and ten cases (Eisenhardt, 1989). With less than four cases it is difficult to extract theoretical elements that can be generalized, and more than ten cases would provide a volume of information difficult to manage.

The selected firms belonged to different owners and they all had headquarters in Marche region, Italy. In-depth interviews lasting 1-2 hours have been conducted with owners from May to September 2019, with short follow-up telephone interviews in November 2019. For permitting the interviewees to give genuine answers, questions were as non-leading (Yin, 1994)

as possible. The interviews have been conducted in Italian and digitally recorded. The collected data have been compared with other sources: firms' annual reports, websites and other documents.

## 5. ANALYSIS

*Case 1.* The company was established in 2000, when the owner, inspired by his father who created a distillery located in a small town in the Apennines Mountains, decided to start a beer production. Thanks to the experience in the distillation processes and following the advice of a brew consultant from northern Italy, it was possible to start a small craft production, which in 2002 began to produce a well balanced and highly appealing beer. The remarkable organoleptic qualities of the beer are the result of the producer's geographical location. The limestone water of the surrounding mountains resulted particularly suitable for creating beer, and this proved to be a very important value. The barley is purchased from the surrounding farmers and after being treated at the regional malt factory, it returns to the company in the form of malt for the preparation of beer. The production is sold locally through restaurants and independent retailers, especially wine shops. The firm does not supply large retailers.

There full-time employees are working in the company. The business organization is managed by the owner, who has never conducted planned actions for market development. Marketing policies for the local market have been always autonomously conducted and no agreements or other alliances with other producers have been adopted to market their beers together.

Direct sales have a share of 60% on total sales. No exports are made, although numerous sales come from foreign tourists visiting the company. The percentage of sales to tourists is about 30%, half of which are foreign.

According to the owner, the ability to stay in this market depends primarily on the quality of products. Recent developments resulting from sales to tourists were favored by the attraction that the territory exerts, but no systematic actions have yet been taken to enhance these aspects. Neither public entities nor trade associations have so far promoted incisive actions to facilitate the development of market relationships.

Among the influencing factors related to the local business ecosystem, the one in which the owner recognizes a key role is the common culture, despite the lack of traditions on the beer industry. Of other factors, medium relevance is attributed to flexibility, while all other factors are considered not relevant.

*Case 2.* Case 2 was founded in 1997 when a manager of the beverage industry decided to start a business by his own. Currently, the company has 10 full-time employees. Since the start of the business, beer sales have been mainly developed by the firm's shop, which is currently managed to attract tourists through the organization of visits, dinners and local products tastings. Tourists are also attracted with advertising signs along roads and the website. In addition to beer, other products from local farmers and manufacturers are sold, such as honey, jams, pasta, olive oil. Sales are mainly addressed at the domestic market (85% of the total), made directly from the farm shop (35% of the total) and the remaining quota to grocery stores and small supermarket chains in the regions of central and northern Italy through a network of 5 sales agents.

Social networking is also starting to affect the word-of-mouth. Some attempts have also been made with e-commerce, selling products through a marketplace owned by a general manager's relative, specialized in food and gourmet products. However, in this case results were poor. In the future, most of the efforts will be addressed to strengthen the participation to local events, in order to maintain and expand the presence in the local market.

According to the founder, the main factors linked to the local ecosystem that enhance the competitiveness of the firm are, above all, on flexibility and adaptation capabilities.

*Case 3.* The company was founded in 2004 by the owner and his wife, starting as a pub, with the production of beer started in 2010. 12 full-time employees are currently working in the company. Close to the factory, there is a shop where in addition to beer a selection of local spirits (grappa) is sold. The choice of organizing a shop with a range of spirits in addition to beer dates back to 2015, when the entrepreneur started organizing guided tours and tastings events in the factory. The owner also runs a guesthouse with a fully equipped kitchen for guests.

Direct sales account for 40% of total sales. The reference market is both national and international. In Italy, sales come from an exclusive sales agent selling to restaurants, bars and pubs, especially in central Italy. Given the high quality of products, the firm never looked for relationships with large retailers. International sales started in 2014, through a contact in Russia provided by an Italian manufacturing company of soft drinks. Later on, other contacts came from Canada (2016) and United States (2018). Currently, international markets account for 8% of sales.

Marketing actions have been always carried out autonomously. However, it is the entrepreneur's intention to create partnerships with other producers of typical local products such as meat and cheese to conduct joint initiatives for the development of foreign markets.

The local system seems to have little contributed to boosting the development of the firm. Anyhow, the collaboration that the firm intends to exploit in the future is with partners that can provide services to develop foreign markets and with producers of complementary products. On the other hand, the idea of collaborating with other beer producers has never being taken into account.

Among the local system-related factors of competitiveness, the only elements that the entrepreneur pointed out to be relevant are those linked to the common value system, which allow to co-operate with complementary producers, and also with local supply chain partners.

*Case 4.* Case 4 is an agricultural brewery, born in 1998 in a mountain town, following the conversion of a textile factory owned by the founder's family. In 2004 the founder entered into partnership with a friend who owned a farm, and they decided to add an agritourism company to the brewery.

Being an agricultural brewery, the barley used in the production of beer is grown internally on 40 hectares of land and subsequently malted at a consortium in the region. The entire production cycle is concentrated in a laboratory obtained from a restructured old farmhouse, which combines tradition with innovative architectural elements.

The company currently employs 7 persons in the brewery and 14 in the farmhouse.

Tastings are organized to promote the product, both at the farm and with the help of other local restaurants. Moreover the brewery participates in numerous festivals and fairs. Tourists, both Italian and from northern European countries, are attracted with roads signs, the website and social networks.

The internationalization process began in 2012, with the entry into European countries such as England and France. In England the product is also present in a shop specializing in the sale of Italian gastronomic products.

This case is characterized by a substantial individualism, since the entrepreneur does not believe in the collaboration between local producers, even though this could enhance the attractiveness to tourists. Greater willingness for collaboration emerged with the tourism operators in the area (hotels and incoming travel agencies), with which effective partnerships

have been developed. No opportunities of collaboration, however, has been sought with local administrators or the Chamber of Commerce.

*Case 5.* The owner of case 5 founded a farm in 2002, and in 2010 the brewery was established and the agricultural craft brewery was opened, located in the rolling hills if the inland, surrounded by green fields of barley. The word "agricultural" is important for the owner, as it emphasizes the very short production chain of the barley used.

The owner clearly underlined that "the word agricultural has a lot of importance, because today there is a great demand for artisan products, therefore also in the beer sector, but what fascinated me and I wanted to undertake is the fact of creating a production chain that is totally local; Obviously this is about malt, because hops are bought abroad ". Currently, 7 full time employees are working in the brewery. Sales come from direct customers (20% of total sales), most of which are local consumers, but also tourists. The remaining share of sales come from local restaurants, bars and pubs, especially in the coast area, which are served by the owner. Increasing sales are coming also from some venues in Rome and Milan thanks to indirect contacts and word of mouth.

Among the factors of competitiveness resulting from belonging to the local system, the owner indicated a strong potential in the combination of tourism attraction and product specialization, but not yet properly exploited. A collaboration between producers, local tour operators and local public bodies could bring to greater value. According to him, the local value system and traditions are the starting point for strengthening greater collaboration, based on trust and informal relationships, rather than on advanced technologies.

*Case 6.* The company was founded in 2010 by three partners from different industries with the aim of investing in the beer sector, taking advantage of its promising growth rates. After the purchase of machinery and renting a building, beer production began and a shop was opened in 2012. Beer production grew rapidly, bringing to employ 5 full time people.

The reference market is based on of customers who buy directly from the point of sale (70% of total turnover), about half of which are tourists coming to the region for summer vacations. 30% of turnover comes from sales to restaurants in the region, which are managed by one of the three partners, who visit them regularly. To attract customers at the shop, the company does not organize events or beer tasting, focusing its initiatives on the company website and social media campaigns.

Despite the small size, this company appears to be very flexible in responding to market changes, in line with the main trends that have characterized the sector. Therefore, while being young compared to most of the other firms in the area, the company has been able to enter the market quickly, but was not capable to take advantage of the opportunities of collaboration within the local context.

## 6. DISCUSSION

The above-discussed cases are summarized in Table 1. What emerge is a wide variety of situations: although very similar operating conditions of firms results, management models vary considerably, from family-run firms (Cases 1 and 6), to small entrepreneurial organizations (cases 2, 3 and 4). The size of the firms is small, with a total number of full time employees that only in one case (case 4) is over 20. This is undoubtedly a limit for market development, both at the national and international level.

Table 1. The cases analyzed

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Year of foundation	2000	1997	2004	1998	2002	2010
N. of employees	3 full-time	10 full-time	12 full-time	21 full-time	7 full time	5 full time
Other products in addition to beer	No	No	Spirits	No	No	No
Point of sale/shop within the firm	No	Yes, selling also honey, jams, pasta, olive oil	Yes, selling also spirits	Yes, selling also olive oil, grappa and grape juice	No	Yes
Initiatives for attracting visitors and tourists	Website and social networks	Visits, dinners and wine tastings; roads signs; website and social networks	Visits and beer tastings are regularly organized, guesthouse	Visits and beer tastings, roads signs; website and social networks	No	Website and social networks
Direct sales (% of turnover); to local	60%	35%	40%	15%	20%	70%

<b>consumers and tourists</b>						
<b>Sales organization for the internal market</b>	Entrepreneur	5 non-exclusive sales agents	1 exclusive sales agent	Entrepreneur	Entrepreneur	Sales organization for the internal market
<b>Co-operation with other local actors</b>	Poor	Local tourism agencies	Hotels in the seaside, local tourist agencies	Hotels and incoming travel agencies	Poor, to be developed	No
<b>Local context-related factors for competitiveness</b>	Flexibility	Flexibility and adaptation to changes	Common value system with local supply chain partners	Belonging to an attractive area	Flexibility	No

All firms have weak dependence on the local system for their core activity, if compared to those of other sectors. For beer production, the division of labor is non-existing and production processes are usually completed within the same single firm. Some level of interdependence can be observed with local operators involved in complementary sectors, such as producers of preserved food, oil, pasta and spirits. Similarly, cooperation with travel agencies and hotels is increasing, with the objective of enhancing the attractiveness of the area.

The initiatives adopted, and the growing commitment of breweries to strengthen their business, indicates the ability to adapt, as pointed out by the business ecosystem literature in terms of co-evolution (Merry, 1999). Indeed, this is the case of the beer industry and the tourism industry in the area analyzed. The dynamics of the tourism sector influenced the business model of beer producers, and at the same time, the presence of specialized beer production allowed to modify the local tourist offer, according to a mutualistic coevolution scheme (Peltoniemi, 2006).

Over the years, some beer producers have launched various initiatives for attracting tourists; in some cases, by cooperating with local travel agencies (especially Cases 2, 3, and 4),

in other cases by purchasing products from local producers to increase the attractiveness of the internal store (2, 3 and 4). In one case (3), a guesthouse has been opened to organize the tourist hospitality, offering accommodation and a range of food based on products of the local tradition.

Internationalization emerged as a strategy. However, the decision to start exporting was mainly unplanned, and this confirms what Duarte Alonso et al. (2014) reported about the occasionality of contacts that can bring to business relationships. Most of the sales to foreign markets have been developed as a result of personal contacts or connections provided by tourists, as already emerged from previous studies (Vissak et al., 2015; 2017).

The number of countries with which exports have been developed confirms the prevailing passive approach, with promotional actions limited to participation in fairs and tasting events, without a precise strategy and without identifying priority countries where addressing marketing efforts.

The channels used are always restaurants, bars, pubs or single shops, and in no case, firms showed the ability to develop relationships with large retail chains.

Embeddedness, associated with common culture and common value system, did not allow companies to interact effectively, addressing the external market with a common image. Indeed, the cases observed did not demonstrate the ability to form alliances within the local system to promote products outside.

Finally, trust, which has an impact on relationships within local systems, affecting knowledge transfer and innovation processes, does not appear to be a key factor for the cases analyzed.

In essence, due to the characterization of the sector considered, that is basically traditional, the elements of the local system that most exert influence on firms' competitiveness derive from the mutual contamination between the tourism sector and the agri-food productions, on the basis of a common culture and value system. These values are themselves elements of attraction of the territory, along with the natural, historical attractiveness.

## **7. CONCLUSION**

The study had the purpose of verifying whether the absence of rootedness in the productive tradition of a local economic system could limit the development possibilities of the



system itself, according to the characteristics of local economic systems, in particular with reference to the business ecosystem perspective.

The relationship with the local economic system was weak for the firms analyzed, and forms of collaboration were detected only for the relationship with producers of complementary products, barley producers and collaborations with local hospitality operators. What is missing, is the division of labor and interdependence, which characterize both traditional industrial districts and business ecosystems (Zucchella, 2006; Caraganciu et al., 2017).

Marketing initiatives are adopted individually, but in relation to market relations, a strong ability to adapt has emerged. In fact, the entrepreneurs shown to be able to rapidly modify their business model in response to changes in the final demand, opening up to the tourist target and integrating own production with direct sales activities. Therefore, results highlight that in the case of the sector analyzed the lack of a sector-related common culture hinders the development of cooperative relationships. The only factors linked to the local system that influence competitiveness, that emerged from the study, are specialization and flexibility.

Given the recent history of the local system analyzed, it remains to be understood how existing social and cultural links can exert an influence on the development of a new product specialization, and how adaptation and co-evolution mechanisms can be affected.

This study has some limitations. First, the need for more focalized indicators for embeddedness emerged, since the ones adopted did not fit completely to the cases analyzed. Second, the analysis of the case companies did not deepen market relationships, especially as regards channel relationships and the way in which these relationships have been developed/conducted.

Future research should allow verifying if and how existing social and cultural ties have influence on the development of a new product specialization, expanding the analysis to other industries and region/countries. A further topic to be better analyzed is that of adaptation and co-evolution, trying to understand if they can be activated with policy tools.

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