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Value creation, appropriation and destruction in cooperative relationships among micro-firms.

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'Men are like wines: with time, the good ones get better, and the bad ones get worse.' Cicero

INTRODUCTION

Coopetition has been the subject of abundant literature over the past two decades (Gernsheimer, Kanbach, & Gast, 2021) and can now be considered a theory in its own right (Fernandez, Chiambaretto, Le Roy, & Czakon, 2018; Gnyawali & Ryan Charleton, 2018). By developing simultaneous competitive and cooperative relationships (Bengtsson & Raza-Ullah, 2016), organisations focus on creating and capturing mutually beneficial value (Gnyawali & Ryan Charleton, 2018; Ritala & Tidström, 2014). Initially studied in the context of dyadic relationships, the literature now refers to all organisations, whatever their size, status or activity (Chiambaretto & Dumez, 2016); it has dealt mainly, for years, with firms in high-tech industries and has focused on innovation and/or knowledge sharing (Dorn, Schweiger, & Albers, 2016). Several dimensions of coopetition, however, remain under-explored. First, the dilemma between value creation and value appropriation for coopetitors is still unclear (Fernandez et al., 2018; Fernandez, Le Roy, & Gnyawali, 2014; Garri, 2021; Santos, 2021). Second, despite recent research, there is still a lack of empirical studies regarding the mechanisms of coopetition among micro-firms in traditional activities (Devece, Ribeiro-Soriano, & Palacios-Marqués, 2019; Gernsheimer et al., 2021). Our research therefore aims to highlight the mechanisms underlying the creation and appropriation of value in the specific context of multiple coopetitive relationships among micro-firms in a non-intensive knowledge industry. In addition, recent literature mentions different geographic levels to study coopetition (Crick & Crick, 2019; Gernsheimer et al., 2021), and the local level has definitely been the least studied so far. Our

research question is therefore: What are the mechanisms of value creation and value appropriation in local-level coopetition among micro-firms in traditional industries?

We use an in-depth case study on the small French wine appellation “Côtes d’Auvergne”, classified since 2010 as an AOC (“*Appellation d’Origine Contrôlée*”, which in France is the most demanding label among the Protected Designations of Origin). Moreover, the wine sector is particularly well suited for studying coopetition (Crick, 2018) and has started to receive increasing attention from scholars (Cusin & Loubaresse, 2018; Dana & Granata, 2013; Granata, Géraudel, & D’Armagnac, 2019; Granata, Lasch, Le Roy, & Dana, 2018; Spielmann & Williams, 2016). This specific appellation is characterised by a modestly sized cultivated area occupied by micro-firms, the existence of a relatively large cooperative cellar, but also a weak brand image inherited from the (fairly recent) past, when the wine there was produced without any show or ambition, almost exclusively for local consumers.

Our research contributes to the ongoing coopetition discussion in three ways: we enrich the literature on coopetition by documenting value creation and appropriation mechanisms, analysed through a collective or individual dimension; we provide some empirical insights to coopetition literature regarding micro-firms and local-level coopetition; and we produce some managerial recommendations.

Our article is divided into four sections. The first presents our theoretical framework based on the most recent insights in the field of coopetition. The second covers the empirical context of our research, presenting the environment, the field investigated and the methodology used. Section three presents our results, structured around the various identified mechanisms of value creation and appropriation, which we then discuss in the final section.

1 LITERATURE REVIEW

Beyond a situation that can be observed *ex post facto*, coopetition proves to be a strategy that is developed by organisations wanting to achieve specific objectives (Czakon, Srivastava, Le Roy, & Gnyawali, 2020). The literature has examined several essential dimensions of coopetition: antecedents, implementation mechanisms and expected and achieved results, but also the nature of relationships among coopetitors and the inter- and intra-organisational tensions thus generated (Bengtsson & Raza-Ullah, 2016; Dorn et al., 2016). Although coopetition literature is rich, there are still some blind spots. Our research addresses three such areas in particular: the mechanisms of value creation and appropriation; cooperative relationships among a type of organisations that are under-studied, namely micro-firms in traditional industries; and coopetition analysed from a local-level perspective.

1.1 IN COOPETITION, THE VALUE CREATION/APPROPRIATION DILEMMA

While the literature insists on the paradoxical dimension of coopetition (Bengtsson, Kock, Lundgren-Henriksson, & Näsholm, 2016; Gnyawali, Madhavan, He, & Bengtsson, 2016), its execution appears to be particularly challenging, as it constantly fluctuates between value creation and value appropriation (Gernsheimer et al., 2021). The original idea of coopetition is indeed to generate additional benefits by ‘making the pie grow’ (Gnyawali & Ryan Charleton, 2018; Nalebuff & Brandenburger, 1997) for everyone’s interest. Actually, the literature on strategic alliances shows how important it is to distinguish between value creation and value appropriation (Lavie, 2007). While value can be defined by the customer’s willingness to pay (Brandenburger & Stuart, 2005), value creation could be considered as the main expected outcome for coopetition thanks to collaboration, i.e. mutual benefits for the partners (Morris, Kocak, & Ozer, 2007; Ritala & Tidström, 2014). In cooperative relationships, value creation

can differ widely from one actor to another, involving three distinctive main categories (Gnyawali & Ryan Charleton, 2018):

- Joint value creation, which benefits all parties involved in the cooperative relationship: ‘the total pie generated by all partners from their mutual efforts’ (p. 2523);
- Firm value creation, when value benefits one of the actors or only a few;
- Value destruction, ‘a net loss whereby costs from the relationship outweigh benefits’ (p. 2523).

The question of the distribution among the different actors of this newly created value, i.e. its appropriation, is particularly challenging. Organisations are indeed competing to capture the value created thanks to the cooperative dimension of cooptation. The literature on strategic alliances explains that this value capture ‘depends not only on the attributes of its partners, but also on the nature of the firm’s relationships with these partners and the characteristics of the alliance portfolio as a whole’ (Lavie, 2007, p. 1192). Additionally, both value creation and appropriation can vary in strength depending on the actors involved and the nature of their relationships (Padula & Dagnino, 2007; Ritala & Tidström, 2014). For example, whereas value capture depends on value creation, it seems particularly hard for SMEs to achieve such value appropriation (Bouncken, Fredrich, & Kraus, 2020). Analysing cooperative relationships among actors seems therefore to be a way to highlight the mechanisms of value creation and value appropriation that have so far scarcely been studied (Fernandez et al., 2018, 2014; Ritala & Tidström, 2014), despite interesting attempts, which nonetheless address very specific contexts. For instance, the Cooptation Value Matrix highlights the socio-environmental dimension of cooptation (Volschenk, Ungerer, & Smit, 2016), when Santos (2021) chooses a specific focus on joint value creation and its link with cooptation intensity.

Our research thus aims, as a first objective, to describe and gain better understanding of the execution and interaction of cooptation (Devece et al., 2019; Gernsheimer et al., 2021) by

contributing to the repeated calls to invest further in the process of value creation in cooperative relationships (Gnyawali & Ryan Charleton, 2018; Santos, 2021). Indeed, both value creation and value appropriation are taken for granted in cooperative relationships, although their mechanisms remain unclear.

Addressed gap 1: We focus on the mechanisms underlying value creation and appropriation in cooperative relationships.

1.2 COOPETITION AMONG MICRO-FIRMS IN TRADITIONAL INDUSTRIES

The literature on coopetition has been expanding considerably for many years and now covers all types of organisations (Chiambaretto & Dumez, 2016; Gernsheimer et al., 2021). While researchers initially focused on large firms, they also soon studied small or medium-sized enterprises (SMEs) (e.g. Bengtsson & Johansson, 2014; Gnyawali & Park, 2009; Morris et al., 2007; Thomason, Simendinger, & Kiernan, 2013). Coopetition appears as a relevant strategy for small businesses as they often face challenges like scarcity of resources (Gnyawali & Park, 2009; Granata, Garaudel, Gundolf, Gast, & Marques, 2016), innovation or internationalisation (Bengtsson & Johansson, 2014; Gnyawali & Park, 2009; Granata et al., 2016). Mutual benefits, trust and commitment seem to be necessary conditions for successful coopetition among SMEs (Morris et al., 2007).

The existing literature also shows some specificities. For instance, cooperative relationships among SMEs are often friendly, with high cognitive proximities based on individuals (Gast, Kallmünzer, Kraus, Gundolf, & Arnold, 2019; Kraus, Klimas, Gast, & Stephan, 2019), and are collaboration-oriented in many diverse activities, i.e. not only in activities not involving customers (Kraus et al., 2019; Lindström & Polsa, 2016).

Nevertheless, micro-firms, which are defined by the European Commission as having fewer than 10 employees and an annual turnover or balance sheet under €2 million, remain under-

studied. Scholars have recently addressed these very small firms by integrating them into their samples or case studies, without focusing on them particularly (e.g. Flanagan, Lepisto, & Ofstein, 2018; Klimas & Czakon, 2018; Mathias, Huyghe, Frid, & Galloway, 2018). To the best of our knowledge, only a few studies have really focused on micro-firms as such, studying, for instance, how micro-firms in the wine industry manage coopetition (Granata et al., 2018) or how coopetition develops in a newly established industry, in this case, in alpaca breeding (Garri, 2021). At the same time, compared to high-tech or knowledge-intensive firms, traditional sectors have scarcely been studied in coopetition literature (Devece et al., 2019; Gernsheimer et al., 2021). They are nonetheless important in terms of their number and their economic and social role. We therefore aim to contribute to the emerging literature on these numerous but under-studied micro-firms in non-knowledge-intensive sectors.

Addressed gap 2: We focus on coopetitive relationships among micro-firms in traditional industries.

1.3 COOPETITION AND GEOGRAPHIC LOCATION

While coopetition is often used as a strategy to access new resources, it is usually studied through an international or national lens – much less frequently through a local one. Furthermore, in their recent state of the art, Gernsheimer et al. (2021) identified geographical position as a level of coopetition to be analysed. Some studies, focusing on specific sectors like tourism (e.g. Czakon & Czernek, 2016) or beverage industries (e.g. Flanagan et al., 2018; Granata et al., 2018; Spielmann & Williams, 2016; Volschenk et al., 2016) give the geographical level some importance. In addition to the well-studied national or international levels, coopetition can therefore be considered at a local level, where cooperation is developed among competing organisations within close geographic proximity (Crick & Crick, 2019).

Some researchers have thus investigated this link between cooperative relationships and the location of the organisations involved, showing that geographic proximity appears to facilitate cooperation in some cases (Nowińska, 2019; Zhu, Lynette Wang, Wang, & Nastos, 2020). However, proximity is not only geographic; it also includes cognitive, organisational, social and institutional dimensions (Boschma, 2005). In a given geographic area, all of these proximity dimensions help cooperation to develop and are activated by cooperation in turn (Albert-Cromarias & Dos Santos, 2020).

In addition, some products or activities are closely linked to their production location. Studying the Champagne area in France, Spielmann & Williams (2016) highlight how geographic and cognitive proximity converge to allow origin-specific firms (OSFs) to develop a territorial brand through a bottom-up process. 'Geography is critical for OSFs seeking to gain competitive advantage' (Spielmann & Williams, 2016, p.5636). The authors call for further investigations to identify what other origin-specific mechanisms might help such firms to develop reputation and competitive advantage.

Hence, the wine industry appears promising for cooperation research as it constitutes a particular empirical context with high degrees of cooperation and competition applied to several activities (Crick, 2018). In such origin-specific industries, the geographical area is generally called 'terroir'. According to the French National Institute of Geographical Appellations, the singularity of the production methods confers typicality and reputation on the product from this geographical area. Such products are often labelled as PGI (Protected Geographical Indication) or PDO (Protected Designation of Origin, which is the equivalent of the French AOC) (Cañada & Muchnik, 2011).

We therefore contribute to the call for further investigation of the wine industry, which is perfectly suited to cooperation research (Crick, 2018), allowing us to explore a local level through the case of an origin-specific product.

Addressed gap 3: We focus on local-level competition by studying the wine industry.

1.4 RESEARCH QUESTION

Thus far, our literature review has pursued the following line of argumentation, contributing to enrich the competition literature in three respects:

- 1) addressing the dilemma between value creation and appropriation;
- 2) contributing to the emerging literature dealing with micro-firms in traditional industries;
- 3) investigating local-level competition by studying a wine-industry case.

Considering these elements, we formulate the following research question: What are the mechanisms of value creation and value appropriation in local-level competition among micro-firms in traditional industries?

To do so, we propose an analytical grid that allows us to identify three types of value: creation, appropriation and destruction. At the same time, it appears that these types of value can be understood in terms of two different dimensions (Gnyawali & Ryan Charleton, 2018). On the one hand, the individual dimension, when a firm involved in competitive relationships is the only one to experience this value; on the other hand, the collective dimension, when a majority of actors, if not all of them, benefits from this value. This research will therefore focus on the competitive relationships among micro-firms in the wine industry, based on a cross-analysis grid between 'type of value' (creation; appropriation; destruction) and 'dimension' (individual; collective).

2 EMPIRICAL STUDY

Our study focuses on origin-specific micro-firms by studying the case of a French AOC wine (*Appellation d'Origine Contrôlée*, which is the most demanding label in France among the Protected Designations of Origin). We first present our case, then the data collection and processing methods.

2.1 THE CASE OF CÔTES-D'Auvergne AOC WINE

Wine represents one of the largest export items in France, which in 2019 was the second largest wine-producing country in the world. Although it is the world's third largest exporter in volume, France ranks first in export value, which means that the value of French wines abroad is high, even though the country belongs to the 'old world' (Crick, 2018). The reputation of French wines, both at home and abroad, is well established. Among the 11 generic French vineyards, however, some enjoy worldwide fame, with prestigious appellations (Burgundy, Bordeaux) that have already been studied even from a competition perspective (e.g. Spielmann and Williams [2016] dealing with Champagne), while others are much more confidential.

Our study field is the Auvergne region vineyards, more precisely the Côtes-d'Auvergne AOC. AOC is the main classification used for recognising the quality of agricultural products in France. Producers who wish to benefit from it must meet very detailed and demanding specifications, but must also join, by paying a membership fee, the management body that oversees this kind of collective brand. The member companies therefore produce an identical product, under the same conditions, and are in fact both collaborating with the management body and competing for the sale of their products.

Once the third largest French producer until the beginning of the twentieth century, the Côtes-d'Auvergne vineyard had almost disappeared by the end of the century, going from a cultivated area of 45,000 hectares at the time to 500 hectares today. Small in terms of cultivated area and volumes produced, and facing a poor reputation for a long time, this vineyard offers interesting

research prospects in terms of cooptation. First, the AOC classification was quite recently obtained (2010) and was the first stage of a far-reaching collaborative project. Second, there are two distinct types of actors: on the one hand, around 30 independent winemakers, who represent nearly half of the AOC cultivated area, many of whom have owned vines for several generations; on the other hand, the cooperative winery, to which around 60 ‘contributing’ winegrowers sell their grape harvest (see Figure 1). Third, the actors in the vineyard are relatively dispersed geographically speaking, even though the cultivated area remains small compared to other major French vineyards. Finally, this particular vineyard is located in the volcanic area of Chaîne des Puys, listed as a UNESCO World Heritage Site since 2018. It is therefore unique in France and remains a rarity, as only eight areas in the world can claim to produce volcanic wine.

***** Insert Figure 1 *****

Above all, this case offers relevant characteristics for analysing cooptation: (1) a Côtes-d’Auvergne AOC appellation in competition with other appellations; (2) the coexistence of dyadic, triadic and multiparty relations; (3) cooperation and competition both in activities close to customer (with the common brand due to the AOC) and in activities far from customer (production); and (4) administrative constraints due to the AOC and the centralising nature of the syndicate. Moreover, the mainly family-run character of the firms studied, the presence of a cooperative winery and the very specific nature of the final produce linked to the volcanic soil and the climate make it an excellent terrain for our study. This case therefore appears all the more interesting in the context of cooptation as it is based on limited resources and has a ‘common’ context, which makes it particularly generalizable.

2.2 RESEARCH DESIGN

2.2.1 A comprehensive qualitative approach

To answer our research question, we selected a revelatory case of local-level cooepetition among micro-firms as our research setting (Eisenhardt & Graebner, 2007). Aiming for contributions to cooepetition literature both from a theoretical and an empirical point of view, we used a comprehensive qualitative approach, which is appropriate for describing and explaining a new organisational phenomenon (Dana & Dumez, 2015). We collected primary and secondary data in order to describe and explain the functioning of cooepetitive relationships among actors and to uncover mechanisms. We therefore aimed at seeking a link between an observed phenomenon that we are trying to explain (here, the existing cooepetitive relationships among the studied micro-firms in the specific Côtes-d’Auvergne AOC vineyard) and its possible causes (here, the different individual and collective dimensions of value creation, appropriation or destruction) (Dana & Dumez, 2015). In addition, choosing a qualitative-research approach would help to identify where further investigation could be useful for highlighting unforeseen results and perspectives in under-studied contexts (Eisenhardt & Graebner, 2007).

2.2.2 Data collection

We proceeded to data collection in three stages. First, we collected internal and external secondary data on the vineyard in order to become familiar with the local context. Second, we used a ‘non-participating observation’ approach at three events (wine tastings) organised by the Côtes-d’Auvergne AOC Syndicate during the summer of 2019. These two stages allowed us to understand the general context of the study and the recent history of the vineyard. Table 1 presents all the secondary data collected during these first two stages.

***** Insert Table 1 *****

The third stage, based on the previous observations, was devoted to semi-directive interviews. In order to be able to triangulate the information collected, we interviewed independent winemakers, cooperative winegrowers and wine-cellar employees, as well as individuals actively involved in the Côtes-d'Auvergne AOC Syndicate administrative body. Twenty-two 30-minute-to-2-hour interviews were conducted between June and November 2019 (see Table 2). All were conducted in French, recorded and transcribed in the original language to be sure that all the details were captured and to improve the rigor and relevance of the study. These interviews amount to more than 19 recorded hours, transcribed to 182 pages. Only the citations used in this article were translated into English.

The themes addressed during the interviews were: their motivations (past, present and future) for exercising their profession; their perception of the cooperative relationships among actors within the AOC; their perception of the competitive relationships among these same actors; and the results, whether positive or negative, they had seen with regard to the current organisation.

***** Insert Table 2 *****

The depth and variety of the empirical material we were able to collect allowed us to triangulate our data in two ways: first, a data triangulation, comparing secondary data with primary data, as well as primary data with other primary data; and second, an investigator triangulation, with three researchers contributing to the study (Gibson, 2006).

2.2.3 Analytical process

Data processing was carried out in two steps, aimed at identifying the different forms of value resulting from cooptation according to type (creation, appropriation, destruction) and dimension (individual or collective).

The first step involved a semantic analysis of the documents resulting from the first stage of data collection (see Table 1) using ‘Tropes’ software, in order to identify the key words and deduce the main themes that emerged from the secondary data thus collected. At this first stage, we were able to identify 15 value mechanisms.

The second step related more specifically to the third stage of our data collection. It involved an analysis of the discourse resulting from interviews, allowing us to specify and refine each of the 15 categories of previously identified value mechanisms. This analysis was carried out manually by analysing the interview transcripts both vertically (emergence of themes mentioned in each interview) and horizontally (comparison of the same theme among interviewees). We were then able to reduce our categories to nine mechanisms, as presented hereafter.

3 NINE VALUE MECHANISMS

The analysis of the Côtes-d’Auvergne AOC case highlighted nine mechanisms for the creation/appropriation/destruction of value resulting from coopetition, which can be classified according to the two main previously mentioned dimensions: individual (benefiting only one of the actors) or collective (benefiting all) (see Table 3).

***** Insert Table 3 *****

3.1 SIX COLLECTIVE MECHANISMS

The most frequently identified mechanisms in our study are those that fall under the collective dimension, i.e. benefiting all the AOC actors, whether independent winemakers, contributing winegrowers, the wine-cellar or the Syndicate (see Figure 1).

3.1.1 Two collective mechanisms of value creation

Thanks to the AOC classification, the **reputation** of the Côtes-d’Auvergne vineyard has improved considerably, since it was not only little-known at a national level but also suffered from a poor reputation in terms of production quality.

‘We had a very, very, very bad image for years, which we have started to improve’ [V].

The work carried out jointly by independent winemakers, contributing winegrowers as well as the cooperative cellar to obtain AOC classification in 2010 was initially focused on drawing up strict production specifications, for: growing and harvesting the grapes (distance between vines, number of vines per hectare, harvest yield per hectare, etc.); wine making (sugar content, natural alcohol content, etc.); packaging; and delimitation of the AOC geographical area.

These standards and procedures led both to a standardisation of the products and, above all, to internal and external quality controls that have resulted in an increase in the overall **quality** of the wines required for obtaining the AOC classification.

‘Compared to what my father-in-law did in the 90s and 2000s, there is no comparison’ [B].

‘“Wine is much better today than it was before”, that’s what you hear’ [U].

Indeed, our desk research confirms that the reputation of the vineyard has clearly improved in recent years. The number of press articles or radio and TV reports has increased; Auvergne wines are given positive reviews in the national press for their specialised nature.

‘Journalists from the wine press and critics are interested in wines in which people were not previously interested’ [G].

Under the effect of the AOC classification, the visibility of the vineyard has increased, although the actors warn that the reputation of Auvergne wines is still difficult to change, especially locally. With the same idea of gaining even more visibility and improving reputation, a new highly ambitious collective initiative called Vinora has recently been launched. Vinora, the first-ever volcanic wine fair, took place at the end of January 2020, bringing together the only eight ‘volcanic’ vineyards in the world. Improved notoriety was clearly the aim of this operation.

‘Journalists are becoming more and more interested in us. They’re interested in our positioning in volcanic wines because we’re the only ones in France with this kind of positioning. So this also offers something new to be able to talk about us. There are a lot of appellations that will envy us in France in relation to this positioning’ [K].

3.1.2 Three mechanisms of value appropriation

Not surprisingly, in line with the previous literature, **resource sharing** was present in our study, notably through the pooling of equipment for vine maintenance or harvesting. Two agricultural equipment cooperatives are located in the area, one managed by independent winemakers and one by winegrowers who bring their own equipment to the winery.

These independent winemakers and the winegrowers contributing to the cooperative wine cellar all expressed an interest, in fact rather unexpected, in seeing **new makers or growers arrive** in the appellation area, both for the development of new wine estates and the takeover of existing estates that might be put up for sale. Thus, while the Côtes-d’Auvergne AOC Syndicate was working to recover several hectares of land in the AOC area, instead of sharing out the

whole area to increase their production, the actors involved were reserving part of it for possible newcomers.

‘This will make it possible to create a reserve of wine-growing land for other winegrowers who settle here’ [C].

‘This is the most important thing; it makes us more competitive with each other because things are changing So young people have to settle here. The current mission of the Syndicate and the Federation is to draw up an inventory of those AOC wine-growing areas that remain to be allocated’ [J].

This very welcoming state of mind was confirmed, during the interviews, by recently settled wine growers.

‘We had help; the wine federation was there for us. We have access to a person who is great, who does a very good job, and who has been there for us. Whenever we need it, we get a quick and easy answer’ [R].

‘We put vats outside in the courtyard, they lent us vats, people are nice to us, which we’re happy about. We were made welcome by the independents’ [D].

Finally, **solidarity** – which goes far beyond simple cooperation – is commonplace in the case of the Côtes-d’Auvergne AOC. Vineyard work is very demanding and cannot be delayed. If a grower encounters a health problem, this is likely to be particularly critical, especially since most growers work alone or with their families. When a winemaker came to suffer health problems, several colleagues got together, spontaneously and voluntarily, to work in his vineyards.

‘We found ourselves together with 20 winegrowers in his vineyard and in one morning we did a month [of work]. So collaboration is our job, with a strong human side to it; we know all too well that anyone can be impacted at some point. Mutual aid is a necessity in our profession. Often companies only really

care about one person, and when that person has a problem, it becomes a threat to the company' [H].

This episode is not an isolated case, and solidarity goes beyond the possible divisions between the cellar and its suppliers on the one hand, and the self-employed on the other.

Moreover, wine growing is highly subject to the vagaries of the weather (drought, hail, frost) or disease. These hazards can be very localised and may only affect a few hectares of a vineyard. For example, when a hailstorm destroyed almost the entire harvest of an independent winemaker, further examples of solidarity were seen among the producers.

'See, I had a hail storm, he [the manager of the cooperative winery] sent me a text message saying "I heard what happened to you, if you need anything, if you want me to sell you grapes, you can count on me."' [J].

3.1.3 One collective mechanism of value destruction

Although they are not explicitly mentioned, mechanisms of value destruction are also identifiable in our case, and they are clearly collective. Although the development of the AOC was desired by the local actors, leading them to carry out a significant amount of work together to achieve it, there have not only been beneficial effects for the producers.

The first difficulty concerns compliance with the AOC specifications, its tight regulations and numerous quality controls:

'For me, the AOC means more about control' [D].

During tests and tastings, if the wine does not meet the criteria of the specifications, it is downgraded and the production can no longer benefit from the AOC classification. Moreover, respecting the AOC criteria has led to a decrease in yields.

'I make a little more PGI [Protected Geographic Indication] because the yields are slightly higher for equivalent cultivated areas: for PGI, it is 70 hectolitres per

hectare, 90 for the rosé wines, it is 55 for the AOC. That's 1.5 times the yield for the same surface area' [J].

The first consequence is thus measured in terms of turnover.

'When we got the AOC classification, we were forced to reduce yields, so to try to recover our turnover, we were forced to increase prices artificially... but little by little; you can't increase prices by 20% all in one go!' [K].

The second difficulty concerns the restructuring of the appellation and its resulting effects. With AOC classification, only certain grape varieties (i.e. clearly identified grape varieties grown from a specific species of vine) are authorised according to complementary geographical indications, depending on the communes where the wines are made, and the grapes harvested and vinified on these territories. For example, the Côtes-d'Auvergne AOC 'Chanturgue' is only authorised to produce red wines, solely from a Gamay and/or Pinot Noir grape variety. Before obtaining the classification, winegrowers and winemakers were able to vary the grape varieties and products (red, rosé or white wines). However, since 2010, this has no longer been the case for those who wish to produce wine benefitting from the AOC appellation. As far as the clientele was concerned, these new rules of the game considerably complicated things, at least in the beginning.

'For the 2011 vintage [the first after obtaining AOC classification], things were a big mess; people didn't understand anything anymore' [K].

The second effect in terms of marketing has been a reduction in the choice of products offered. For example, since achieving AOC, only one additional geographical indication is authorised to produce rosé wine, reducing the choice for restaurant owners.

'People have one on the menu and they're done!' [K].

3.2 THREE INDIVIDUAL MECHANISMS

3.2.1 One individual mechanism of value creation: innovation

Given the literature on coopetition, it is surprising to see that innovation is not commonplace in our study. Maybe it is due to the traditional nature of the activity and the standards-based framework of the AOC specifications. Certainly, changes can be envisaged as far as the level of standards is concerned (joint value creation), such as modifications in grape varieties that are better adapted to climate change. However, in the immediate future, innovation is more a matter of individual decision, for example in maintaining or improving the soil quality, in winemaking techniques or in choosing to mechanise vineyard work.

‘We introduced micro oxygenation three years ago, which ultimately offers better conservation of our wines without adding any sulphur’ [Q].

‘We went to the Mediterranean two weeks ago to immerse [a barrel of wine] in water’ [G].

‘Since we left [the equipment cooperative], we have invested in some very good equipment. . . . [W]e realize that in the end we have to move forward alone a little, without being too alone either’ [R].

Diversification can also be a consideration, although much remains to be done in this area.

‘If I had children, that’s what I would do: I would probably reduce my vineyard-growing area and focus on wine tourism, accommodation, wine bars... That’s more like it... I think that the added value will be more in this than in the production side, which is rather uncertain’ [K].

Obviously, the AOC framework limits innovation, since it specifies strict rules at all levels, from vine growing through to packaging. For example, one winemaker mentions a project to make wine in barrels.

‘I want to make small vintages that are a little nicer, different from what I’m used to making. To make wines with a little more tannin, to make micro-vintages and to have a bit of fun’ [H].

Nevertheless, this is possible only under the PGI label, and not under AOC production.

Finally, as mentioned above, the year 2020 saw the emergence of a new approach focused on enhancing the volcanic character of Côtes-d’Auvergne wines with the creation of Vinora, the first International Volcanic Wine Fair. Designed to be a collective initiative, it has for the moment been difficult to federate actors around the event, given that it requires paying a specific membership fee in this new association. Only a few winemakers have accepted to participate so far.

3.2.2 Two individual mechanisms of value appropriation

Directly linked to the already mentioned collective mechanisms of value creation, such as notoriety or increased quality, growers or makers are now in a position to respectively **sell their grape harvest and wine production better**, both in terms of volume and price, albeit more uncertain for the latter. Indeed, obtaining AOC classification has made it possible to increase the volume of sales at the terroir level. On the other hand, things are less clear-cut regarding the variation in price per bottle.

‘We don’t watch prices too closely. We don’t have a price-monitoring observatory . . . The increase in quality and all the promotional work has improved awareness, the image, so sales are perhaps easier and winegrowers are better able to justify their price increase. But I’m not sure that this has increased prices, but it has made it possible to sell more easily’ [U].

Things are therefore very different from one actor to another, some having clearly taken advantage of obtaining the AOC classification and the resulting reputation and increase in

quality to raise their prices, while others have seen no change. Moreover, the reality is rather complex since, in parallel to AOC, some winegrowers or winemakers have chosen to cultivate PGI plots (therefore not subject to AOC specifications), which makes it possible to offer a selling price per bottle that is sometimes higher than the AOC bottles without having to meet the strict AOC specifications:

‘*Vins de pays*, or table wines, are sometimes sold at a higher price than AOC wines’ [J].

‘Since I’ve been in *Vins de France*, I’ve been selling at a slightly higher price. For my AOC bottles, I was at around 6 euros on average, and now I’m at 8 euros’ [H].

‘The most expensive bottle in the range is PGI’ [J].

Moreover, **international development** has also been facilitated by a better reputation and an increase in quality, although this has not benefited everyone. International business is the prerogative of the cooperative cellar, which generates 25% of its turnover from exports to 14 countries, including Canada, the United States, Japan and the United Kingdom. The size of the structure has enabled the creation of a job position specifically responsible for developing international trade, which has resulted in a rapid increase in exports. In addition, a few independent winemakers, not numerous and with necessarily limited volumes, export part of their production, often a little by chance.

‘The Brazilian market resulted from a customer who came by one day, who had a friend who wanted to set up a wine shop. I gave him some sample bottles’ [J].

‘Those who export therefore do it either by knowledge or opportunity; it is not necessarily a proactive strategy, but they will only go there if they are more involved than in direct sales. In any case, they don’t have much volume, they don’t have any stock’ [U].

4 DISCUSSION

In order to answer our research question about the mechanisms of value creation and appropriation in local-level competition among micro-firms in traditional industries, we analysed the case of the Côtes-d’Auvergne AOC and highlighted both individual and collective value mechanisms (see Table 3). In this part, we first clarify our main findings, then outline the contributions and finally, present the limits and perspectives of this research.

4.1 MAIN FINDINGS

4.1.1 Insights on value creation mechanisms

In the specific context of this wine-growing terroir, value creation differs from previous literature above all in its link with innovation. In the case of the Côtes-d’Auvergne AOC, innovation is not particularly developed; it appears as a very secondary outcome of the competition mechanisms at work, and it is, surprisingly, an only individual initiative. Innovation is ultimately one of the only ways winemakers can differentiate themselves to sell their product. It could be understood as the antidote to the standardisation imposed by the AOC and that is probably the reason why it is done individually. This result is therefore different from the previous literature, which makes innovation a main, and much sought-after, outcome of competition (Gernsheimer et al., 2021). The mechanism of individual value creation is therefore very specific in the case of wine-producing micro-firms. Moreover, the synergies that could occur through competition (Ritala & Tidström, 2014) effectively lead to collective value creation, which will nevertheless be mainly expressed individually in terms of value appropriation, since the actual gains in ‘market growth’ will be different according to individual actors.

4.1.2 Insights on value appropriation mechanisms

The most remarkable results of our study concern value appropriation mechanisms. Indeed, our analysis highlights more ‘positive-sum’ value-appropriation mechanisms than ‘zero-sum’ ones, in the words of Ritala and Tidström (2014). Furthermore, our research sheds new light on coopetition from a micro-firm perspective. Although in line with the previous literature (Gernsheimer et al., 2021) we identify resource sharing as one of the objectives of coopetition, it appears to be quite secondary in our study. The mechanisms relating to new entrants and solidarity (which, as we have pointed out, goes far beyond collaboration or cooperation) appear, in contrast, as central. About new entrants more specifically, using the initial pie analogy (Nalebuff & Brandenburger, 1997), it turns out that a slice is set aside for future newcomers, even though they will not have provided any ingredients. Regarding solidarity, this clearly echoes the friendly side of coopetition shown by Gast et al. (2019) and the sympathy developed among small craft breweries studied by Kraus et al. (2019). Consequently, our study confirms that coopetition among very small firms is not only a way to increase business, but is also characterised by a strong cognitive proximity based on individuals (Gast et al., 2019; Kraus et al., 2019). This result is in line, too, with those of Spielmann and Williams (2016) regarding the Champagne vineyards, who show cognitive proximity matters a lot for origin-specific firms. In the Champagne case, however, the firms are much bigger and benefit from a worldwide reputation, making value easier to create than in the case of the Côtes-d’Auvergne AOC. Nevertheless, business is important too, as shown by the relational side of coopetition helping to develop market growth (Ritala & Tidström, 2014). Not surprisingly, our case points it out as an individual dimension of value appropriation. This mechanism concerns a close-to-customer activity; the literature shows this type of activity is often more competition-oriented than far-from-customer activities (Lindström & Polsa, 2016). Working together to sell more products (and at a higher price) is therefore possible, although this value-appropriation mechanism is

individual. This result is in line with the literature, showing that the hardest aspect of coopetition is value appropriation, especially for small firms (Bouncken et al., 2020).

4.1.3 Insights about value destruction

Finally, our study highlights a value destruction mechanism, previously identified by scholars (Gnyawali & Ryan Charleton, 2018) without providing any empirical evidence. In our case, value destruction ultimately leads to increased competition among actors since in order to avoid such destruction, they develop alternative products (*'Vins de France'* or PGI appellations) that become head-on competitors for wines produced under the AOC classification. Coopetition therefore leads, sometimes, to cannibalisation. These forms of avoidance behaviour generate pockets of competition where they did not previously exist, making coopetition less relevant as the balance between competition and cooperation is in fact modified.

4.2 CONTRIBUTIONS

While coopetition is now considered as a theory (Fernandez et al., 2018; Gnyawali & Ryan Charleton, 2018), our research mainly aims at enriching it. Consequently, we offer several types of contributions: theoretical, empirical and managerial.

4.2.1 Contributions to the coopetition theory

Our main theoretical contribution deals with the mechanisms of value creation, appropriation and destruction, as this dilemma has been under-studied (Fernandez et al., 2014; Gnyawali & Ryan Charleton, 2018; Santos, 2021). By analysing them through their collective or individual dimension, we show that in the case of micro-firms, value mechanisms are quite distinct and lead to outcomes that are different from those traditionally observed in terms of coopetition. This means coopetition remains particularly complex to study, as it differs a lot depending on the context.

Our study allows going deeper into these mechanisms by distinguishing those that are collective, in the traditional ‘mutual benefit’ approach of coopetition, from those that are individual. We therefore contribute to a better understanding of coopetition as a multi-level strategy and its complex dynamics.

More specifically, we contribute to the current literature, which has already identified value destruction as a potential risk for coopetitors (Gnyawali & Ryan Charleton, 2018) but to our knowledge, never studied it. With this study, we provide empirical evidence of value destruction. It is not just a potential collateral damage of this strategy; it is likely to affect the very balance of cooperative relationships among actors.

4.2.2 Empirical contributions to coopetition literature

Our study also enriches coopetition literature with empirical contributions. We deliberately focus on micro-firms in traditional industries, in line with repeated calls for further investigation of this kind of firms (Devece et al., 2019; Garri, 2021; Gernsheimer et al., 2021).

Regarding micro-firms, we show that the specific characteristics of the actors studied, linked to their small size and origin-specific activity, have effects on the nature of the observed coopetition. In other words, our research shows that coopetition differs deeply in this kind of small businesses as compared to larger companies in high-tech industries. We confirm that solidarity and welcoming newcomers are strong markers of this kind of business (Gast et al., 2019; Kraus et al., 2019).

Secondly, our study provides some insights regarding local-level coopetition. Rarely studied from a geographical perspective, coopetition seems to be different in this kind of context. The different forms of proximity – which are not only geographic (Boschma, 2005) – appear to play a crucial role in cooperative relationships; this result is in line with the work of Albert-Cromarias and Dos Santos (2020), even though they studied a very different industry, namely healthcare. For origin-specific products, actors belong to the same territory; they are therefore close,

geographically speaking. Our study begins to highlight this under-studied aspect of cooptation by confirming that cognitive proximity matters a lot (Gast et al., 2019; Spielmann & Williams, 2016). Maybe the next step could be further investigation of the other dimensions of proximity.

4.2.3 Managerial contributions

Our research also has managerial implications for AOCs and territorial projects involving diverse categories of actors. It reiterates the importance of taking into account the full range of their potentially divergent interests. The local-level perspective with a strong link to the terroir also highlights the interest, for those stakeholders, in developing collective territorial strategies, which, while taking into account the variety of stakeholders, also makes it possible to reconcile multiple points of view and expectations within the framework of a joint project.

4.3 LIMITS AND PERSPECTIVES

Our work is based on a case study, which by definition focuses on a very specific context, here a French AOC appellation. As mentioned earlier, our case was chosen for fitting some specific criteria: the wine industry is well adapted to studying cooptation; the small Côtes-d'Auvergne AOC vineyard, though having only limited resources, also appears as a common and widespread context. Nevertheless, as each context is very particular, it is not possible to generalise our study to all other AOCs in the wine industry, nor, a fortiori, to other micro-firms. Moreover, it should be remembered that the extreme variety of small business and its diversity make it an unlimited field of study, for which any attempt at generalisation would be doomed to fail. Nevertheless, given the economic and social weight of micro-firms, we believe that research should pay closer, even if incomplete, attention to them. Finally, our study was carried out in the French context, which means that neither can the influence of the cultural dimension be ruled out.

In addition, we must also point out a methodological bias, linked to the subjectivity of the researcher at interviews during which actors' perceptions were expressed and then collected. We tried, however, to temper this bias by the dual data and investigator triangulation mentioned in our methodological design.

We therefore consider that our work is a promising first step for research on coopetition among micro-firms in traditional industries, opening the way to many further perspectives. Other sectors could indeed be explored (e.g. craft-building companies or other agrifood activities) and international comparisons could also be made so as to take into account, and thus restrict, the previously mentioned bias due to the French nature of our study. In addition, many investigations can still be carried out on the geographical dimension of coopetition in order to gain better understanding of when, why and how said dimension is able to facilitate cooperative relationships – or not. Research on coopetition in micro-firms from a local-level perspective thus unquestionably opens many theoretical and empirical perspectives.

5 CONCLUSION

Our research aims to enrich the abundant literature on coopetition. It addresses three different gaps, concerning: first, the mechanisms underlying the creation, appropriation and destruction of value in cooperative relationships; second, the lack of knowledge on coopetition among micro-firms in traditional industries; and third, the under-studied local level of coopetition. Carried out on the case of the Côtes-d'Auvergne AOC, this study makes it possible to identify nine mechanisms for value creation, appropriation or destruction, which are either individual or collective. This research points out that coopetition among micro-firms in traditional industries is different, as it features more attention to solidarity than to innovation, which is very often a main objective for high-tech companies.

From a more general perspective, our research is a first step towards a better understanding of competition among micro-firms as such, as there are still many areas of investigation to be conducted. Other studies, on different industries and in other countries, would allow us to confirm or refute our results, which given the field studied here, are considered to be very specific.

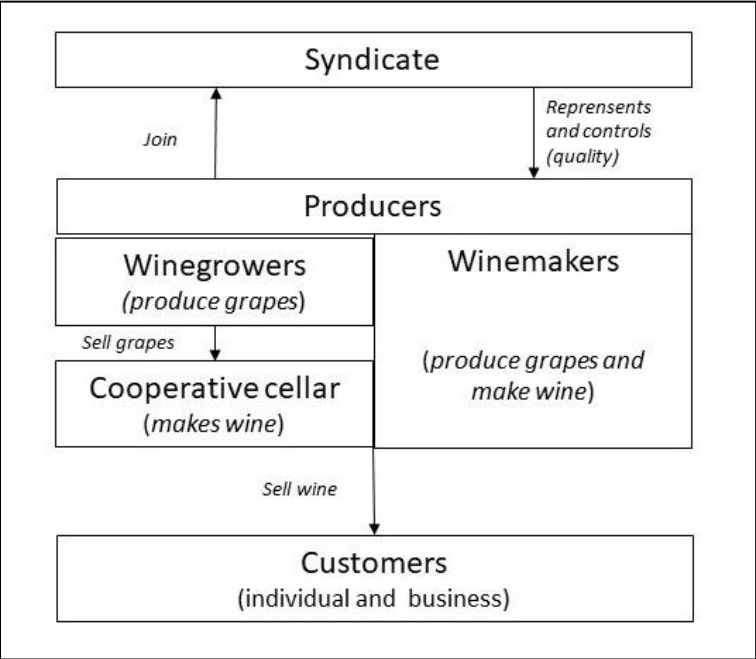
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Figure 1. Simplified presentation of the Côtes-d’Auvergne AOC



Source: authors

Table 1. Secondary data

Type of data	Details	Number
Newspaper articles	<ul style="list-style-type: none"> - Le grand retour des Côtes-d’Auvergne. Journal Le Point, 2/10/2011 - Viticulture : l’Auvergne et son terroir ont la cote. Journal La Montagne 2/24/2018 - Pierre Desprat : ‘Il est plus facile de valoriser nos Côtes-d’Auvergne à New York qu’à Clermont-Ferrand’. Journal La Montagne, 4/25/2018 - À quoi servent les AOC ? Journal Le Point, 5/14/2018 - Le Côtes-d’Auvergne Châteaugay, un vin au goût des volcans. Journal La Montagne, 7/27/2018 - Le premier salon international des vins volcaniques aura lieu à Clermont-Ferrand en février 2020. Journal La Montagne, 2/02/2019 - Vins - Côtes-d’Auvergne, le goût montagne. Journal Le Point, 3/23/2019 - Le meilleur des Côtes-d’Auvergne. Journal La Montagne, 5/14/2019 - La Loire volcanique fait irruption sur vos tables. La Revue du Vin de France, 7/02/2019 - Le souffle nouveau de l’Auvergne, authentique eldorado du vin. Chronique radio, France inter, du 9/22/2019 	11 articles (including a radio program)
Social media	<p>Facebook:</p> <ul style="list-style-type: none"> - Vignerons indépendants ; Cave Desprat Saint-Verny ; Syndicat AOC Côtes-d’Auvergne ; Plusieurs vignerons indépendants. 	Several hundred posts and comments
Internal documents (Syndicate or growers/makers)	<ul style="list-style-type: none"> - Cahier des charges de l’AOC (12 pages) - Guide du demandeur de l’AOC Côtes-d’Auvergne (68 pages) - Données relatives à la production des huit dernières années (1 page) - Catalogue 2016 de la cave Desprat Saint-Verny (76 pages) - Dossiers de presse 2017, 2018 (42 pages) - Présentation journée technique (32 pages) - Présentations sur la filière (63 pages) 	294 pages
Documents on the French wine sector	<ul style="list-style-type: none"> - Bilan de la production Française de vin, 2018, source FranceAgriMer (82 pages) - Bilan commerce extérieur vins et spiritueux 2018, source FranceAgriMer (25 pages) - Prospectus de la Chambre d’agriculture du Puy-De-Dôme 2015 (2 pages) 	109 pages
Non-participant observation	<ul style="list-style-type: none"> - Festival Wine not Auvergne, Clermont-Ferrand, 6/28/2019, 3 hours - Festival Festi-Wine, Sayat, 7/19/2019, 3 hours - Festival Festi-Wine, Vic-le-Comte, 7/26/2019, 3 hours 	9 hours of observation
Informal discussions	Discussions and visits of sites, before and after interviews	10 to 15 hours

Table 2. Interviews

Type	Interviews references	Number of interviews
Independent winemakers	[A] to [O]	15
Cooperative wine-cellar	[P] and [Q]	2
Winegrowers	[R] to [T]	3
AOC Syndicate	[U] and [V]	2
TOTAL		22

Source: authors

Table 3. Nine cooperative mechanisms

Dimension Type	Collective	Individual
Value creation	<p>Notoriety: ‘The AOC is a beautiful thing for us because in the national hierarchy of wines, we are an appellation in our own right like all the great appellations. Nowadays, we are recognised as such.’ [U]</p> <p>Increase in quality: "It’s a good thing we got the AOC because we make top wines. I prefer to make less but to do it well." [B]</p>	<p>Innovation: ‘We introduced micro oxygenation three years ago...’ [Q]</p>
Value appropriation	<p>Resource Sharing: ‘Collaboration in a small vineyard like ours is essential; it allows us to pool our resources, to meet more often and to move forward for the future.’ [C].</p> <p>New entrants: ‘Tomorrow, if there are 10 more winegrowers, I say it’s an opportunity for the appellation. I’m not going to have 10 competitors; I’m going to have 10 new colleagues. If there are 10 more of us, there’s emulation, emulation pulls everyone upwards.’ [H]</p> <p>Solidarity: ‘Anyone can have a health issue. When it happens to you, you’re glad your friends are coming to help you.’ [C]</p>	<p>Increase in sales (volume and unit price): ‘The AOC has contributed a lot and that’s very good, we have a lot of controls, [the selling prices of] wines have increased and that makes sense.’ [A]</p> <p>International business development: ‘We represent roughly speaking almost all the exports from the Côtes-d’Auvergne vineyards.’ [Q]</p>
Value destruction	<p>Restrictions related to conformity with the specifications: ‘For me, the AOC is more about control.’ [D]</p>	

Source: authors