



Dynamic capabilities

Case study: Antica Distilleria Petrone

ANTICA DISTILLERIA PETRONE

Antica Distilleria Petrone is a small, Italian family business started in the late 1800s, now come down to the fifth generation. Today, the company is managed by Andrea Petrone and has 14 employees with a turnover of about 5 million euros, of which 41% comes from exports.

The company operates in the business area of distilling, rectifying and blending spirits, and manages a product portfolio that is rather varied and interconnected, consisting of liqueurs, distillates, alcoholic aromas for pastry, herbal infusions and natural aromas for industry.



COMPETITIVE STRATEGY: QUALITY

In order to reach its current high-quality standards and consolidate its image in the market, the Petrone Distillery has built a complete production line, “from land to distillery”, based on the authenticity of the raw materials. Everything starts from a careful analysis of the land, where many of the officinal herbs and aromatic roots that characterize liqueurs and distillates are cultivated.



INTERNATIONALIZATION

Despite a high market share in the Italian market, where it enjoys a high reputation and trust from consumers, Petrone Distillery has felt the need to expand abroad since 2005.

So, through exports, it has brought its products to over 10 countries, where it has operated continuously for more than 10 years. Hence, the company can be defined as a “gradual global company”, which started internationalization centuries after its foundation.

The company began to exploit its resources and capabilities first in culturally and geographically closer countries, and then in more distant markets, when it began to acquire greater export capabilities and accumulated knowledge. Its presence in foreign markets has been achieved through continuous travels to participate in fairs and tasting, both in foreign and Italian markets, with the aim of finding importers and distributors willing to market the company's products.



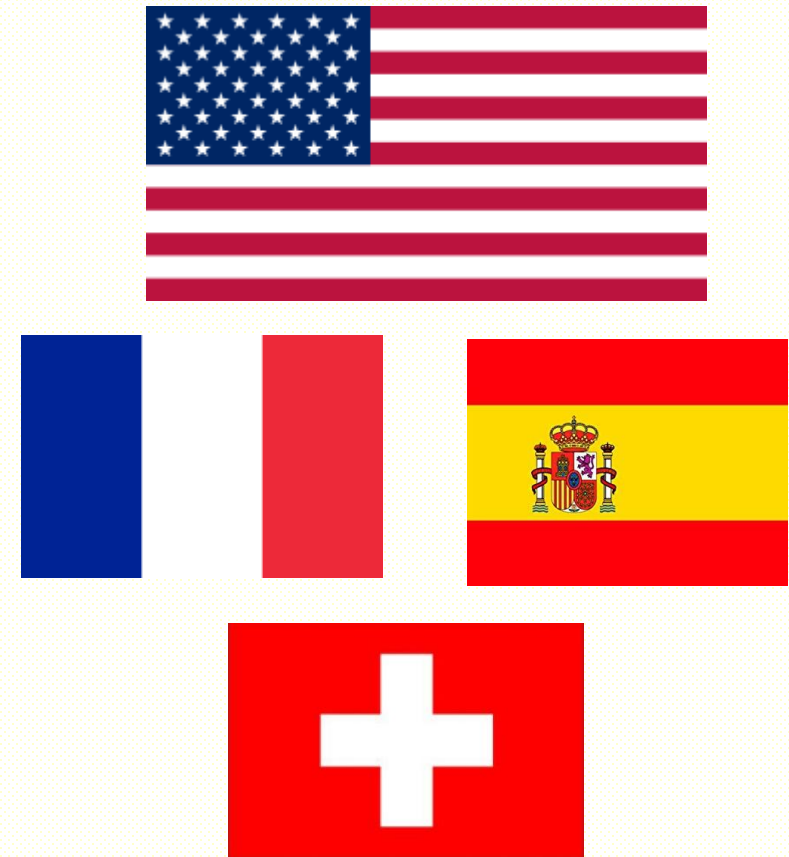
INTERNATIONAL STRATEGY

With the support and proximity of domestic and foreign exporters, Andrea Petrone identified the countries with the highest potential for drinking alcoholic beverages, particularly limoncello and sweet liqueurs, which represent the diamond tip of the company's product portfolio.

There is a small number of countries with similar eating habits, with Italy and USA in the lead for these products.

This data led the distillery to enter the American market first, where it immediately recorded 15% of sales in 2005, and then to reach major European countries, including France and Spain, until arriving in Switzerland.

Its products are present today in emerging countries, such as China, Japan and India, but sales are very low. According to Andrea Petrone, the Chinese market will be very important in the future, because the Chinese consumer emulates the American consumer.



DISTINCTIVE COMPETENCIES: MADE IN ITALY

The Italian liqueur best known and best-selling abroad is limoncello.

However, when Petrone started exporting in 2005, markets were already served by other competitors.

From here the decision was made to try to conquer the foreign markets with products that were new and innovative, but also representative of “Made in Italy”.



NEW PRODUCT DEVELOPMENT

The most interesting market for Petrone is Spain, because of the high consumption of cream liqueurs, low customs duties, and gastronomic and cultural proximity to Italy. So, when he thought about creating a new product, he realized it directly by thinking of Spain and Italy as destination markets.

GUAPPA was born from the “Campania Felix” ground’s resources, a creamy liqueur with a strong personality, made out of buffalo milk extracted from the source zone of the “mozzarella di bufala campana DOP”. This product certainly reflects the Italian gastronomic tradition, as it is linked to buffalo mozzarella, but many elements make it clear that it was also designed for Spain. First of all, the name “Guappa” resembles the Spanish word “guapa” i.e. beautiful. Secondly, the flavour is reminiscent of cappuccino which, according to a marketing survey, is the favourite taste of Spanish people. Thirdly, the bottle has colours and graphics reflecting a typical Spanish design and the label with the buffalo head recalls the image of the bull, a traditional Spanish symbol



PRODUCT INNOVATION

Another leading product of the Petrone Distillery is Elixir Falernum, which is a liqueur made with an important wine from the south of Italy, enriched with forest berries.

This product is very important for entering new markets, because it uses the fame of and the passion for Italian wines. In collaboration with the University of Palermo, the company has pursued an innovative project for this product, consisting of aging the wine in barrels with music in the background.

After several months, during which the wine fermented in barrels with the music of Ennio Morricone, the analyses showed that the product matured three months before it was expected to, so the production process has been shortened, and the liqueur acquired a richer, rounder and denser taste.



NEW DISTRIBUTION STRATEGIES

The distillery's distribution channel comprises importers who sell to local distributors, who later distribute the product at the point of sale. The problem with the alcohol sector is that licenses are necessary to import the products, so direct sales are not possible.

Especially for export to countries where a monopoly is present, such as Canada and the countries of northern Europe, the main role is played by the importer, who has the task of forming the relationship with the monopoly and communicating the product correctly to this last for the purpose of inserting it into its product portfolio.

Petrone decided to change the distribution strategy to gain more control over a very important market, that is Russia, by signing a contract with the fourth biggest vodka producer in the country, which has put Petrone products into its range of offerings. In this way, the company gained a faster spread of products by leveraging the partner market.



NEW DISTRIBUTION CHANNELS

Another important distribution strategy that the company has implemented for expanding abroad is to enter a new distribution channel, namely duty-free sales in airports. This strategy is not intended to increase sales or margins, but rather to make the product visible to international consumers.

Finally, Petrone Distillery was the first alcoholic company to use tiered counter top display units in tobacco and other retailers with miniature products. The goal is to stimulate impulse purchases so that foreign consumers, who do not know the product, are encouraged to try it.



CO-BRANDING STRATEGIES

In Italy, Petrone products are well known by consumers and have a long tradition for which the company does not need consistent advertising campaigns. The issue is different abroad, where the company, given its recent internationalization activity, is almost unknown. For these reasons, the company has undertaken some promotional activities aimed at increasing export performance. These communication strategies have been designed, taking into account the scarcity of economic resources available to the company.

The most important one, which has produced the greatest results, was the co-branding agreement with Alviero Martini, an Italian luxury brand that sells clothes and handbags all over the world with the well-known mark “Prima Classe”. Alviero Martini dressed Petrone bottles with his famous design. This enabled products to be placed abroad in a high market segment. Consumers, who did not know the Petrone brand, recognized the design of Alviero Martini on the bottles and automatically associated the liqueurs with high quality Made in Italy products.



COMMUNICATION STRATEGIES: PRODUCT PLACEMENT

Another successful promotional strategy has been that of product placement. In order to reach an international audience, the Petrone Distillery's limoncello has been sponsored in the movie "Third Person", for which the actor Paul Haggis won an Oscar. Other important actors in the movie are Kim Basinger, Liam Neeson, Olivia Wilde and the Italian actor Riccardo Scamarcio. In one scene Scamarcio, who is playing a bartender in an episode set in Rome, offers a glass of the Petrone Distillery's limoncello first to the character played by the actress Moran Atias and then to that of Adrien Brody, who remains very enthusiastic.



CUSTOMER ENGAGEMENT

The Petrone Distillery is the first Italian distillery to use Microsoft Tag technology in order to improve the dynamics of corporate communications. This innovative technology offers an extraordinary opportunity to stay in touch with customers and allows people to experience a product or service in a new way.

Tag allows consumers to learn specific information about the product or the company, projecting it to the boundaries of technological innovation in an international context. In addition, in order to reinforce the image of Made in Italy, through the Tag, Petrone offers the opportunity to see videos about the history of the most important Italian monuments (fig. 5). Information and videos are available in the most common languages and the company has the opportunity to see when and where people use the Tag.

