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Local networks' facilitation of small wineries' foreign market entry

-A case study of a South African wine cluster-

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Abstract

Prior research has emphasized the role of networks for SMEs' internationalization in order to successfully expand into foreign markets. Attention has mainly been directed on the importance of establishing contacts in foreign networks, where both business and social relationships have been seen to foster SMEs' international expansion. However, less research has focused on the potential that local networks have on facilitating the internationalization for small firms. This study seeks to address this deficiency by investigating how local networks facilitate foreign market entry for small wineries located in a cluster region in South Africa. This is completed by a multiple case study including eight small wineries. The result shows that their insidership in different local networks have facilitated for their expansion into foreign markets. Yet, the findings indicate that being an insider in local networks does not per se result in entry into foreign markets. Instead, it is the interactional dimension, the networking aspect that appears to be of importance in order to grasp emerging opportunities resulting in foreign expansion. The main challenge identified in this study is related to the prevailing business environment within the cluster, where firms both collaborate and compete with each other. This is seen to hamper the utilization of the local networks' full potential. The study contributes to the existing literature by enhancing the understanding of three interconnected theoretical fields; network theory, cluster theory and SME internationalization theory in terms of foreign market entry.

Key words: Local networks, Cluster, SME internationalization, Foreign market entry, Wineries, Stellenbosch.

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List of abbreviations

CWG - Cape Winemakers Guild

MNC - Multinational Corporation

SA - South Africa

SME - Small and Medium-sized Enterprise

SWR - Stellenbosch Wine Routes

WOSA - Wines of South Africa

1. Introduction

This chapter gives a brief introduction to this study and begins with a general background description in section 1.1. The two following sections, 1.2 and 1.3, aim to provide a review of the theoretical outset of this thesis. This is followed by a problem discussion that underlines research gaps identified by the authors in previous research. Thereafter, the research question and the purpose of the study is presented and the chapter ends by discussing the delimitations.

1.1 Background

The international business environment has undergone significant changes during the last decades, much related to the globalization phenomenon, which often is described as one of the most important economic events in recent time. In broad terms, the globalization has resulted in an enhanced interdependence between nations, economies, enterprises and people (Chibba, 2014). A higher degree of integration, reduced trade barriers and technological developments, particularly in communication and transportation (Ruzzier, Hisrich & Antoncic, 2006; Shangquan, 2000), have generated an increased number of international enterprises as well as a higher volume of traded goods on the global arena (Acs, Morck & Yeung, 2001; Gjellerup, 2000). Traditionally, resource-rich multinational corporations (MNCs) from developed countries have dominated the international marketplace (Chibba, 2014). Yet, due to the global developments, new international opportunities have emerged for small and medium-sized enterprises (SMEs) (Felzensztein, 2016), where advantages such as a strengthened position and increased sales are highlighted as gains resulted from foreign expansion (Oviatt & McDougall, 1994; McDougall & Oviatt, 1996). The escalated presence of SMEs on the global scene has not only benefited individual firms, it has also been a crucial driver for several countries' economic growth (Gjellerup, 2000).

However, internationalization is not merely coupled with international advantages, there are also challenges involved, particularly for smaller firms that often have a limited set of resources in comparison to larger firms (Musteen, Francis & Datta, 2010). In order for SMEs to overcome their constraints, they tend to rely on network relationships when approaching international markets (Coviello, 2006; Zahra, 2005). These relationships help and support SMEs to cope with limitations via access to external resources. This is crucial for SMEs in

order to stay competitive in today's global environment where products and services easily can be replicated and produced on several locations around the world (Overton, Warwick & Banks, 2012).

An industry that is interesting and distinguishes when it comes to the possibility to replicate products is the wine industry. Wine is an agricultural product that has a strong connection with its *terroir*, the specific characteristics of the location where the wine grapes are cultivated, which makes it hard to replicate. The product's close relation with its origin affects the possibility to cultivate grapes, wherefore the production is limited and concentrated to certain areas around the world. Hence, the specific and concentrated locations in which wine producing firms are located comprise fascinating examples of what the literature refers to as cluster regions (Felzensztein, Deans & Dana, 2018). Clusters have individual and distinct characteristics, which compose favorable environments for relationship building (Swann & Prevezer 1996; Porter, 1998). Further, the local business environment provides the clustered enterprises with advantages and disadvantages derived from the environment. This in turn, affects the internationalization process of cluster located firms (Felzensztein, Stringer, Benson-Rea & Freeman, 2014).

The internationalization of wine is further interesting because of the industry's extensive history. The wine sector is often described as a mature industry (Harrigan, 1988) with products traded around the world for thousands of years, mainly from countries located in the Old World (e.g. France, Spain, Italy, Portugal and Germany). However, the sector has recently undergone thoroughly changes (Campbell & Guibert, 2006) where new wine producing countries (e.g. Australia, South Africa, Chile and New Zealand), referred to as the New World, have entered the global scene and over the past decades become increasingly globalized (Thorpe, 2009). These wine producing countries, of which the majority are located in the Southern Hemisphere, have not only been able catch up with the Old World wine producers, but have started to outcompete them. By developing strong competitive advantages, such as economies of scale, adaptability to industry changes and attracting foreign investments, the New World wine countries have gained a better position to grasp emerging opportunities (Hussein, Cholette & Castaldi, 2008).

Considering the support that network relationships can assist SMEs with when engaging in international business, in combination with intra-cluster relationships, further attracts interests

on clustered New World wine producers in the Southern Hemisphere. All of this taken together invites for the examination of how local networks facilitate the internationalization of small wineries.

1.2 A brief review of the role of networks for SMEs' internationalization

Since small firms usually lack the relevant resources and capabilities necessary for internationalization (Coviello, 2006; Jeong, Jin, Chung & Yang, 2017; Zahra, 2005), the network theory emerged as a perspective explaining the international expansion of these firms. In order to overcome the resource constraints, SMEs turn to network relationships (Coviello, 2006; Zahra, 2005) as they can provide external access to knowledge, support, technologies and markets (Gulati, Nohria & Zaheer, 2000; Musteen, Francis & Datta, 2010; Zain & Ng, 2006; Zhou, Wu & Luo, 2007). Within the network research stream, the internationalization process is seen to influence and to be driven by relationships (Coviello & Munro, 1995; Johanson & Kao, 2010; Johanson & Mattsson, 1988). As markets are defined as webs or networks of firm relationships (Coviello & Munro, 1995; Johanson & Mattsson, 1988; Johanson & Vahlne, 2009), being an insider in relevant network(s) gives the firm access to valuable information and knowledge, which is a precondition to be able to internationalize successfully (Johanson & Vahlne, 2009). Therefore, a firm internationalizes by either establishing positions in new foreign networks (international extension), by developing its already existing position within a network (penetration), or when increased coordination between different network positions (international integration) takes place (Johanson & Mattsson, 1988). In other words, the internationalization of a firm is a result of the actions to augment its network positions (Johanson & Vahlne, 2009). Yet, researchers have different opinions whether these networks are borderless or not. According to Johanson and Vahlne (2009), the major concern for firms in their internationalization process is the liability of outsidership, where firms have not positioned themselves in a relevant network, rather than the liability of foreignness, i.e. the drawbacks of being a foreign firm operating in foreign markets. The issue of not considering national characteristics is stressed by Hilmersson (2011) and Jansson, Johanson and Ramström (2007) who underline the influence of country specific institutions on the network, both in terms of structure and relationships significance. Thus, a more complex reality is depicted where national differences cannot be ignored.

The network theory has occasionally been criticized for mainly focusing on large firms, thus omitting to take different firm characteristics and the impact of the decision-maker into account (Chetty & Blankenburg Holm, 2000). Still, later studies have proven the network theory to be valid for SMEs in their internationalization process as well (e.g., Chetty & Blankenburg Holm, 2000, Coviello & Munro, 1995, 1997; Hilmersson & Jansson, 2012; Senik, Scott-Ladd, Entekin & Adham, 2011; Udomkit & Schreier, 2017), particularly due to the fact that utilizing networks can moderate SMEs size-related impediments for international expansion (Coviello & Munro, 1995,1997; Udomkit & Schreier, 2017).

1.3 Definitions and characteristics of clusters

The interest for clusters has intensified since the 1990s when academics witnessed successful results from cluster systems in comparison with non-cluster regions (Felzensztein, Deans & Dana, 2018). Swann and Prevezer (1996) define clusters as “groups of firms within one industry based in one geographical area” (p. 139). Porter (1998) further developed the definition to “a form of network that occurs within a geographic location, in which proximity of firms ensures a certain form of commonality and increases the frequency and impact of interactions” (p. 242). While definitions and theoretical approaches differ amongst scholars, there is a coherent understanding regarding the benefits that clusters provide firms located in cluster regions. These benefits are often linked to value chain inputs and production processes (Mackinnon, Chapman & Cumbers, 2004). Yet, cluster’s impact on newly established firms and company growth is debated (Acs, Desai & Hessels, 2008). When it comes to wine producers, Felzensztein et al. (2014) noted that wineries located in clusters benefit from the reputation and branding of the cluster. Moreover, in order to maximize the companies’ full potential, especially in foreign markets, there was a high level of inter-firm collaboration within the cluster region.

1.4 Problem discussion

The role of networks in the internationalization of firms has been featured in a number of studies (e.g. Coviello & Munro, 1995; Johanson & Vahlne, 2009; Elango & Pattnaik, 2007), but the field still lacks conformity regarding how to classify or define network relationships (Ojala, 2009; Udomkit & Schreier, 2017). A body of studies has examined business and social networks, separately (e.g., Jansson & Sandberg, 2008; Zhou, Wu & Luo, 2007) as well as interconnected (e.g., Loane & Bell, 2006; Vasilchenko & Morrish, 2011). Other authors have

also studied similar, or closely related, types of networks, although using other terms. Musteen, Francis and Datta, (2010) and Udomkit and Schreier (2017) use personal networks in their studies, whereas Ojala (2009) and Kontinen and Ojala (2011) describe networks in terms of formal, informal and intermediary relationships. Regardless of terms, the studies showed that networks facilitate SMEs' opportunity recognition (Coviello & Munro, 1995; Vasilchenko & Morrish, 2011) and provide the firms with market insight (Loane & Bell, 2006; Udomkit & Schreier, 2017). However, whether networks influence entry of markets or not differ in the literature. Jansson and Sandberg's (2008) study demonstrated network relationships to be crucial for Swedish SMEs' entry into the Baltic Sea Region, whereas Ojala's (2009) findings showed that Finnish software SMEs' networks were not seen as facilitators when making the decision to internationalize to Japan. Thus, contradicting findings within this field invites to additional studies.

When assessing the relevant network literature, two research gaps have been identified. First, the lack of research on networks and their impact on emerging market SMEs' internationalization have been underlined (Senik et al., 2011). Studies related to the topic have mainly taken place in an Asian context (e.g., Jeong et al., 2017; Zain & Ng, 2006; Zhou, Wu & Luo, 2007) as well as in South America (e.g., Bianchi, Glavas & Mathews, 2017; Boehe, 2013). Nevertheless, the role of networks for African firms is still rather unexplored, especially regarding their impact on SMEs' internationalization (Rutashobya & Jaensson, 2004). Consequently, this gives incentives to study the mentioned area further.

Secondly, prior studies have indicated the importance of being an insider in relevant foreign network(s) when internationalizing (Hilmersson, 2011; Johanson & Mattsson, 1988; Johanson & Vahlne, 2009). Still, few scholars have investigated the potential effect of being an insider in domestic or local networks (Manolova, Manev & Gyoshev, 2010; Prashantham & Birkinshaw, 2015). Cluster literature is a closely related area of studies that has shed light on firms in geographically condensed areas and how the proximity to other firms within the same industry affects an individual firm. Still, there is little research made about the influence of the location of network actors and how this in turn might have an effect on the internationalization of individual firms (Al-Laham & Souitaris, 2008). The majority of the research within the field of small firms in regional cluster's internationalization has mainly focused on developed countries located in the Northern Hemisphere (Felzensztein, Deans & Dana, 2018), where especially comparative studies have dominated (Gupta, Levenburg,

Moore, Motwani & Schwarz, 2011). When it comes to the wine industry, previous cluster studies have been completed in countries such as Australia (Blandy, 2000), Argentina (Felzensztein, Deans & Dana, 2018), Chile (Felzensztein, Deans & Dana, 2018; Giuliani & Bell, 2005), Canada (Mytelka & Goertzen, 2004), New Zealand (Felzensztein, Deans & Dana, 2018; Dana & Winstone, 2008; Chetty & Agndal, 2008; Hall, 2004) and the United States (US) (Porter & Bond, 2004; Porter, 1998). Evidence from completed studies in Canada, Argentina, New Zealand and the US showed that wine regions located in the New World apt well to geographic clustering. However, Felzensztein, Deans and Dana's (2018) study, which focuses on drivers and barriers for small wine producing firms located in regional clusters in the Southern Hemisphere, indicate contradictory results. This finding, in combination with Acs, Desai and Hessel's (2008) conclusion that clusters' effect on firms varies from location to location and over time gives motivation for investigations, especially since none of the above mentioned studies have taken place in South Africa.

In sum, it is evident that there exist contradicting findings when it comes to the impact of network relationships on small firms' market entry. Further, there is a lack of studies on the outcome of being an insider in local networks. Lastly, few studies within both network- and cluster research have taken place in an African context. The contradicting findings and the identified research gaps further bring interest to the topic, which will be examined in this study.

1.5 Research question

Based on the previous discussion, the following research question has been developed;

How do local networks facilitate small wineries' foreign market entry?

1.6 Purpose of the study

The purpose of this study is to seek a deeper understanding of how local networks facilitate small wineries' entry into foreign markets. We argue that by studying three interconnected theoretical fields; network theory, cluster theory and SME internationalization theory in terms of foreign market entry, we intend to advance the knowledge of the intersection of these fields.

By completing a multiple case study we aim to identify what kind of local networks that the wineries included in this study are involved in as well as how their internationalization have been completed. Secondly, we analyze how the local networks have facilitated for the small wineries' foreign market entry. Our conclusion will therefore shed light on the effects that the local networks have on the wineries' expansion into new markets.

1.7 Delimitations

For this thesis, an abductive, qualitative multiple case study approach have been selected, which will be further elaborated on in the Methodology chapter. Still, some delimitations are important to underline. The study is delimited to only include SMEs in the wine industry, located in a cluster region in South Africa. This will have an impact on the transferability of our study's findings to other firms and industries, located both within and outside a given cluster on other places across the world.

1.8 Outline of the thesis

The study consists of six chapters, a reference list and appendix, where each of the chapters will be briefly described below.

Introduction - Chapter one presents relevant background information to the subject followed by an identification of the research gaps presented in the problem discussion. Lastly, the research question, the purpose and the delimitations of the study are outlined.

Methodology - The second chapter outlines the selection of research design and the methods chosen for this study, as well as describes the approaches taken for gathering and analyzing the empirical findings. Finally, the quality of the research is discussed.

Theoretical framework - Chapter three includes relevant theory identified within the research fields network theory, cluster theory and SME internationalization theory in terms of foreign market entry. The chapter ends with visualizing the conceptual framework, which serves as a guide for the analytical process.

Empirical findings - The fourth section outlines the empirical findings, where each winery will be sequentially presented. Each subsection begins with a brief description of the winery and the interviewee, followed by the winery's involvement in local networks and the

internationalization. The chapter finishes off with a summary of each winery's involvement in local networks and the outcome of the memberships.

Analysis - The empirical findings are analyzed and discussed where the theoretical framework is applied. Subsequently, the conceptual framework developed in the third chapter is revised in order to conform with reality.

Conclusion - The thesis ends with a section where the main findings are presented and accordingly answers our research question. As concluding remarks, the study's contributions, limitations and suggestions for future research are outlined.

2. Methodology

The ambition of this chapter is to present and motivate the choice of methodology approach taken in this study. Themes discussed in this section concern the research design, the selection of case companies, data collection and analysis, and the quality of research method.

2.1 Abductive research approach

This study is grounded on an abductive research approach, which is a combination of a deductive and inductive approach (Bryman & Bell, 2015), where we as authors have continuously moved between theory and empirical observations (Dubois & Gadde, 2002). The study was initiated with a deductive reasoning where a literature review of existing theory within the fields of internationalization, network relationships and clusters was carried out. Relevant findings in literature were identified and accordingly guided the development of interview questions to the data collection. Still, as the empirical data was collected and we started to analyze the findings, new factors were identified necessary to take into consideration. Hence, the theoretical framework was revisited and gradually modified where literature was added to improve the relationship between theory and empirical findings. This is in line with Dubois and Gadde's (2002) conclusion that "theory cannot be understood without empirical observations and vice versa" (p.555), and the fact that observations sometimes identify unexpected subjects that consequently requires the theoretical framework to be adjusted. Further, this study is built on a case study approach (see 2.3 *Case studies*), an approach that occasionally has been recognized as an inadequate method. This mainly due to its limited ability to produce more than solely comprehensive descriptions of different events (Dubois & Gadde, 2002). Therefore, Dubois and Gadde (2002) present investment in theory as the proper solution to overcome this disadvantage, as it enhances the explanatory capability of the cases. A systematical matching of theory and reality is therefore argued to potentially generate more than solely taking an inductive approach, i.e. where new theory is developed from the gathered data (Dubois & Gadde, 2002; Saunders, Lewis & Thornhill, 2009).

2.2 Qualitative research method

When carrying out research studies, two types of research method may be utilized; qualitative or quantitative research (Bryman & Bell, 2015). The former mentioned is used in this study, which is described as "the understanding of the social world through an examination of the

interpretation of that world by its participants” (Bryman & Bell, 2015, p.392). The qualitative research therefore centers on what is said in words and therefore encircles the respondents’ point of views (ibid.). Hence, qualitative research deals with interpretation of the reality where a holistic understanding of the studied subject is the ambition (Eriksson & Kovalainen, 2008). The rationale for a specific research method originates in the type of research question the study aims to answer (Bryman & Bell, 2015; Eriksson & Kovalainen, 2008). Business research driven by a research question starting with the word *what*, *how* or *why* is preferably carried out by taking a qualitative approach (Eriksson & Kovalainen, 2008). Accordingly, as this study intends to answer the research question ‘*How do local networks facilitate small wineries’ foreign market entry?*’, a qualitative research approach was chosen. As confirmed in theory, the authors of this study believe that a qualitative research method will give a deeper insight of how, potentially, local networks facilitate the internationalization of small firms in the wine industry. Further, since Yeoung (1995) stated that a qualitative research method is the better approach to study the interaction between network relations and business decision-makings, a research topic closely related to the one examined in this study, we intend to follow this advice.

2.3 Case studies

A case study is defined as “a research strategy which focuses on understanding the dynamics present within settings” (Eisenhardt, 1989, p. 534), with the aim to generate in-depth insights of the cases included in the study (Yin, 2012). Thus, the enhanced understanding will possibly bring clarity and knowledge about not solely the studied cases, but also their contexts (Dubois & Gadde, 2002; Yin, 2012). Case study as research method is especially suitable for studies directed by a research question of either descriptive or explanatory nature, thus beginning with *what*, *how* or *why*, and where its empirical data is best collected in natural situations (Saunders, Lewis & Thornhill, 2009; Yin, 2012). As this study is explanatory, guided by the research question ‘*How do local networks facilitate small wineries’ foreign market entry?*’, the case study design was considered to be the most appropriate research method. Case studies usually involve several methods of data gathering, inter alia, interviews, documents and observations, and can include both single and multiple cases (Eisenhardt, 1989; Saunders, Lewis & Thornhill, 2009). To strengthen the quality of the study, we decided upon a multiple-case approach where the possibility of identifying similarities and differences between the cases was seen as a more robust method than solely including a single case. This is in line

with Yin (2012) who underlines multiple-case studies to be more challenging to carry out than single-case studies, but at the same time also more rewarding as it provides the authors greater certainty of the empirical findings. In accordance with this advice, we conducted interviews with eight SMEs in the wine industry in Stellenbosch, South Africa. In addition, international sales statistics and secondary data were examined to obtain a more thoroughly picture of the included cases.

Another advantage of conducting case studies is the opportunity of taking a holistic approach. A holistic case study is characterized by studies of the included cases and their contexts (Yin, 2012), which is in line with the aim of this study. The context is essential in these cases as we intend to encircle how local networks facilitate small wineries' foreign market entries. Still, case studies are sometimes accused for lacking credibility when it comes to the researchers' series of steps in the research process, occasionally blaming authors for only seeing what they want to see (Yin, 2012). The authors have attempted to avoid this by triangulating the data. Triangulation means using more than only one data collection procedure to make sure that "the data are telling you what you think they are telling you" (Saunders, Lewis & Thornhill, 2009, p. 146). By studying historical figures for the firms' international sales we were able to verify what was said about the wineries' internationalization during the interviews. However, due to lacking data for some of the wineries' past international events, we had to solely trust the respondents' answers, a drawback that the authors are aware of. Still, we believe the additional information that was obtained when conducting an interview with Wines of South Africa (WOSA) as a pre-study provided us with valuable insights in the South African wine industry, which helped us when evaluating the respondents' answers (see 2.4.3 *Conducting interview with WOSA*). Further, information from WOSA-, Stellenbosch Wine Routes-, Cape Winemakers Guild- and the included wineries' web pages have been helpful in confirming evidence obtained during the interviews. Therefore, the interviews are supported with documents and secondary data (see 2.5 *Collecting case study evidence*).

2.4 Selecting location, case companies and trade association

2.4.1 Selecting location

Stellenbosch was selected as the location for this study. The reason for choosing this region is firstly, as indicated in 1.4 *Problem discussion*, due to the lack of studies regarding the role of networks, even more specifically - local networks, in the internationalization of SMEs located

in Africa. As this study centers around cluster based SMEs in the wine industry, a wine producing country in Africa was chosen; South Africa (SA). The selection of the specific location within the country, Stellenbosch, was decided based on the fact that Stellenbosch is referred to as the number one wine business hub in SA, hosting the only domestic University offering a degree in viticulture and oenology as well as having an extensive wine history, dating back to the mid-17th century (WOSA, 2018). Further, the region is also well known for the authors, where one of us recently had visited the area and was familiar with the region's characteristics and therefore knew that the study could be completed in this region.

2.4.2 Selecting case companies

As our intention was to obtain a deeper understanding of how local networks facilitate small wineries' foreign market entry, a purposive sampling technique was chosen. This method, sometimes called judgment sampling, is a non random technique since we, as authors, know what is needed to be answered and accordingly select cases that we, to the best of our knowledge, believe will provide us with that information (Etikan, Musa & Alkassim, 2016). This sampling method is usually found in qualitative studies (ibid.) and often chosen to "ensure that there is a good deal of variety in the resulting sample, so that the sample members differ from each other in terms of key characteristics relevant to the research question" (Bryman & Bell, 2015, p.429).

Before approaching potential case companies, a set of criteria was developed to make sure that they would be relevant for the study. The criteria limited the selection to solely include wineries that are involved in international sales where they offer their products on foreign markets. Further, the second criterion was to only include wineries that fall within the SME category. We followed the European Commission's definition when it comes to number of employees, which is:

- Medium < 250 employees
- Small < 50 employees
- Micro < 10 employees

(European Commission, 2018)

The case firm included in the study with the highest number of personnel has around 50 permanent employees. We therefore consider all of the included cases to be small firms.

One disadvantage with non-random sampling is that the authors cannot make generalizations to the same extent as for random sampling. As the authors did not have the time or the resources to identify every winery located in Stellenbosch, WOSA and Stellenbosch Wine Routes' (SWR) webpages were used as search engines. These two associations were recognized by the authors to have a large number of members (WOSA having more than 500 members of SA wine producers and SWR over 150 members), therefore consulting their webpages were considered to be the best alternative to be able to identify as many potential wineries as possible. By consulting two different associations we also considered this to increase the likelihood of finding more relevant cases than solely examining one webpage. Wineries identified on the WOSA's and SWR's webpages that we considered relevant for the study were approached by email, and those who replied and accepted to participate in the study were included. The cases included in the study were therefore to some extent selected out of convenience, which is another form to non-probability sampling (Saunders, Lewis & Thornhill, 2009), to ensure that the interviews could be held on site. Thus, seven cases were included in the study based on the following criteria, all being SMEs with international sales. An eighth winery, also located in the cluster, was included in the study as an outlier. The winery meets all of the above-mentioned criteria, but is neither a member of WOSA nor SWR, two of the biggest identified networks in the region. The case was included in the study to increase the sampling variety in accordance with Bryman and Bell's (2015) advise.

The case companies included in the study are:

- Kleinood
- Kaapzicht
- Haskell
- Devonvale
- DeMorgenzon
- Aaldering
- Meerlust
- Keermont

(For location, see Appendix 2. *Location in the cluster*)

2.4.3 Conducting interview with WOSA

To gain a deeper insight in the wine industry in SA, in particular Stellenbosch, and the internationalization of wineries in the region, the data collection was initiated by conducting a pre-study in form of an interview with representatives of Wines of South Africa (WOSA). WOSA is a not-for-profit association, established in 1999 to promote SA wines in international markets. The association is headquartered in Stellenbosch and currently has about 500 members. Domestically, WOSA hosts activities such as marketing and foreign market seminars, aiming to address market demands and international changes as well as global opportunities. Further, WOSA works with tourist institutions in order to attract visitors and promote SA wines. They invite journalists to experience the environment and the wineries. In addition, the organization has every third year since 2000 hosted the Cape Wine Trade Show, which attracts visitors from all over the world. Internationally, WOSA exhibits on international trade shows with aim to promote SA wines and the different wine regions within the country (WOSA, 2018; Calow & Du Plooy, 2018).

The interview was conducted with Maryna Calow (Communications Manager) and Thelma Du Plooy (European Market Manager) at the WOSA office in Stellenbosch on the 8th of May 2018 and lasted for an hour. As the interviewees had extensive local- and industry knowledge, we believe that this meeting and interview resulted in a comprehensive understanding of the wine industry as well as the local network related activities taking place in Stellenbosch.

2.5 Collecting case study evidence

As the study intends to answer our research question: *'How do local networks facilitate small wineries' foreign market entry?'*, the research design has been partly retrospective, i.e. including already occurred events (Halinen & Törnroos, 2005). Further, case studies should preferably not solely include one source of information, but rather having a multiple set of methods. Six examples of recurrent sources of evidence are observations, interviews, archival records, documents, participant-observation and physical artifacts (Yin, 2012). Taken all together, as described in 2.3 *Case Studies*, we have chosen to include interviews, documents and secondary data sources in the study. The sources of evidence and how they were used will be presented further in the following paragraphs.

2.5.1 Interview and question design

The prime source of evidence in this study is interviews conducted with the included case firms. The nature of an interview spans broadly from being very formal and structured to a more informal setting where the respondent is allowed to talk freely. Hence, interviews are usually classified as structured, semi-structured or unstructured, and can be even further categorized in standardized or non-standardized interviews (Saunders, Lewis & Thornhill, 2009). In this study have non-standardized, semi-structured interviews been applied. All interviews were conducted face-to-face on-site at each winery in Stellenbosch with the person who was either responsible for or had extensive knowledge of the winery's international operations, except for one case where the person in charge of international sales was abroad at the time the interviews were conducted. This interview was therefore held with the winery's operational manager where the person in charge of exports via email at a later stage added additional information. Some of the interviews have also been complemented with clarifications by email afterwards.

Conducting one-to-one interviews on-site allowed for the respondents to ask for clarifications and provided them with the opportunity to develop more thoroughly answers. It also gave us the opportunity of studying the physical environment and the respondents' postures during the interviews. Since this study is explanatory, qualitative interviews are regarded as the most suitable method according to Saunders, Lewis and Thornhill (2009) as interviews give us as authors the opportunity to conclude casual relationships between different factors. Further, following the semi-structured approach with set themes during the interviews ensured that topics necessary to cover were discussed, but still allowed us to exclude and add questions during the interview depending on the respondent's answers. The questions guiding the interviews were formulated from inspiration of the key themes identified during the literature review, and the interview guide can be found in Appendix 1. With permission from all the respondents, each interview was recorded. This was essential to give us the opportunity to concentrate on listening during the interviews as well as to re-listen to the interviews afterwards and therefrom extract direct quotes, which are mentioned as advantages by Saunders, Lewis and Thornhill (2009). All interviews were transcribed, which is in line Bryman and Bell's (2015) recommendation.

2.5.2 Firm Interviews

As visualized in Table 1, the interviews were conducted in Stellenbosch between the 8th and 15th of March 2018, where each interview lasted for 60 to 80 minutes. To have the best opportunity of understanding the potential relationship between local networks and foreign market entry, the person responsible for international sales was approached. It was also required by us that this person was stationed in Stellenbosch to ensure that (s)he had some insights in the network activities in the region. All interviews were carried out in English.

Winery	Name	Position	Location	Date	Type of interview	Interview length
Kleinood	Gerard de Villiers	Owner	Stellenbosch	8th of March 2018	Face-to-face	70 min
Kaapzicht	Yngvild Steytler	Export Manager	Stellenbosch	8th of March 2018	Face-to-face	80 min
Haskell	Barbara Mackenzie	Operational Manager	Stellenbosch	9th of March 2018	Face-to-face	70 min
Devonvale	Ryno Bernardo	General Manager	Stellenbosch	9th of March 2018	Face-to-face	60 min
DeMorgenzon	Carl van der Merwe	Chief Executive and Cellarmaster	Stellenbosch	12th of March 2018	Face-to-face	60 min
Aaldering	Gert-Jan Posthuma	Global Marketing and Sales Manager	Stellenbosch	12th of March 2018	Face-to-face	80 min
Meerlust	Eddie Turner	Marketing Manager	Stellenbosch	13th of March 2018	Face-to-face	75 min
Keermont	Juanita Schultz	Sales Administrator	Stellenbosch	15th of March 2018	Face-to-face	65 min

Table 1. Interview overview

As this study includes elements that occurred in the past, i.e. taking a retrospective approach as mentioned in *2.5 Collecting case study evidence*, information about certain events might have been forgotten or taken place at a point where the interviewee was not employed at the winery. This is a drawback the authors are aware of and tried to overcome by consulting historical sales figures for each winery, which is described in the next section *2.5.3 Documents and secondary data sources*. Further, solely having one respondent for each winery, besides from the already mentioned complemented interview, is a limitation. The authors have reduced this disadvantage by conducting the interview with respondents who have been with the company either from the inception or from a very early stage, with some exceptions. Hence, the majority of the respondents were knowledgeable of their winery's internationalization and their involvement in local networks.

2.5.3 Documents and secondary data sources

The second source of data was an examination of the wineries' sales statistics and websites as well as information from WOSA and SWR's websites. The wineries' sales statistics have been especially valuable, since some of the respondents were not sure about past events of the winery's international expansion. The other data sources were further important in order to verify information received during the interviews.

2.5.4 Benefits of visiting the cluster

The opportunity to spend time and explore the area have provided the authors with valuable insights regarding the cluster region itself as well as the different areas and actors within the given cluster. Wherefore, we are confident that this has resulted in an increased understanding of not only the cluster region, but also the co-located actors within the area and other cluster components that might not have been identified if the study were completed in another way. This in combination with the other sources of evidence has formed a solid foundation for our analysis.

2.6 Data analysis

As initiated in *2.1 Abductive research approach*, the data analysis was initially carried out in parallel with the development of the theory. By moving back and forth between examining identified theory and the empirical findings, and therefrom include additional theory, an appropriate structure for the study was created and visualized in the conceptual framework. The model depicted in Figure 1 (see *3.4 Conceptual framework*), subsequently framed how the data analysis was performed.

The gathered data was initially transcribed and therefrom divided into either referring to local networks or internationalization. These two themes further constituted the two subsections of the empirical findings. A cross-case analysis (Yin, 2012) was thereafter carried out where different local networks were identified. These local networks were analyzed, partly following the pattern matching technique (ibid.), where each identified network was classified based on its character into either Business-Open, Business-Closed or Social-Closed, in line with the dimensions suggested by literature. Thereafter, a cross case analysis was completed, where the outcome of the insidership in each local network was examined in order to identify the facilitating effect on foreign market entries.

2.7 Quality of research

In order to secure that the research holds a high quality, conducting several tests where the study's reliability and validity are analyzed is preferable (Yin, 2012). There is an ongoing debate whether these measures are applicable in qualitative studies or not, as they are more suitable in quantitative studies (Bryman & Bell, 2015; Morse, Barrett, Mayan, Olson & Spiers, 2002). Still, the concepts have been included in qualitative studies although sometimes slightly modified. The importance for qualitative research is to assure trustworthiness (Bryman & Bell, 2015), which is done when following the below mentioned criteria.

2.7.1 Reliability

Reliability builds on the premise of “replicability and repeatability of the results” (Golafshani, 2003, p.598) and therefore deals with whether results are stable over time or not, as well as whether they are good exemplifications of the reality (ibid.). Taking the fact that this study is of qualitative character that includes human respondents into consideration, expecting a static outcome is questionable since the human behavior is never fixed. To increase the reliability of the study as much as possible, being consistent is of importance (Leung, 2015). Hence, the same interview guide has been used for all case companies in order to increase the likelihood of identifying similarities from which generalizations could be made. The included interview guide in Appendix 1 can be re-used in future research, thus partly enabling the repeatability of the study. Further, recording the interviews have allowed us to re-listen to the conversations, which together with the transcriptions have decreased the possible misunderstandings made at the occasion of the interviews. The reliability have also been enhanced by triangulating the data as described in section 2.3 *Case Studies* and 2.5 *Collecting Case Study Evidence*, thus increasing the reliability in accordance with Yin's (2012) advice.

2.7.2 Validity

Validity in qualitative research is described in terms of the suitability of the tools and data used in the study (Leung, 2015). Validity is often divided into three subcategories; construct validity, internal validity and external validity (Yin, 2012). The first mentioned concerns the data collection where the sampling needs to be appropriate. In order to increase the construct validity of this study multiple sources of evidence have been used, involving several case companies and different sources of data.

The second category of validity, internal validity also called credibility, deals with causality in the analysis and is mainly of concern in explanatory studies where the purpose is to clarify how or why an event results in another event (Bryman & Bell, 2015). Since it is up to us as authors to extract appropriate information in order to answer the research question, the selected findings tends to be coloured by subjectivism. Hence, to ensure credibility, the authors have to make sure that the data represents the reality of what is investigated (Bryman & Bell, 2015; Saunders, Lewis & Thornhill, 2009). Two practices are accordingly suggested to increase the internal validity; respondent validation and triangulations (Bryman & Bell, 2015). The former mentioned was carried out by sending the respondents our findings to give them the opportunity to provide feedback and correcting misunderstandings. The second technique, triangulation, was carried out by including several sources of evidence (see 2.3 *Case Studies* and 2.5 *Collecting Case Study Evidence*).

The last form of validity, external, which is equivalent to transferability, deals with the extent to which the research findings can be generalizable (Bryman & Bell, 2015). External validity is especially challenging in qualitative studies such as case studies, since the study only entails a limited number of respondents. Thus, suggesting findings to be relevant under other situations and for other respondents is impossible (Shenton, 2004). It is therefore crucial to present the boundaries of the study by explicitly clarifying as much information about the research process as possible (ibid.), which is what this chapter aims to do. To further enhance the transferability, a multiple case approach was chosen for the study. Still, we are aware of that including more than eight case companies would have further increased the transferability. Hence, this has been kept in mind throughout the entire study, especially in the development of the analysis and conclusions. Yet, we believe that our findings could be relevant for other SMEs located in clusters, especially within the wine industry.

2.8 Ethical considerations

Ethical principals have been taken into consideration throughout the entire process. In accordance with Diener and Crandall's (1978) and Bryman and Bell's (2015) discussion, we made our best not to interfere with the respondents' private sphere by avoiding asking too personal questions that possibly could make them feel uncomfortable. Further, all respondents were informed about the objectives and the themes of this study prior accepting their participation, wherefore none, in any way, have been forced to participate. All interviewees

got the opportunity to decide upon whether or not the interview could be recorded and the respondents were also offered anonymity. Lastly, as mentioned in 2.7.2 *Validity*, the respondents received a draft covering the findings, which they had the possibility to comment, correct and approve.

3. Theoretical framework

The theoretical framework presents a review of the existing literature within the three areas that this study builds on; network theory, cluster theory, and SME internationalization theory focusing on foreign market entry. The network section is divided in five different sections where different aspects stressed in network theory are outlined. Thereafter, cluster theory is addressed, followed by research regarding SMEs' foreign market entry. Lastly, a conceptual framework is presented.

3.1 Networks in the internationalization process

3.1.1 The network perspective

The network theory builds on the premise that “no business is an island” (Hilmersson, 2011, p.18), meaning that firms do not work in decoupled business dimensions, but are instead interconnected with other actors through relationships, i.e. networks. Thus, to understand a single firm’s internationalization process, its entire network has to be taken into account in the study (Axelsson & Johanson, 1992). In contrast to prior models explaining internationalization in terms of incremental learning and commitment (Johanson & Vahlne, 1977), the network perspective has stressed the importance of long-standing business relationships that facilitate the entry into new relationships or networks in new markets (Hilmersson, 2011). As markets are equal to networks, creating new or enforcing existing relationships are preconditions for internationalization (Johanson & Mattsson, 1988). By being a member of a relevant network, the firm may tap into the information stream flowing within the network and grasp emerging opportunities to accelerate its internationalization process (Chetty & Agndal, 2007; Meyer & Skak, 2002). Still, Coviello and Munro (1995, 1997) found networks to both accelerate entry into new markets as well as sometimes have a constraining effect, especially if the focal firm is a smaller player and not the dominating in the network. Consequently, the network is expected to drive, support, or suppress the international expansion, as well as influence the selection of markets and mode of entry (ibid.).

Coviello (2006) depicts networks as having both structural and interactional dimensions, where the size of the network and the interconnectedness amongst the members and their position represent examples of the structural magnitudes of the network. Further, the relations

and the interfaces generating the structural dimensions are also of interest and are best analyzed by studying, inter alia, the underlying type of relationships (social or economic) and how they were created. Thus, the combined view of networks aspires to throw light upon the network structure as well as on the participants and their interconnections (ibid.). As this study focuses on how (local) networks facilitate foreign market entry for individual firms, the most all-embracing approach to take is the combined view of networks described above. Accordingly, literature describing both structural and interactional elements of networks is presented below.

3.1.1.1 Network as a Structure

Within the stream of network literature, business is said to take place in a web setting where the participants are connected with each other directly and indirectly in complex and invisible patterns (Chetty & Blankenburg Holm, 2000; Johanson & Vahlne, 2009). Having a strong network position is considered to be a market asset as it gives the firm access to other firms' internal resources (Chetty & Blankenburg Holm, 2000; Coviello, 2006; Johanson & Vahlne, 2009). Hence, the main focus for the firm is to form, develop and uphold its positions in different networks (Hilmersson, 2011). Within the internationalization context, firms expand to other markets through a gradual extension process, reaching new networks either by utilizing existing network relationships with firms having insider positions in the intended market, or by trying to directly establish connections with firms in the specific market (ibid.). Regardless of method, the knowledge gained from current networks and the associated experience moderates the uncertainty to further commitment in new networks (Hilmersson & Jansson, 2012; Johanson & Vahlne, 1977, 2009).

The network structure is described as “an organization set, the business network being centered on a particular node: the entering firm” (Hilmersson & Jansson, 2012, p.686). The type of node differs whether the network is of a social nature or a business nature (Hilmersson & Jansson, 2012) (for a thorough description, see 3.1.2 *Different types of network relationships used in internationalization*). It is said that business and social relationships take place at two different structural dimensions. Yet, they still interact and influence each other, especially as business networks are usually described as also being socially embedded. Consequently, the network structure is best viewed by taking a multi-level approach (ibid.).

3.1.1.2 Insidership in Networks

A firm that does not possess a favorable and solid network position suffers from a liability of outsidership, thus hampering its internationalization opportunities (Johanson & Vahlne, 2009). Subsequently, what distinguishes an insider from an outsider? Theoretically, Blankenburg Holm et al. (2015) make a distinction from the perception that firms aspire to combine their resources with other firms to attain outcomes not possible, or harder, to achieve separately. When creating relationships with business partners and combining each other's resources and competences, this activity is said to increasingly change a firm's position further and further into the network, thus going from an outsider to an insider position (ibid.). An insider of a business network has accordingly created strong and well-developed ties to other network members, both in terms of resources and activities (Hilmersson, 2011). To successfully manage this, the firm has to incrementally develop a connection with the network members by gaining their trust (Schweizer, 2013). Confidence in each other and common interests underpin the relationships where interaction between the members coordinates the network (Kontinen & Ojala, 2011; Schweizer, 2013). This further results in firms committing to each other, which means that the firms are willing to provide each other with valuable information and to invest in the relationship, preferably in a long-term perspective (Johanson & Vahlne, 2009; Kontinen & Ojala, 2011).

The result of the incrementally committing process provides the focal firm with a standing within the network that entitles it the right to take advantage of the network's resources (Hilmersson, 2011). Two of the most prominent gained resources that spring out from the network relationship interaction are experiential learning and the creation of knowledge (Johanson & Vahlne, 2009; Schweizer, 2013). Axelsson and Johansson (1992) describe the internationalization of firms as "a set of connected learning processes" (p.208), where learning mainly stems from experience of relationship interaction (Johanson & Vahlne, 2009; Schweizer, 2013). Accordingly, the more firms are involved in networks, the more knowledge and experiences will they and the management team gain, thus incrementally extend their familiarity of international operations (Hilmersson & Jansson, 2012; Johanson & Vahlne, 1977; Schweizer, 2013). The current relationships offer the focal firm the opportunity to learn about the foreign counterparts and how to approach them (Hilmersson & Jansson, 2012; Schweizer, 2013). Hence, an augmented network position has been seen to provide the focal firm with a better opening to spot opportunities for further expansions within the network

(Hohenthal, Johanson & Johanson, 2003) as well as into new ones (Hilmersson & Jansson, 2012; Johanson & Vahlne, 2009).

A firm's insidership in a current network could work as a stepping-stone into new foreign networks (Johanson & Vahlne, 2009; Schweizer, 2013). Chetty and Blankenburg Holm's (2000) study revealed the importance of a firm's position in a business network and the way it could work as a bridge to other networks. By utilizing the existing relationships in its network, in this case a competitor, the focal firm was provided with access to external resources and was presented to new markets (ibid.). Furthermore, since the current relationships are the enablers of opportunity identification, Johanson and Vahlne (2009), Blankenburg Holm, Johanson and Kao (2015) and Udomkit and Schreier (2017) argue that a firm's business networks influence the selection of markets to enter as well as how to enter them. At the same time, as these firms possess the relevant information necessary to expand, they can also inhibit network extension and thereby further expansion Blankenburg Holm, Johanson and Kao (2015).

Hilmersson and Jansson (2012) further make a development of the insidership position by making a difference between open and closed networks. The ties within an open network are lightly connected between many actors, and the main outcome of this type of networks is information exchange. Hence, open networks are sometimes called information networks. The relationships in these networks are not as integrated and consequently open up for the opportunity to take advantage of indirect relationships. In contrast, closed networks are tightly integrated, built on trust with social exchange in focus. Members of a closed network are few and therefore directly connected to each other (ibid.).

3.1.1.3 Interactions in Networks

It stands clear that insidership in relevant networks is essential to be able to successfully internationalize. Still, a deeper understanding of the participants in the network(s) is helpful when grasping the dimensions of the network theory (Coviello, 2006). An interactive approach to networks seeks to understand the relationships within the network by focusing on the postures and activities between the parties, such as how the interactions occur, and during what circumstances they take place (Turnbull, Ford & Cunningham, 1996). Gilmore, Carson and Rocks (2006) underline the need of owners and/or managers to be aware of how to network in a practical way to be able to position themselves in networks. Thus, to succeed,

they should improve their networking ability and utilize this as a dynamic business tool. This is supported by Senik et al. (2011), who found that institutional and business relationships were ineffective as long as the owners of the SMEs did not have the suitable social skills to uphold the relationships effectively. Networking includes activities such as business related communication with key people and participation in trade shows and industry related events (Gilmore, Carson & Rocks, 2006). Hence, as the SME-owner and/or manager mainly carry out these activities, their personalities and willingness to interact will be a decisive factor (Vasilchenko & Morrish, 2011). Even though networks provide firms with openings to expand into new markets, it is still the decision makers who choose whether to seize the opportunity or not (Chetty & Blankenburg Holm, 2000).

Taken all together, a firm could carry out proactive networking, where the relationships are actively used, or have a reactive/low level of networking where the networks are less utilized (Gilmore, Carson & Rocks, 2006; Johansson & Mattsson, 1988; Kontinen & Ojala, 2011). Udomkit and Schreier (2017) stress the benefit of actively trying to establish as many and different relevant network relationship contacts as possible, as the scope and the heterogeneity of networks determine the extent to which firms will find appropriate knowledge. Still, Kontinen and Ojala (2011) found family run SMEs to be rather reactive in the search for internationalization opportunities.

3.1.2 Different types of network relationships used in internationalization

Since later studies within the network theory incorporated the importance of indirect relationships, solely buyer-seller entities are insufficient to take into account (Hilmersson, 2011). Thus, to take a complete approach of network relationships, the entire range of network relationships needs to be included. Consequently, both private and professional relationships need to be considered. A commonly occurring division within the definition of networks is between *business* and *social* networks, where the context of the relationship is the decisive factor (Jeong et al., 2017). Business networks have been defined as “a set of two or more connected business relationships, in which each exchange relation is between firms that are conceptualized as collective actors”, inter alia, distributors, suppliers, competitors, customers and government (Anderson, Hakansson & Johanson, 1994, p. 2; Chetty & Blankenburg Holm, 2000; Jeong et al., 2017). In contrast, social relationships are expressed as “a web of personal connections and relationships for the purpose of securing favors in

personal and/or organizational action” (Zhou, Wu & Luo, 2007, p. 674), such as families, friends and former colleagues (Senik et al., 2011).

Another similar classification of networks is presented by Kontinen and Ojala (2011) and Ojala (2009), who describe networks in terms of *formal*, *informal* and *intermediary ties*. Formal ties are those relationships that specifically are associated with business activities, whereas informal ties are the relationships with family and friends on a personal level (Ojala, 2009). The third type of ties, intermediary, has been included by Ojala (2009) as it has been seen that a third party actor can facilitate the creation of a relationship between firms where no prior contact exists (Ojala, 2009; Oviatt & McDougall, 2005). Even Senik et al. (2011) had a similar grouping of networks; supporting government agencies, business associates and personal relationships. Since different authors have used these types of definitions interchangeably, the terms that will be used hereinafter in this study are *business* and *social networks*. Thus, the intermediary ties will follow under business networks. Further, Senik et al. (2011) underline the interconnectedness between the different kinds of networks where they have been described as working “in tandem” (p. 273). One type of network cannot alone provide the focal firm with adequate information and support to a successful internationalization process (ibid.). Therefore, both business and social networks will be addressed below.

Existing literature has studied how both business and social networks have been used in the internationalization process of firms (e.g., Jeong et al., 2017; Kontinen & Ojala, 2011; Ojala, 2009; Udomkit & Schreier, 2017; Vasilchenko & Morrish, 2011), yet with different outcomes. Coviello and Munro (1995) found both business and social network relationships to have an impact on the internationalization process, both in terms of foreign market selection and mode of entry. Zain and Ng (2006) as well as Ojala (2009) discovered that several of their studied firms initiated or developed their internationalization process by going to a market through the knowledge and market insight provided by friends and former employers or colleagues. Hence, the internationalization and selection of markets were triggered by social relationships (Vasilchenko & Morrish, 2011). This was partly supported by Kontinen and Ojala (2011) whose study showed that some SMEs utilized relationships with friends to internationalize. Still, they discovered that none of the studied family firms used family ties to facilitate the internationalization process. In contrast, Senik et al. (2011)

found personal relationships to be most important in the context of R&D and product development, which were essential advancements for the internationalization.

Coviello's (2006) study showed that business relationships were more important in the beginning of a firm's internationalization compared to social relationships. Yet, as pointed out by the author herself, one factor explaining the result could be the fact that none of the firms included in the study were family businesses. Chetty and Campbell-Hunt (2003) found that local business relationships with, *inter alia*, universities, competitors and distributors provided SMEs with knowledge and experience necessary to be able to internationalize. Meyer and Skak (2002) also found domestic business networks to provide the focal firm with knowledge essential to internationalize. Further, Udomkit and Schreier (2017) discovered Thai SMEs' business relationships to gradually develop into closer social relationships. Vasilchenko and Morrish (2011) had a similar discovery, yet with the opposite evolution of network type. Their study showed that social relationships tended to become more formal business networks along the internationalization process.

Having the possibility of being introduced to a new business network by another firm in its existing network seems to have especially positive effects, as the time of trust building tends to be shorter (Chetty & Patterson, 2002; Schweizer, 2013). The reason for this is that a third party's reputation is seen to have a positive contagious effect on the focal firm (Turnbull, Ford & Cunningham, 1996). Relationships with intermediaries have also been seen to occasionally have a leapfrog effect for firms in their internationalization process (Chetty & Blankenburg Holm, 2000). Third-party referrals were frequently seen in Coviello's (2006), Vasilchenko and Morrish's (2011) and, Udomkit and Schreier's (2017) studies, but Coviello (2006) identified it, at least partially, to be a result of the gradual development of the focal firm's own reputation. Kontinen and Ojala (2011) found no evidence for export-promoting associations to be important business contacts. This is contradicting to Ojala's (2009) and Senik et al.'s (2011) observations, where the latter showed that different institutions were important network contacts for Malaysian SMEs to link up with to be able to internationalize, where international promotion was the most prominent benefit. Further, all the firms in Jeong et al.'s (2017) study had received help from governmental agencies by receiving market information, education, and opportunities to connect with buyers and participating in international trade shows. Participation in trade shows was seen to be an important source of information and international opportunity recognition by McAuley (1999). This is supported

by Chetty and Campbell-Hunt (2003), Meyer and Skak (2002), and Kontinen and Ojala (2011), who all concluded that new market opportunities appeared for firms when potential business partners approached them at fairs. Many of these markets were not even on the firms' wish list of markets to enter. Therefore, the internationalization occurred by a high degree of serendipity for many firms (Harris & Wheeler, 2005; Meyer & Skak, 2002).

3.2 Advantages and disadvantages of being co-located in clusters

Co-located cluster firms share a physical geography (Swann & Prevezer 1996; Porter, 1998), which can range from a single city, state and region to include neighboring countries (Felzensztein & Deans, 2013). A cluster composes a favorable environment for relationship building, both within and outside a given cluster (Cohen & Fields, 1999; Harrison, 1992). The spatial proximity allows for repeated personal interactions in both formal and informal settings, where relationships between entrepreneurs or firms can be established. Because of firms' co-location and concentrated interaction, information can be exchanged and knowledge created. This further supports for innovation to evolve (Steiner & Ploder, 2008). The proximity also facilitates for collective activities such as inter-firm collaborations, problem solving (Felzensztein et al., 2014) and trust building (Kogut, 2000) as well as the creation of a common language, tacit knowledge and social capital (Felzensztein et al., 2014). However, clusters do not solely allow for collaboration to occur, it also provides the opportunity for companies to compete with each other. Therefore, coopetition can be found in clusters, where firms cooperate and compete against each other at the same time. Bengtsson and Kock (2014) defined coopetition as "a paradoxical relationship between two or more actors, regardless of whether they are in horizontal or vertical relationships, simultaneously involved in cooperative and competitive interactions" (p. 180). Yet, cluster network relationships are stressed to facilitate for firms' internationalization (Brown & McNaughton, 2003; Cerrato & Depperu, 2011), where cluster based firms with foreign activities have shown to automatically function as connectors between the foreign market and the firms in the cluster. This gives other cluster-based firms the possibility to follow similar international expansion patterns as already internationalized firms (Felzensztein, Deans & Dana, 2018).

Researchers stress that there are two network characteristics that are important for cluster performance (Schmitz & Nadvi, 1999; Rugman & D'Cruz, 2002). These are referred to as strong network ties and network openness. The network ties facilitates for the transfer and absorption of knowledge within the cluster and the openness provide the cluster members

with access to new knowledge and work procedures. These network characteristics, strong network ties and network openness, are further emphasized to be the foundation for the cluster's competitive advantages. However, the impact of the ties and the openness on the cluster performance varies as a result from environmental variations (Eisingerich, Bell & Tracey, 2010).

3.3 SMEs' foreign market entry

Previous research on market entry has mainly been connected with economic theories (Brouthers & Hennart, 2007). Traditional studies on foreign market entry have mainly focused on firms' entry mode into international markets (Jansson & Sandberg, 2008). Entry mode has been described as "the organization structure a firm uses to conduct business in its international markets" (Chetty & Agndal, 2007, p 1). However, according to findings that identify network relationships to be of great importance for SMEs' internationalization, additional approaches have emerged such as the entry node concept (Jansson & Sandberg, 2008). The entry node concept is based on relationship and network theory and is described by Jansson and Sandberg (2008) as "the establishment point into foreign market networks" (p. 66). Accordingly, entry mode and entry node represents two separate parts of foreign market entry. As this study focuses on SMEs in the wine industry where export (either direct or indirect) is the primary entry mode, the following discussion will therefore focus on entry nodes.

As mentioned above, Jansson and Sandberg (2008) as well as Sandberg (2012, 2013) refer to foreign market entry as entry node, which describes firms' establishment in foreign networks. There are different ways, or nodes, for firms to enter foreign networks, wherefore, the firm must consider the process of how to create and establish relationships with different nodes in foreign markets (Jansson, 2007). A firm's relation and contact with its customers can be either direct or indirect. Direct relationships are referred to as *dyads* and indirect relationships as *triads*. Dyads can be established between sellers and buyers, in their respective markets. Triads on the other hand involve a third party, often an intermediary such as an agent or distributor (Jansson & Sandberg, 2008). Sandberg (2013) describes four separate types of entry nodes used in different situations depending on the location of the involved participants. These are "triad via the home market", "triad via the host market", "dyad from the home market" and "dyad at the host market". Triad via the home market involves an intermediary in the domestic market, whereas triad via the host market includes an intermediary in the foreign

market. Subsequently, dyad from the home market refers to direct customer relationships on the domestic market and dyad at the host market concerns direct customer relationships on the foreign market via a subsidiary. Direct contact with foreign clients requires the seller to interact with the customers, which in turn creates trust and commitment. Firms entry nodes can change over time, but this is often challenging due to shared and mutual resources with other participants in the network. Additionally, it is often troublesome to find new equivalent counterparts (Håkansson & Ford, 2002).

3.4 Conceptual framework

To examine how local networks facilitate small wineries' foreign market entry, a conceptual framework, presented in Figure 1, has been created. The model is derived from the key themes identified in our literature review within three separate fields; network theory, cluster theory and SME internationalization theory in terms of foreign market entry. The important elements within respective field have been linked together in Figure 1, providing a holistic view of the factors necessary to identify in order to answer this study's research question: "*How do local networks facilitate small wineries' foreign market entry?*" Accordingly, the conceptual framework rests on a number of presumptions, which will be presented below.

Firstly, SMEs are expected to rely on network relationships in order to overcome their resource constraints, necessary for internationalization (Coviello, 2006; Coviello & Munro, 1995, Johanson & Mattsson, 1988). Following the network theory, in which markets are considered as networks, being an insider in relevant webs of relationships is a necessity to successfully engage in international activities (Chetty & Agndal, 2007; Johanson & Mattsson, 1988). Since this study focuses on how local networks facilitate small wineries' foreign market entry, the webs of relationships that are of interest to study are tied to a geographically defined area characterized by spatial proximity. Hence, networks found within a cluster constitute the point of interest in this study. Wherefore, the oval represents the basis of the framework, the cluster.

Secondly, relevant networks have in theory been categorized as business or social, having different impacts on the internationalization (e.g., Jeong et al. 2017; Kontinen & Ojala, 2011; Udomkit & Schreier, 2017; Vasilchenko & Morrish, 2011). Further, networks can also be classified as open or closed depending on how strong the ties are between the involved participants. The conceptual model is therefore developed from the assumption that the nature

of a network determines the influence on firms' internationalization. As visualized in the model, we distinguish cluster networks as either business or social, having an open or closed character. Accordingly, the initial step will be to identify the characteristics of the local networks in which the wineries are insiders. The lower box in the model illustrates the area of interest in the internationalization process for SMEs, foreign market entry. The arrows pointing from the different local network types illustrate the potential facilitating effect that these have on foreign market entry for SMEs in the wine industry.

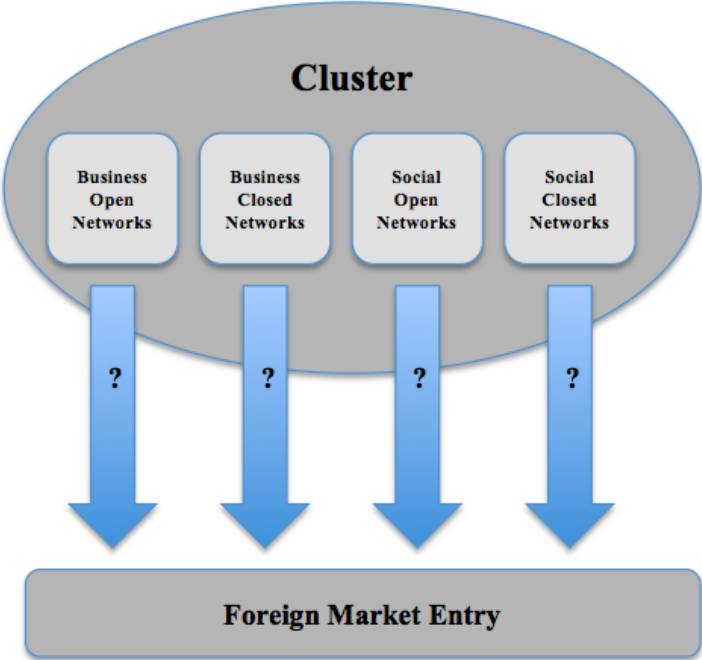


Figure 1. Conceptual model, compiled by authors

In conclusion, the conceptual framework incorporates local network characteristics that can be found within a cluster. Identified embeddedness in cluster networks constitutes the stepping-stone for examining how the insidership inherently facilitates foreign market entry.

4. Empirical findings

The fourth chapter presents this study's empirical findings. Each winery will be briefly presented, followed by their involvement in local networks and their internationalization. The order of the presented themes is grounded on the focus of the study; involvement in local networks and how this potentially facilitates the internationalization in terms of foreign market entry. Lastly, the chapter ends with tables summarizing each winery's involvement in local networks and a compiled table presenting all of the identified networks classified based on the local networks' character will follow.

4.1 Kleinood

Kleinood was founded in 2000 when Gerard de Villiers bought the land together with his wife. The farm, located in the Helderberg area, totally spans twelve hectares, of which ten are devoted to vines. The entire wine process is kept in-house with around 25 people permanently employed. Kleinood produced its first estate wine in 2004 and the first export was completed in 2007 to the Netherlands. The winery currently exports 40 per cent of the total production, out of that, 25 per cent goes to the biggest export market Germany.

The interview was conducted with Gerard de Villiers, the owner of Kleinood. His background is within process engineering where he has designed winery processes since 1983, both in SA and overseas. He has studied in both Cape Town and Stellenbosch. As of today he side by side acts as the owner of Kleinood as well as running his process engineering business.

4.1.1 Kleinood's involvement in local networks

De Villiers joined Stellenbosch Wine Routes (SWR) and WOSA right from the winery's inception, but he does not consider himself as an active member. He attends the former association's meetings that take place once every three months, but since it is a tourist driven association, which he says Kleinood is not, he does not attend their wine fairs. De Villiers says that WOSA is a very good association. As a wine producer he can for example turn to them to receive information about which markets that are growing. He does not like attending seminars, but sees the winning in going to presentations with representatives from different markets where he can ask whether (s)he thinks his wine will have potential in the specific market. He further specifies two things that WOSA offers him: exposure overseas where they organize wine tastings in which he can participate. Since arranging international tastings is

very expensive it is hard to do it on his own and therefore good to do it together with WOSA. Secondly, WOSA invites journalists to Stellenbosch. Being mentioned by these famous journalists in their magazines or blogs is very important according to de Villiers, but being a small wine producer, getting journalists to come to Kleinood is very difficult. De Villiers therefore linked up with two other small wineries at the Blaauwklippen Road; De Trafford and Keermont, and asked WOSA to hold a combined tasting. The three wineries have since then collaborated, not only by offering combined tastings, but also by organizing a yearly open day together where people can visit the farms during one Saturday. The three wineries quickly became a combined destination and it has according to de Villiers turned out very well. They will therefore make sure to stand next to each other at the Cape Wine show this fall. He refers to the collaboration by saying:

“We’re doing a Blaauwklippen drive and that’s working”

De Villiers underlines the hard work of staying in contact and keeping the relationships with the right people and his existing importers. He further says that he believes that one needs to have a special character to do so. By being an engineer as well, he has gained a lot of contacts throughout the years. He further says that he likes to work with other wineries, both from Stellenbosch and from other wine regions in SA, but preferably not a Stellenbosch producer offering the same cultivars. At the upcoming ProWein he will share a table with another wine producer from Swartland. De Villiers says that wine producers in Stellenbosch meet each other all the time:

“It happens automatically. You work and if you need help you just phone saying ‘Can I come over on a cup of coffee, I need some advice’ ... Networking was a big thing, as a young producer I could phone contacts, speak to many other producers, ‘I’m looking for somebody in England, I’ve got nobody in England etc. and the one thing led to another...”

De Villiers further says that he thinks business networks are the most important for the winery and wants to keep the business and social life separately. He still considers Keermont and De Trafford as friends rather than business partners where they help each other. Yet, he points out that they, like the rest of the Stellenbosch wineries, are competitors.

De Villiers tells that there are a lot of movements within the wine industry where employees shift wineries occasionally. Kleinood’s current winemaker and head of marketing have both

worked at other Stellenbosch wineries before coming to Kleinood. De Villiers says that their experiences and knowledge are beneficial for the winery:

“You know, you would say ‘I would like to get into Switzerland, I want to get our wines into Switzerland, that’s a good market’ and they would say ‘Well, I remember we had a Swiss guy there’ and you make a phone call to that company”

De Villiers further tells that he is proud of being a Stellenbosch wine producer as Stellenbosch is considered to be the top rated wine region. He says that it is a very important brand and therefore includes this in his marketing and on the bottles.

4.1.2 Kleinood’s internationalization journey

1	Netherlands	2007	9	United States (TX)	2012
2	Germany	2008	10	France	2013
3	United Kingdom	2008	11	Hong Kong	2013
4	Belgium	2009	12	United States (NY)	2013
5	Switzerland	2010	13	Japan	2014
6	Denmark	2011	14	United Arab Emirates	2015
7	Sweden	2011	15	Russia	2017
8	Canada	2012	16	Spain	2018

Table 2. Kleinood’s current export markets and year of entry

Kleinood’s internationalization started off as a result of a contact de Villiers gained at a domestic wine show. He describes this meeting by saying:

“I did not choose them, they chose me. So the guy came to me, he tasted the wine, he liked it and he said he wanted to buy it.”

It all began with de Villiers speaking with some friends in the wine industry who asked if he was going to participate at a wine show the next month. Since de Villiers did not know about this wine show before, he tried to book a table, although it was too late. One of de Villiers winemaker friends in Stellenbosch therefore offered him to have one of his bottles at the table. De Villiers had nothing prepared for the show, no business cards, no pricing and no appointments booked, but still decided to participate. During the show one Dutch man approached the stand where he tasted the wine and got into a conversation with de Villiers. Six months later a man phoned de Villiers and said that he was the Dutch man who tasted the

wine at that wine show and that he wanted to come to Kleinood and start export the wine to the Netherlands. This was the launching of Tamboerskloof, which is the wine brand of Kleinood, overseas.

De Villiers had not considered exporting before he met the Dutch importer, but he gradually realized that he needed to work on his international presence. Accordingly, the next move for him was to fly over to Hamburg, Germany, where he walked between the top restaurants in the city to meet the sommeliers and had them tasting his wine and asking them about the name of their best supplier. De Villiers thereafter contacted these importers and successfully was able to establish a contact with one of these. The markets following after the Netherlands and Germany were entered in different ways. De Villiers started to participate at international wine shows such a ProWein in Germany where he met his Swiss importer. The first Belgian importer was a result of “word of mouth” where the Belgian man, who had his own farm in SA where de Villiers had designed the winery process, offered to distribute Tamboerskloof to Belgium. This importer was later exchanged to another that de Villiers approached after recommendations of sommeliers working at Belgian restaurants. Further, the contact with the Swedish importer was a result of a wine show in Stockholm organized by WOSA, and Japan was entered thanks to a SA based man married to a Japanese woman having a business where he sells wines to duty free shops.

Some of Kleinood’s relationships with importers have been initiated through a third party recommending the winery. This happened with the UK importer who imported from another winery. He was visiting that farm and asked for a recommendation of a great Syrah from Stellenbosch. The winery referred to Kleinood.

“Out of the blue I would get a phone call or an email saying ‘I’m in the country, can I come and taste your wine?’ and that was the beginning”

The initial contact with Kleinood’s Hong Kong importer had a similar beginning where the importer was partner with the importer from the UK. De Villiers says that this is often how things are in the business.

“Many of my importer says, ‘I’m looking for a great chenin, it must cost €6.50 on the shelf, cheap chenin, I’m looking for big volumes’ and then I would think about it and then I would phone one or two guys asking ‘Have you got these volumes’, introduce them and then step back, it happens all the time. I’m going to ProWein now and a friend of mine just phoned me yesterday, he has not got money to go to ProWein, and I know he is a great wine producer, I know he does wonderful, although very expensive wine, and if someone would come up and say they are looking for a Cabernet from Stellenbosch top super premium, I would refer to him, take his business card, so that happens all the time”

De Villiers tells that the internationalization strategy has not changed over the years although it has at some points been adjusted in order to meet the targets. There are some markets where de Villiers sees potential for Kleinood, but there are several different factors to take into account.

“ You look at the average sales price, it does not help that you go to a poor country and the average price that they buy is €3.60, then I’m going to struggle”

When de Villiers evaluates markets, he looks for like-minded local wine producers in Stellenbosch that he respects and then, if he knows the producer, phone him asking for the name of his importer in that specific market and therefrom email the importer. He says that nine out of ten emails will not be answered, but sometimes, he succeeds. The wine business is a slow business.

4.2 Kaapzicht

Kaapzicht has been in the Steytler family since 1946 and is today run by the third generation, Danie and George with families. The estate is located on Bottelary Hills and spans 190 hectares of which 162 are allocated to vineyards. The farm currently employs around 50 permanent employees including several family members. All operations are kept in-house and Kaapzicht currently exports around 60 per cent of total production, where Germany is the biggest export market, followed by China and Russia.

The interview was conducted with Yngvild Steytler, Kaapzicht’s export manager since 1997. Steytler grew up in Bremen, Germany, where she studied Pediatric Nursing at University

Clinic in Kiel. During a backpacking tour through Namibia and South Africa she met Danie Steytler and in 1979 she became the wife of a wine farmer.

4.2.1 Kaapzicht's involvement in local networks

The Steytler family are members of different organizations connected to wine. The owner Danie is a member of several wine tasting groups and a former member of the Cape Winemakers Guild, whereas the son, Danie Junior, is within the committee of Stellenbosch Wine Routes as well as different tasting groups. The latter ones are focused on wine technicalities and production and have never helped Kaapzicht in their internationalization according to Steytler. Being a member of Stellenbosch Wine Routes is good as it attracts tourists to the farm. Kaapzicht mainly has Swedish and German tourists, where Steytler has noticed an especial upsurge in the latter group over the years. The increasing number of German tourists is reflected in the winery's increasing volume of exported wines to the market. She further tells that the Norwegian importer was initially a tourist visiting the farm. Kaapzicht has been a member of WOSA since the association started in 1999 and Steytler says that she goes to the meetings as often as she can to get information about upcoming wine fairs and about future plans for the association. The most prominent benefit she sees with WOSA is to have the opportunity to stand with them at international wine shows where she has no initial contact in that country:

“You travel as a group, stand together and anybody in that country that is looking for SA wines finds us under that flag”

Steytler further says that it helps to have a lot of friends in the wine industry. The entire guild knows Danie, which is beneficial as they recommend Kaapzicht to importers. Additionally, her son Danie Junior studied at Stellenbosch University with many other young winemakers and Steytler sees a new generation of friendship growing from there. Her husband belongs to “*one of the old pioneers*” as there were only six private labels in the market in 1984 when he and his brother took over the farm. Steytler describes the farmers as friends where collaboration existed due to individual knowledge within different areas. Currently, there is a “*very close net of fellowship*” amongst the wineries at Bottelary Road who not only support each other but also socialize at their spare time by going on birthday parties and holidays together. There are also new friendships formed all the time when going on wine shows

together or at wine tastings. Steytler describes it as a family where they share experiences with each other.

Steytler says that for them the informal networks are the most important ones, and in the beginning it was very much about whom you knew and who passed on the information. Before WOSA was founded she tells that another Stellenbosch winery organized international wine tours. The wine producers also phone each other for advice.

“I phoned the other winery and asked ‘Is he also not paying you’ or ‘when was the last time you heard from our importer, is he treating you this way, is he also giving you the cold shoulder’ or so, so we talk to each other”

Steytler says that Kaapzicht is proud of belonging to Stellenbosch where they see the region as the Bordeaux of SA that is known for its quality. Kaapzicht therefore includes the region in the marketing. When speaking in terms of competitors, Steytler says that it is not the other SA wine producers they compete with but instead Chile, Australia and other wine countries.

4.2.2 Kaapzicht’s internationalization journey

1	Netherlands	1992	9	New Zealand	1999	17	Philippines	2008
2	Canada	1994	10	United States	1999	18	China	2011
3	United Kingdom	1996	11	Belgium	2000	19	Mauritius	2011
4	Germany	1997	12	Denmark	2000	20	Russia	2011
5	Namibia	1998	13	Ireland	2002	21	Qatar	2012
6	Zambia	1998	14	Norway	2004	22	South Korea	2016
7	Zimbabwe	1998	15	Czech Republic	2005	23	Spain	2017
8	Austria	1999	16	Hong Kong	2008			

Table 3. Kaapzicht’s current export markets and year of entry

Before the Steytler brothers took over Kaapzicht, all wine produced at the farm were bulk wine sold to Stellenbosch Farm Wineries, but in 1984 they started to bottle the wine themselves. Their first international experience was in 1992 when a Dutch tourist visited the farm. She was developing a wine import business in the Netherlands at that time and wanted to import Kaapzicht’s Pinotage, so she was given exclusivity on the Dutch market. Shortly after, Steytler visited friends in Lübeck where she let the owner of a big wine shop taste the wine. As a result, the wine shop started to import the wine from the Netherlands, as there was

no German importer in place at the time. Many years later an importer approached Kaapzicht by mail saying that he had tasted the wine and wanted to become the German importer.

The export philosophy of Kaapzicht has always been to *“lay our eggs in as many baskets as possible”* and *“to make sure to make more money for each year”*. Export should always be directly to an importer and it is essential that the importer should approach them according to Steytler. She tells that:

“Most of our markets in the beginning came because people came for us, they wanted to find a SA wine and they found us”

This is applicable even as of today where Steytler most recently were approached *“out of the blue”* by new importers from both South Korea and the Philippines. Steytler says that she does business in her own way:

“I conduct my business very much like a female, I have never in my private capacity run after any man and I don’t do that in business either, so I make myself visible, I hang out my flag and say ‘I’m at the wine show at this stand, if you like my wine or want to taste it, come there”

She examines the potential importers carefully and says that she trusts her gut feeling. According to Steytler, *“it’s all about grabbing opportunities but also look for them actively”*. She started to attend international wine shows in 2000 when she visited ProWein and later London Wine Trade Fair. Steytler has also participated in a lot of trade tours together with WOSA throughout the years, but only in markets where Kaapzicht does not already have an importer. This has been helpful for Kaapzicht where Steytler, when standing at the WOSA stand in China, established the contact with her Chinese importer. To travel a lot is important to Steytler, both to meet new importers and to maintain the relationships with the existing ones. She does not care much for statistics, but instead it is all about finding an importer who likes the wine. She expresses this by saying:

“We’re making our wines, that’s it. We make it at a price where we can survive, boom, and now I need to find someone who likes that. We’re not going to bend over to fit the statistics”

Steytler does not believe in advertisement, but instead says that it is a lot of recommendation within the wine business, even in international terms. She says that Kaapzicht often recommends other wineries to importers, and Kaapzicht's Danish importer approached them after having tasted the wine at his friend, another Stellenbosch wine producer, who recommended Kaapzicht. Steytler further tells:

“We were also just recommended to an importer in the US, but we decided not to go, because we feel we will give that friend too much competition, because of too similar products and one does not want to do that”

4.3 Haskell

Haskell Vineyards is a 23-hectare estate bought by Mr. Haskell, an American based in London, in 2002. At that time the property was called Dombeya Vineyards and operated as a fruit and wool farm. The farm has been transformed from its original format into a winery with accommodation and restaurant services that currently employ around 20 employees, where some of them have been employed at the farm even before Mr. Haskell bought it. The Dombeya name still lives on and can be found in one of Haskell's two labels. Dombeya represents the winery's lifestyle range whereas Haskell is the flagship range. Both ranges are produced in-house and the first Haskell vintage reached the market in 2007, the same year the first export was completed. Presently, the company exports about 40 per cent of their production to ten international markets. The winery's biggest export market is the UK followed by Belgium.

The on-site interview was held with Haskell's Operational Manager, Barbara Mackenzie, who has been working for the company for three years in 2010-2013 and currently since 2017. Mackenzie is Austrian but has been living in SA for 13 years. She has a background within hospitality and tourism.

The interview was complemented with questions answered by Haskell's General Manager and Winemaker, Rianie Strydom by email. Strydom has been working for Haskell Vineyards since 2005, but has been in the wine industry since 1993. She has a degree in B.Sc Viticulture and Oenology from the University of Stellenbosch.

4.3.1 Haskell's involvement in local networks

Haskell Vineyards is a member of WOSA, Stellenbosch Wine Routes, Shiraz Association, Cabernet Sauvignon Association and Merlot Association. Strydom is also a member in the Cape Winemakers Guild, which was established to share knowledge amongst the Cape winemakers. The former mentioned associations have been entered in order to gain knowledge according to both Mackenzie and Strydom. The membership in WOSA provides Haskell with valuable information through meetings and newsletters about what is happening in the wine industry at an international level. Mackenzie says that:

“You get figures that are bigger than your own figures and they have all the combined figures, what goes where and what is the trend internationally, do people drink more expensive wine or is expensive wine declining, and you get all this information from them and then you can discuss it with your team and then it is obviously up to us what we want to do with it”

WOSA further supports the internationalization according to Mackenzie as it offers Haskell the opportunity of standing together with other SA wineries at trade shows in markets where Haskell is not currently present. Strydom otherwise stands with the distributor in that market to support with marketing. The role of WOSA is described by Mackenzie as:

“WOSA plays a big role for small vineyards, because they obviously have the connections and they forward it to us and then it's up to us if we want to join them to visit a market”

Being a member of the mentioned associations also gives Haskell the opportunity to participate in various competitions and events where they receive the chance to network and create social contacts with others in the wine business. Strydom underlines the importance by saying:

“You never know who you will meet along the way”

There is a lot of socialization within the wine industry in Stellenbosch where people meet each other, both business related and on the spare time. For example, Strydom's husband is also a winemaker in Stellenbosch and Mackenzie underlines the benefits of being from the region.

“For me it is difficult because I am not from here, so I do not know a lot of people but Rianie knows everyone because she is from this area, and she has been in this industry all her life, so everyone knows her and she knows them. They are sort of like a big family, so when you talk about business, they obviously talk about the same things, because it is just not only us exporting wine or experience difficulties, or what kind of wine are you producing and stuff like that, and like the drought. I am sure that this is something that they discuss when they meet. It is something that they talk about constantly”

According to Mackenzie there is also collaboration amongst the wineries in Stellenbosch where farms help each other in various ways, for example combining the shipping to Europe. On a social level Strydom says that they attend each other’s events and visit other wineries in the area. She further underlines the importance of being an active networker, and for Haskell it has been the business relationships that have influenced the winery’s expansion. However, both business and social relationships have affected and increased Haskell’s sales.

Mackenzie also underlines that the tourism industry in Stellenbosch has been important for the winery, where visitors tasting the wine at the winery have been seen to buy the wine when coming back to Europe.

“They drink our wines here and they recognize the wine in Europe, I think it is very important, and when you have been here on holiday and go home and the next time you go shopping and pass the wine shelves ‘Oh I have been there!’, that’s why you probably buy the wine”

Further, the fact that Stellenbosch is well known abroad is very beneficial both for attracting international visitors as well as for marketing purposes. The origin of Stellenbosch is also mentioned in all communication, both when approaching distributors as well as in marketing. When possible, the winery’s location within Stellenbosch, the Helderberg, is also included.

Both Mackenzie and Strydom say that there is competition amongst the SA wineries domestically, where they for example attends the same competitions. Still, Mackenzie describes them as a team going together at different international wine shows, which is confirmed by Strydom who says *“when we are overseas, we stand together as a unity from SA”*. There is also movement of employees amongst the wineries in the area, which is positive

as new employees bring valuable information and contacts to the winery, but also negative, as a person leaving the farm results in loss of experience and knowledge.

4.3.2 Haskell’s internationalization journey

1	Australia	2007
2	Russia	2007
3	United Kingdom	2007
4	Germany	2008
5	Denmark	2010
6	Singapore	2010
7	Switzerland	2010
8	Sweden	2010
9	Belgium	2017
10	China	2017

Table 4. Haskell’s current export markets and year of entry

Haskell’s internationalization took off right from the beginning in 2007, the same year as the Haskell range was produced. The first export markets were widely spread across the world including Australia, the UK and Russia. This is in line with Haskell’s strategy; to be internationally present in several markets. Strydom underlines that the winery wanted to expand its sales and accordingly spread the risks. Thus, the internationalization was a planned move where Strydom is the one responsible for deciding which markets to enter and at what price the wine should be sold at. Mackenzie further tells that people connected to Haskell have played an important role where the Australian market was entered due to the fact that Haskell’s CEO is based in Australia. In addition, Haskell’s owner lived in Sweden for a couple of years where important market contacts were created, thus resulting in satisfying export volumes. Export to Germany was further initiated after importers from the different markets visited the farm and met with Strydom.

Strydom describes an ongoing search for opportunities to increase the winery’s international presence. This is done by tapping into information they receive from WOSA, as well as from “word of mouth” recommendations from friends and colleagues in the industry. Yet, direct contact is essential when connecting with a distributor. Haskell is not passive in this process, but rather actively looking for potential importers in different markets. The relationships with distributors have mainly been created via direct contact at different wine fairs. Several of the winery’s export markets have been entered as a result of attending trade shows together with

WOSA in various countries where Haskell wanted to initiate contact with a local distributor. Still, Strydom says that it is essential that the importing company has characteristics that match Haskell Vineyards with a portfolio including top quality boutique wines.

Both Mackenzie and Strydom stress the importance of attending wine fairs. Mackenzie says that it is Strydom who usually attends these trade shows in Europe and Asia where she meets the potential importers face to face. Although this kind of socialization is important in all businesses, she believes that it is especially important in the wine industry. She thinks that the wine industry has become more and more competitive due to the availability of technology and social medias, wherefore it is harder to market and to network. Hence, she stresses the importance of personal meetings, which she believes is of greater importance in order to “*get a face, a real person, behind the wine*”.

Haskell’s internationalization strategy has been the same over the years, which is to increase the sales in existing markets as well as to expand to new markets, although selling more expensive wines has become a harder business.

4.4 Devonvale

Devonvale Golf and Wine Estate is located on Bottelary Hill. The estate has an 18-hole golf course, a restaurant and accommodation. Devonvale formerly owned 25 hectares of vineyards that was rented to another wine company, but that area is now taken out. Today the estate owns 1.5 hectares of vineyards, which was planted in 2001 and the first harvest was in 2004, which resulted in total 24 barrels. Devonvale’s general manager Ryno Bernardo and five employees manage the vineyards. At harvest time the grapes are taken to Stellenbosch University where the fermentation process is managed. The wine thereafter returns to Devonvale where the following steps are carried out by the estate team except for labeling, which is done at a neighboring wine farm. Exports have fluctuated throughout the years, but in 2017, 50 per cent of the wine was exported, mainly to China.

The interview was conducted with Ryno Bernardo, the General Manager of Devonvale. Bernardo is from SA and has studied accounting at postgraduate level at Stellenbosch University and has a professional in CIMA management accounting. Bernardo has been

involved in the Devonvale wine production from the first harvest in 2004 and has since then been responsible for the vineyards.

4.4.1 Devonvale's involvement in local networks

Devonvale used to be a member of Stellenbosch Wine Routes, but since it was noted that visitors tend to visit the more acknowledged wineries, they decided to terminate the membership. The estate is a member of the Shiraz association from which they receive information and occasionally attend their Shiraz evenings. Bernardo describes his membership in local networks by saying:

“I could obviously be more involved but it's not really my focus point, has never been, it's more the golf industry itself, accommodation, tourism industry and so on”

Becoming a wine producer was very much about *“learning by asking”* according to Bernardo, who has received a lot of help from the neighbor farms Bellevue Wine Estate, who still do their labeling, and Beyerskloof, who helped them in the first export with the paperwork. Bernardo says that he knows most of the farms around Devonvale and he says that he can consult them if he has questions. Further, he discusses wine-related concerns with an employee at Stellenbosch University, who is a member of several boards and has extensive knowledge about wine and the wine industry. Since Devonvale mainly is a golf estate, Bernardo belongs to a tight group of golf managers in the Western Cape. Yet, this group has not in any way helped him and the wine business.

To include the origin of Stellenbosch is a draw card according to Bernardo, as it is well known abroad. He describes the estate's first export activities as:

“I think that's why we've had people, it was not for me to go look for people to export, it was people coming to me for export”

He also says that golfers usually are interested in wine as well, which therefore became a part of Devonvale's strategy: *“to become a golf and wine estate in a wine region”*.

4.4.2 Devonvale's internationalization journey

1	Sweden	2006-2012
2	Canada	2009
3	Ethiopia	2010
4	Denmark	2013, 2015
5	Taiwan	2015
6	China	2016-2017
7	Germany	2016-2017
8	France	2017

Table 5. Devonvale's historical and current export markets and year of entry

Bernardo tells that export was never considered before a Swede walked in at the estate in 2006 and wanted to taste the wine. He liked it and wanted to start import it, which was the beginning of Devonvale's international sales. The wine was imported to Denmark and therefrom distributed to Sweden, and the sales picked up over the following years according to Bernardo. Unfortunately, the company importing the wine went bankrupt, which resulted in the decision not to further focus on exports. The wine was still exported to a few countries, both to Canada once in 2009 and a big order came from Ethiopia in 2010 when two hotels imported 5000 bottles of Devonvale's wine. Yet, all orders have just come randomly from importers approaching them according to Bernardo: *"yes it just sort of happened really"*. Bernardo further tells that they mainly sold it for the purpose of decreasing the stock and only sold it at the price that he wanted to make sure not to lose any money. In 2015 and 2016 Devonvale decided to more actively participate in a couple of domestic wine shows. As a result, the biggest order came after a Chinese man, permanently living in SA, approached them at a wine and food show in Cape Town. The orders to China constituted almost 50 per cent of Devonvale's total exports in 2017.

According to Bernardo, extensive exports have never been an option as winemaking has just been *"a passion and a hobby"* for Devonvale. Additionally, considering the difficulties of being a small boutique winery, trying to compete with well-known and much bigger brands is challenging. Exporting to a large number of markets is expensive and because of limited production volumes Bernardo says: *"for us, it is not really worth it"*.

The future plans for Devonvale is to continue participating in a couple of domestic wine shows and to make sure to continue to be a part of the Platter Guide. When it comes to the

international side of the wine business, Bernardo says that the only strategic decision ever made as of today is the one deciding to only focus on local sales in the future:

“Now I’m at that level where exports has come to an end for me ... I just want to produce 3000 bottles. It was never a, we never started it to be a business, we only started it just to be a sort of an add-on to our name and it also allowed us to try something different. But it did cost us a bit of money, and it takes long to get your money back. After the harvest it takes you at least five years before you even see half of the return ... So for us, the future is gonna be to go laze and I might not even make it at our farm anymore”

4.5 DeMorgenzon

DeMorgenzon Estate is situated in the Stellenboschkloof Valley and has a long history as a farm. The estate has been transformed into its current format since 2003 when the owners, the Appelbaums, bought the farm and remodeled it into a 224-acre garden vineyard. The first vineyards were planted in 2005 and the first commercial wine release was in 2007-2008, the same year as the winery’s first export was completed. The winery currently employs around 35 people and the entire production is completed on site. Although bottling and labeling are outsourced, it is still done on site. Out of DeMorgenzon’s total production, 60 per cent is exported and 40 per cent is sold domestically. The winery currently exports to 19 international markets where the biggest market is the US, followed by the UK and the Netherlands.

The interview was held with the winery’s Chief Executive and Cellarmaster, Carl van der Merwe who joined DeMorgenzon in 2010. He works full time in the winery and in the vineyards during harvest time and outside of that he travels a lot to visit the winery’s customers. He has a degree in Business Management and Oenology at Stellenbosch University and experiences from the wine industry from international markets such as France, the US and China.

4.5.1 DeMorgenzon’s involvement in local networks

DeMorgenzon is a member of WOSA and Stellenbosch Wine Routes. Van der Merwe is also a member of the Cape Winemakers Guild and in the managing committee for the Chenin

Blanc Association. The latter mentioned is a domestic organization for promotion and marketing of chenin blanc, both locally and internationally. The opportunity to get exposure overseas is beneficial for the winery, and the fact that van der Merwe is a member of the guild results in good reputation for DeMorgenzon.

Van der Merwe tells that he from time to time reads the reports from WOSA and every now and then attends their seminars. The seminars are interesting, especially the market focused seminars where DeMorgenzon is not represented yet. Van der Merwe believes that he has gained knowledge from these seminars, but not more than that. He also sees the value of WOSA sending them journalists to write about the winery and SA wines. DeMorgenzon's participation in trade shows is further described by van der Merwe as limited.

“To be honest, I have not really been attending too many WOSA shows where I have picked up contacts that have transformed into importers, and less and less I am feeling that trade shows are the right environment to pick up new customers, I think trade shows are a useful vehicle to support your importers, so I would go to a trade shows to support my importer because their customers are coming to the show and I see that as market support but I have had very limited success from actually going to trade shows to find new importers”

Being a member of Stellenbosch Wine Routes is valuable for the winery according to van der Merwe, because they provide the tourists with a wine route map that shows where to find DeMorgenzon. He says that he considers it important that all Stellenbosch wineries are members of Stellenbosch Wine Routes.

Van der Merwe describes the wine business as open and relaxed where recommendations occur.

“If someone asks me for a recommendation I will give them an honest review, and say ‘Is he a good importer, yes’, it’s not like in other businesses where people don’t speak about it, they don’t share the information, they are completely closed, they have confidentiality and clauses and all that, a lot of business people find that quite strange”

Van der Merwe further says that he tries to have a life outside the wine business, but it is hard since a lot of his friends are winemakers as well. Some of the friendships were formed during

the university years whereas others were formed at a later stage. He expresses these contacts to be valuable by saying:

“There is a lot of peer to peer contacts in the wine industry, so if I need advice from someone regarding winemaking I just phone one of my friends that I respect, not necessarily from university but it might be from the Cape Winemakers Guild or someone else that I know, or if I need an opinion on a certain importer or someone, I always phone a peer. Peer to peer reviews and peer to peer communication is very important in the wine industry”

Van der Merwe describes the atmosphere amongst the Stellenbosch wineries as quite friendly and open, although there is always competition. He also says that one is usually more protective over the information when it comes to the neighboring farms compared to sharing information with wineries that are not directly adjacent to the farm, since they are seen as more direct competitors. According to van der Merwe, to originate from Stellenbosch is beneficial as it is the oldest and most famous SA wine region. Still, he points out that it is important not to believe that one will succeed solely because the wine is from Stellenbosch.

4.5.2 DeMorgenon’s internationalization journey

1	United States	2009	11	Dubai	2012
2	Germany	2010	12	Switzerland	2012
3	Sweden	2010	13	Australia	2015
4	Netherlands	2010	14	Ireland	2015
5	Belgium	2011	15	Zimbabwe	2015
6	Canada	2011	16	Denmark	2016
7	Namibia	2011	17	New Zealand	2016
8	United Kingdom	2011	18	Japan	2017
9	Austria	2012	19	Poland	2017
10	China	2012			

Table 6. DeMorgenon’s current export markets and year of entry

DeMorgenon started exporting one year after the first commercial wine was produced where the first market was the US in 2009 followed by countries such as the UK and the Netherlands the following years. Most of the markets that were entered in the beginning are described by van der Merwe as *“markets that are open for SA wines”*, where the UK is considered the easiest to enter. This was in line with DeMorgenon’s strategy where they prefer entering

mature markets where there already are SA wines present. Van der Merwe further says that most of the importers have approached DeMorgenzon:

“Opening up markets really depends on where you have a contact, I think that this kind of relationship normally starts with an individual who is knowledgeable of what happening in the SA wine scene approach the winery and says ‘Your wines are excellent, can I represent you’ and certainly, because DeMorgenzon has done so well over the last eight years, a lot of our export markets have been as a result of that people are coming to us, and saying can we represent your wines”

He further explains that the persons who have approached him often have been introduced to DeMorgenzon either by recommendations from other wineries or importers, and the initial contact can according to van der Merwe sometimes come “*completely out of the blue*”. Van der Merwe further tells that he has on a couple of occasions approached distributors on specific markets that DeMorgenzon has desired to enter. In these situations van der Merwe has asked his existing importers for recommendations and the proceedings thereafter have been based on “word of mouth” suggestions.

Van der Merwe further says that DeMorgenzon does not pay close attention to indications and trends in business reports due to the fact that they are satisfied with the winery’s current position. Yet, if DeMorgenzon were to approach a new market, van der Merwe would find out who the best importers are, either by asking peers who they would recommend or ask another importer in a market close to the one of interest. After doing some research he would contact them to see if they would be interested in representing DeMorgenzon’s wines.

4.6 Aaldering

Aaldering Vineyards and Wines is located in Devon Valley and was bought in 2004 by the Dutch couple Marianne and Fons Aaldering. The estate spans 24 hectare with 19 hectares dedicated to grapes. The first harvest was in 2007 and the wines came into the market in 2009/2010. Aaldering currently exports 95 per cent of the total production to nearly 30 countries worldwide where the Netherlands is the biggest market followed by Hong Kong. The winery operates the entire wine process in-house and has grown from producing 45 000 bottles per year in 2009/2010 to 150 000 bottles per year in 2017. Aaldering currently

employs approximately ten people and besides producing wine, they also run Aaldering Luxury Lodges, a 5-star accommodation service.

The interview was conducted with Gert-Jan Posthuma, Aaldering's Global Marketing and Sales Manager. He is originally from the Netherlands and has been working for the company since 2016. Before moving to SA together with his wife, he had a real estate agency in Spain. Posthuma is married to the Aaldering family's youngest daughter, Jacqueline Aaldering, who also works for the company managing hospitality and financial matters.

4.6.1 Aaldering's involvement in local networks

Aaldering is a member of WOSA and Stellenbosch Wine Routes, where the latter one according to Posthuma helps to attract visitors to the estate, but because of the small domestic volumes, Aaldering is not dependent on local sales. Posthuma refers to WOSA as a good source of information for acquiring both domestic and international knowledge. He further says that the fairs WOSA arranges are very good and Aaldering will also for the successive year stand together with WOSA at ProWine. Besides the events and fairs Posthuma has participated in one of the WOSA seminars, which focused on the US market for wineries not present on the US market. Posthuma tells that he gained much from the meeting and underlines that he is relatively new in the business and open for new people and information. He has also been invited by WOSA to meetings, for example with an importer from Angola and a journalist from Germany, which later came and visited the estate and wrote an article about one of the wines.

Posthuma describes the industry to be very helpful and open for communication. He tells that at some points when he has experienced difficulties with importers he has phoned other local wineries and asked if they experience or have experienced the same problem and see if they can help each other. According to Posthuma, they do not even necessarily have to know each other:

“We did not know each other, but you know, you started the telephone conversation explaining who you are, explain the relationship, and the South Africans, I must say they are very open to share, to talk, to try to see if we can help each other. Once, I had a situation with a client in a foreign market and I found out that there were also other wineries, and I don't know these people at all, but it's just to pick up the phone 'How do you deal with that' or 'How shall we deal with that together' because it turned out that it was the same problem that she experienced with the same client, so very open to share, very open to communicate, sort of, we are there for each other”

Posthuma says that Aaldering does not currently collaborate with any other winery in the area, this since Aaldering focuses on international markets. Yet, he sees potential in doing things together with other wineries in the future, as there are domestic prospects for Aaldering. Still, it is important to protect the international markets and he says that *“I'm not going to sell the neighbor's wine”*, although he would not have a problem with recommending another winery as long as they do not produce the same wines as Aaldering.

When describing the importance of different valuable contacts, Posthuma says that the international business contacts are of greatest importance for Aaldering, although they have an informal character. The origin of Stellenbosch is included in the marketing where Posthuma compares it with Bordeaux in France. He further says that if possible, it is even better to be more specific by adding the Devon Valley, which is the area in Stellenbosch that Aaldering belongs to. He tells that:

“For Stellenbosch wineries, it would be a huge different if you were located in Hermanus, it doesn't ring a bell, but Stellenbosch is the wine capital of SA, so even before my parents in law bought this I did already know about Stellenbosch. Stellenbosch is well known so we are lucky that we are a part of it. If you are in another area it might be even more difficult to market”

4.6.2 Aaldering's internationalization journey

1	Netherlands	2009	11	Sweden	2012	21	Vietnam	2014
2	Japan	2011	12	Switzerland	2013	22	Bulgaria	2015
3	Mexico	2011	13	Ukraine	2013	23	Singapore	2015
4	Caribbean Curacao	2012	14	United Kingdom	2013	24	South Korea	2015
5	China	2012	15	Austria	2014	25	Estonia	2016
6	Poland	2012	16	Finland	2014	26	United States	2016
7	Seychelles	2012	17	Germany	2014	27	Czech Republic	2017
8	Spain	2012	18	Italy	2014	28	Nigeria	2017
9	Belgium	2013	19	Mauritius	2014			
10	Denmark	2013	20	Taiwan	2014			

Table 7. Aaldering's current export markets and year of entry

The Aalderings bought the wine estate to have as a “*dream come true*”, but as the produced volumes of wine were too big to solely keep within the family, the decision to start exporting was a natural implication. Due to the Dutch heritage of the Aaldering family, the first export market was the Netherlands in 2009. From there on, Aaldering's export was built up by Posthuma's previous colleague, a Dutch woman who worked from the office in the Netherlands. She and the owners, Fons and Marianne, have been traveling the world looking for markets and building up the winery's export activities. The strategy has always been to actively look for international markets, preferably non-wine producing countries. Posthuma further describes the strategy by saying:

“We do not want to bet on one horse, we try to find a nice spread in the markets”

For the majority of the markets in which Aaldering is present, they work with one importer per country in order to avoid creating competition, but for larger markets such as China, they work with three importers who focus on different market segments. The European markets are the most important for the winery, but of the total production, 40 per cent is sold to some Asian countries. Apart from the international clients, Aaldering also sells the wines to a couple of airline companies. The relationships with the airlines go back to when the Aaldering family had a business that catered meals. Hence, instead of selling meals to the airlines they started selling the wine via existing relationships from 2010 and onwards.

Out of Aalderings 30 importers 90 per cent of them have actively been targeted by the winery. Posthuma explains that the first step when approaching new interesting markets has been to

start searching online and investigate whether the economy is growing or not. He also tells that there are opportunities once in a while to buy an address list of importers, which Posthuma compares with buying a database. He further stresses the importance of fairs:

“You need fairs to look for your importers”

Although fairs are important, Posthuma also adds that fairs are often expensive. Hence, it is important to value and evaluate the payoff time. Aaldering is currently looking for new importers and Posthuma tells that he has been looking in his files for importers active on those specific markets that he is interested in and contacted a few of them to invite them to come and visit him at the upcoming wine fair in Germany, ProWine. He further says that he hopefully will meet additional ones at the Cape Wine fair later this year.

4.7 Meerlust

Meerlust was established in 1693 and has been in the holding of the current owners, the Myburgh family, since 1756. The estate is currently managed by the eighth generation Myburgh, Hannes. The farm permanently employs around 40 people and spans 400 hectares, with 110 hectares of vineyards. Meerlust started exporting on a small scale during the early 1990s, but has since 1994 increased both the exported volume and the number of export markets. The entire production is run in-house and the company currently exports about 50 per cent of their total production to roughly 30 foreign markets where the biggest market is the UK.

The interview was conducted with Meerlust’s Marketing Manager Eddie Turner, who is in charge of marketing, sales and export markets. Turner has been with the winery since 2010, yet still in the wine industry working for two other properties in Stellenbosch since 1984. Before entering the wine industry Turner completed a Bachelor of Commerce degree at the University of Pretoria, majoring in Business Economics. He also has a cape wine diploma from a local wine academy.

4.7.1 Meerlust’s involvement in local networks

Meerlust has been a member of WOSA and Stellenbosch Wine Routes since the associations were founded. Turner tells that the membership in WOSA is beneficial, both when it comes to the domestic and foreign markets and describes the association as *“a useful source of*

information". Being a member provides the winery with opportunities to meet with foreign journalists, which is stressed by Turner as important in the wine business. The events arranged by WOSA further provides for opportunities to meet with new people that Turner does not believe that he would have met if he were standing together with an existing importer at a fair. Since Meerlust currently has the distribution sorted out, Turner tends to stand with the distributors at fairs. Still, Turner says that if he were looking for new business opportunities, he would choose to be on the WOSA stand. He further tells that Meerlust occasionally attends activities overseas that WOSA arranges, such as tastings, as well as the WOSA organized wine fair in Cape Town.

Turner says that Meerlust does not collaborate with other local wineries on the international side of the business. However, they support each other:

"We tend to do our own thing, although we do support each other, especially on an international level, none of us would go and bad mouth another producer, you know, we are promoting SA, so wherever we go we are quite a tight group, and this is often WOSA driven"

He further says that Meerlust is a member of a group of six wineries driven by another Stellenbosch winery, all having different niches. Locally, they collaborate for promotion reasons, where he tells that they for example will come together during the upcoming Cape Wine fair this fall. There is also collaboration amongst 25 SA wineries that have the same domestic distributor. These wineries occasionally operate as a group according to Turner where they do events together such as trade shows and tastings.

Turner describes the atmosphere in Stellenbosch as very open where they talk to each other. Wineries occasionally help each other by presenting each others wines on different international tastings says Turner and recommending each other is very common. They also ask each other for advice about importers:

"Somebody might phone and say 'Do you know a decent distributor who is looking for somebody', and somebody have approached us and we have said 'Sorry, we've already organized', so we share that information"

He further says that the market outside SA is so big, so sharing that sort of information will not change anything, whereas the on a local level are things a little bit different since the

competition is tougher there. He also believes that Stellenbosch wineries would benefit from collaborating more on the international markets.

According to Turner, it is the business networks that have been of most importance and the drivers for Meerlust’s international expansion, even if the social ones are important. Turner also tells that tourism is an important factor for the international sales where the majority of their visitors are from European countries, which accordingly are Meerlust’s biggest export markets. To belong to Stellenbosch is further mentioned as an advantage, which is included in their promotion. Turner adds that going to a market where Stellenbosch or SA wines already have a foothold is much easier than going to a rather unexplored market.

4.7.2 Meerlust’s internationalization journey

1	Namibia	1990	12	Finland	2000	23	Zimbabwe	2000
2	Botswana	1994	13	Hong Kong	2000	24	Indonesia	2010
3	Belgium	1994	14	Japan	2000	25	Luxembourg	2010
4	Canada	1994	15	Mauritius	2000	26	Malaysia	2010
5	China	1994	16	New Zealand	2000	27	Poland	2010
6	Germany	1994	17	Philippines	2000	28	Turkey	2010
7	Ireland	1994	18	Singapore	2000	29	Denmark	2014
8	Netherlands	1994	19	Sweden	2000	30	Norway	2017
9	United Kingdom	1994	20	Switzerland	2000	31	Russia	2017
10	Australia	2000	21	United Arab Emirates	2000	32	Taiwan	2017
11	Austria	2000	22	Zambia	2000			

Table 8. Meerlust’s current export markets and year of entry

During the early days Meerlust did not have the facilities to bottle the wine themselves. Hence, this process was at that point managed by a company named Bergkelder that assisted wine farms with bottling, marketing and distribution. Turner tells that Meerlust’s first international expansion was therefore carried out by the Bergkelder and describes the company and their collaboration as:

“Bergkelder was a big international company so they had networks all over the world, and Meerlust got into those networks initially and that’s how the distribution sort of started, so it was not done physically by the personnel from Meerlust itself”.

Accordingly, it was the Bergkelder that decided upon which international markets Meerlust should enter. Yet, at that time there were limited markets for SA wines to enter. Gradually, as SA products became more accepted, the winery expanded into new markets. Turner says that Meerlust ended the collaboration with the Bergkelder during the early 2000s and entered their own bottling and marketing. Even if Meerlust started to operate the entire production and marketing in-house, they still kept some of the foreign distributors, which has been very beneficial according to Turner.

The expansion over the years is described by Turner as opportunity driven rather than planned, although Meerlust's internationalization strategy has always been based on the aspiration of being an international brand, present in the major capitals of the world. He says that the winery is satisfied with the current markets and mainly focuses on improving the existing ones. However, due to high concentrated export volumes to few key markets, the company has lately focused on improving and establishing stronger markets outside the current ones. The incentives for this is described by Turner as an action in order to spread the risks and decrease the dependence on single markets. Meerlust's largest export market is the UK and out of the exported 50 per cent, the UK alone represents 60 per cent. Some of the markets following UK are the US, Germany, Sweden, Belgium and the United Arab Emirates.

Meerlust works with exclusivity arrangements with its distributors, thus only having one importer per market. Many of Meerlust's current distributors dates back to the Bergkelder years, whereas others have been appointed since Meerlust started to manage its operations in-house. Turner also tells that his previous contacts have been of importance for Meerlust when the existing distributors have not performed well, thus resulting in a change of distributors to Turner's contacts. However, Meerlust would never change distributors solely because Turner has a better contact. He says that it all depends on the relationship with that person and how he performs. Turner describes the process of finding new importers by saying:

“It is purely time I think, I mean initially you meet with them, and then it is purely gut feeling, plus you see what they have done for other brands, they have a portfolio so they can give you a little bit of history of how they have performed and whether they have the same philosophy as you and position in the market. Because of the fact that we are not a big commercial brand that sells to supermarkets, we need to find distributors that also have the same kind of philosophy of where they are going to sell our products”.

Turner, the owner and the winemaker travel and visit their existing base of importers in order to maintain these relationships. Turner further tells that he is always in contact with their importers via email and also takes the opportunity to meet with them as well as new people at fairs.

4.8 Keermont

Keermont Vineyards was founded in 2003 when the Wraith family bought two neighboring farms. The vineyards were initially eight hectares, but the area has grown over the years to 29 hectares as of today. The first wine was produced in 2007 and the farm is run by 14 permanent employees. All operations are kept in-house and the biggest market used to be the domestic, but the exports have increased during the latest years from 30 per cent to 50 per cent.

The interview was conducted with Juanita Schultz, Keermont's sales administrator responsible for sales, logistics and marketing. Schultz is born in the Northern Cape and has studied tourism at the Stellenbosch College. She is married to a winemaker and has worked at several wineries in Stellenbosch before entering her position at Keermont three years ago.

4.8.1 Keermont's involvement in local networks

Keermont is a member of WOSA, Stellenbosch Wine Routes and a group for old vines. The latter one is a newly established group says Schultz that celebrates and promotes wines that are made from vines that are 30 years or older. Schultz tells that WOSA's seminars are very good and she attends them if the topic is relevant for Keermont. The information seminars are very helpful since it is impossible to travel to all the markets as often as one should because of budget restrains according to Schultz, who says:

“If people can come to SA and give information sessions you can ask them questions that is relative to your situation, and getting a more personal approach to the market, that is better than only sending an email”

Schultz further says that having international speakers coming to these WOSA seminars result in valuable information about the culture and work ethics in these markets, what they eat and

drink as well as how to approach the importers in the best way possible, which is especially crucial for markets like China:

“What type of communication methods do they use, do they use emails, do they use WhatsApp? What systems do they actually use to communicate, and how do they prefer to communicate and what’s the cultural activities, meetings and greetings, which all builds a part in how you build relationships with these people”

Schultz appreciates having an association like WOSA to consult that in turn has a representative present in some of the markets who can assist if problems occur. Further, being a member of Stellenbosch Wine Routes is beneficial as the association attracts international guests to the region and provides them with information. Schultz says that it is important even for their international sales:

“Cause I think, even if you get a visitor that by accident visit us because someone suggested it to them, they have never heard about us, never read about us, and we get that a lot ... by just that one visit, you know, you’ve already created maybe a customer for life through the experience alone”

Schultz says that if they get a lot of visitors from a country to which Keermont currently does not export to they would look at the market, but never actively try to approach an importer in that market. Instead, she tells that they prefer having the visitors recommending importers to approach them as the importers then would see that there is an aftermarket and demand for the wine by the customer.

There is also a collaboration amongst Keermont, Kleinood and De Trafford, all located on the Blauwklippen Road. They do a lot of functions together such as tastings for international guests. This is good says Schultz because they as small producers do not get a lot of attention otherwise. They also arrange a yearly open day together where local, but also international guests, can come to all the farms for special wine tastings and food.

There is a lot of socialization amongst the wineries according to Schultz. Many are friends and even when seeing each other off business hours, there is still business talk going on.

“We do talk business sometimes, and it’s kind of nice actually because then it’s on an informal kind, you know, that’s how you get a lot of the information and you learn a lot of the experience of that person and their setup”

Schultz tells that her husband and his older brother are also active in the wine business and she says that she can always turn to them for advice and help. She says that it is a lot of phoning around to each other in the wine industry, for example both before closing a deal with an importer as well as before hiring a logistics company. They also speak to each other when having troubles with a specific market, if they know that the other winery is present in that market as well, although Schultz points out that every importer is different. Wine people are very open and helpful in Stellenbosch says Schultz:

“You know, people talk to each other within the industry. For instance, my husband’s German importer was here just now and we’re looking for a German importer, he knows about it and he would say to me ‘Oh you know X is coming out, you must meet him. He’s gonna be there, and I would go to that function, ‘Hi, I’m from Keermont and do you maybe have any insights for us how to get in contact with someone, this is our product, this is our philosophy, this is our brand’ and we would talk to him and then he is in the market and he’s met me face to face, that is very important, the face to face meeting of people, that’s the, to get people visit Keermont, that’s where you build the best relationships”

There is accordingly recommendations of other wineries as long as they are not too similar to Keermont, since they still see each other as competitors says Schultz. Yet, she says that importers sometimes inquire from them to recommend other Stellenbosch wineries and it is therefore important to *“keep you updated”* about what is happening in the industry. They therefore sign up on each other’s newsletters and see what the other wineries put up on their websites as well as read local wine magazines.

To belong to Stellenbosch is a good thing according to Schultz. *“Stellenbosch is a prime wine region, which is well known”*. To include the origin of Stellenbosch in the marketing is therefore important. She also says that for the younger generation, there is a movement of employees around the wineries. Schultz has worked for other wine farms in the region before coming to Keermont and therefore has a lot of experiences as well as contacts. This, according to Schultz *“obviously benefits you for future opportunities”*.

4.8.2 Keermont's internationalization journey

1	Belgium	2008	12	Germany	2015
2	Luxemburg	2008	13	Hong Kong	2015
3	United States	2008	14	Ireland	2015
4	Indian Ocean Islands	2009	15	Sweden	2015
5	Switzerland	2009	16	Dubai	2016
6	United Kingdom	2009	17	Japan	2016
7	Reunion Islands	2010	18	Netherlands	2016
8	Namibia	2011	19	Czech Republic	2017
9	Estonia	2013	20	Denmark	2018
10	Canada	2014	21	Malta	2018
11	China	2015			

Table 9. Keermont's current export markets and year of entry

To export wine has been a strategic move since Keermont's inception and the international journey therefore started right from the beginning where the US was one of the first markets to enter in 2008 after being recommended by another winery. Schultz says that they consider it important to have their wine in small volumes spread in many markets than solely focusing on a few ones. Over the years there has been an incremental adding of international markets, especially since 2015.

“We cannot just go out and get agents everywhere, we have to be very specific on who we choose, 'cause we got small volumes and we have high priced wines, but we also don't want to get a market that's not really gonna do well for us”

Schultz says that internationalization is all about getting your brand and product spread into the right hands, and it is very much *“push, push, push when you have big volumes to sell”*, whereas for Keermont, it is more about *“getting the right product to the right client to keep a following”*. She further says that they extensively investigate a potential importer where the history and the current brand portfolio are some important factors to take into consideration. Many of the importers approach them either by coming to the farm directly or visiting them at trade shows. To participate in wine fairs are important says Schultz, but Keermont only participates in specific shows where Cape Wine is the biggest one. They have never been to ProWein but are planning on going to it next year, although only as guests to network, due to high costing. Schultz further underlines the importance of ratings and to be mentioned by

wine journalists. They therefore always make sure to invite them when Keermont has a new launch or something similar.

4.9 Summary of each winery’s identified insidership in local networks

The tables below, table 10-17 have been compiled in order to display each individual winery’s identified insidership in local networks as well as the expressed purpose and outcome of the insidership. The last table of this section, table 18, all of the identified networks are summarized and classified based on the local networks’ character. This will further be elaborated on in chapter 5.

Kleinood has insidership in five different types of local networks, displayed in Table 10:

Kleinood	Cluster Networks				
	WOSA	SWR	Blauwklippen collaboration	Stellenbosch	Personal ties
Purpose of membership	Participate in events	Attend information meetings	Attract visitors, journalists & support each other	-	-
Outcome of insidership	Exposure overseas, contact with journalists, market knowledge	Gained knowledge	Exposure, increased sales, knowledge sharing & access to external resources	Brand recognition	Access to external resources & knowledge, new business opportunities

Table 10. Kleinood’s identified insidership in local networks

Kaapzicht has insidership in six different types of local networks, displayed in Table 11:

Kaapzicht	Cluster Networks					
	WOSA	SWR	Wine Associations and Tasting Groups	CWG (owner a former member)	Stellenbosch	Personal ties
Purpose of membership	Receive information, co-participate at fairs	Attract tourists	Information regarding wine technicalities & production	-	-	-
Outcome of insidership	Gained knowledge, exposure overseas, business opportunities	Increased sales, new business opportunities & brand recognition	Gained knowledge	Respect, contacts, recommendations & business opportunities	Brand awareness	Business opportunities, recommendations, knowledge, support

Table 11. Kaapzicht’s identified insidership in local networks

Haskell has insidership in seven different types of local networks, displayed in Table 12:

Cluster Networks							
Haskell	WOSA	SWR	Wine Associations	CWG	Stellenbosch collaboration	Personal ties	Stellenbosch
Purpose of membership	Receive information, co-participate at fairs, create contacts	Attract visitors	Receive information, establish contacts	-	Help each other, combined shipping	-	-
Outcome of insidership	Gained knowledge & connections with new markets	Increased sales	Gained knowledge & introduced to new contacts	Knowledge exchange	Reduced shipping costs	Recommendations, knowledge, business opportunities	Brand recognition & marketing, international tourists

Table 12. Haskell’s identified insidership in local networks

Devonvale has insidership in five different types of local networks, displayed in Table 13:

Cluster Networks					
Devonvale	SWR (former member)	Wine Association	Neighboring collaboration	University	Stellenbosch
Purpose of membership	Attract visitors	Information & participation in events	Support	Support & advice	-
Outcome of insidership	No experienced benefits	Gained knowledge	Gained knowledge & resources	Gained knowledge & resources	Brand awareness & attracting tourists

Table 13. Devonvale’s identified insidership in local networks

DeMorgenzon has insidership in six different types of local networks, displayed in Table 14:

Cluster Networks						
DeMorgenzon	WOSA	SWR	Wine Associations	CWG	Personal ties	Stellenbosch
Purpose of membership	Receive market information, contacts with journalists	Attract visitors	Promotion overseas	-	-	-
Outcome of insidership	Gained knowledge & international exposure	Brand awareness	Exposure overseas	Good reputation & advices	Recommendations & advices	Brand awareness

Table 14. DeMorgenzon’s identified insidership in local networks

Aaldering has insidership in four different types of local networks, displayed in Table 15:

	Cluster Networks			
Aaldering	WOSA	SWR	Stellenbosch collaboration	Stellenbosch
Purpose of membership	Receive market information, co-participate at fairs, contacts with journalists	Attract visitors	Consultation and help	-
Outcome of insidership	Gained knowledge, exposure overseas, business opportunities	Brand awareness	Advices	Brand awareness

Table 15. Aaldering's identified insidership in local networks

Meerlust has insidership in six different types of local networks, displayed in Table 16:

	Cluster Networks					
Meerlust	WOSA	SWR	Stellenbosch collaboration	Bergkelder	Stellenbosch	Personal Ties
Purpose of membership	Receive information, co-participate at events & fairs, contact with journalists	-	Support and co-participate at events & fairs	Previous collaboration	-	-
Outcome of insidership	Gained knowledge, exposure overseas, business opportunities	Increased international sales	Help, recommendations, domestic & overseas promotion	Operational support	Brand awareness	Tap into business contacts & knowledge, new business opportunities

Table 16. Meerlust's identified insidership in local networks

Keermont has insidership in six different types of local networks, displayed in Table 17:

	Cluster Networks					
Keermont	WOSA	SWR	Wine Associations	Blauwklippen collaboration	Personal ties	Stellenbosch
Purpose of membership	Receive information & support	-	Promotion	Support each other	-	-
Outcome of insidership	Gained knowledge & help	Increased international sales	-	Access to external resources	Receives information & advice, recommendations, tap into business contacts	Brand awareness

Table 17. Keermont's identified insidership in local network

All wineries' identified local networks have been summarized and classified into three different types: Business-Open, Business-Closed, Social-Closed. The wineries that have benefited from their insidership in terms of foreign market entry are outlined in Table 18:

Cluster Networks										
Business Networks										
<i>Open</i>					<i>Closed</i>					
	WOSA	SWR	Wine Associations	Stellenbosch	CWG	Neighbouring collaboration	Stellenbosch collaboration	University	Bergkelder	<i>Social Networks</i>
Facilitation on foreign market entry due to insidership	Kleynood, Kaapzicht, Haskell	Kaapzicht	X	Kleynood, Kaapzicht, Haskell, Devonvale, Kermon, DeMorgenzon, Aaldering, Meerlust	X	X	X	X	Meerlust	Personal ties Kleynood, Kaapzicht, DeMorgenzon, Meerlust, Kermon

Table 18 Classification of local networks

5. Analysis

The fifth chapter analyzes and discusses the empirical findings from chapter four. Firstly, the identified local networks are categorized, thereafter follows a discussion of each local network type and its facilitating effect on foreign market entry. An analytical discussion about the interactional dimension of networks as well as the existing business environment within the cluster is posted. Lastly, based on the findings in chapter four the conceptual framework is revisited in order to better reflect the reality.

5.1 Categorization of local networks

Firms are not isolated entities, but rather interconnected with other actors in complex and invisible web settings (Chetty & Blankenburg Holm, 2000; Hilmersson, 2011; Johansson & Vahlne, 2009), both domestically and internationally. Being an insider in these networks builds on the premise that firms turn to each other with the aspiration to achieve outcomes hard to attain separately (Blankenburg Holm et al. 2015). The wineries included in this study mainly have triad relationships with their international customers (triads via the host market) (Sandberg, 2013), wherefore, establishing foreign market nodes (importers) is essential. Further, firms establish positions in diverse networks, even at a local level, in order to get the opportunity to connect with nodes. As seen in this study, all wineries are members of different local networks where the following have been identified; WOSA, SWR, Wine Associations, Cape Winemakers Guild (CWG), Neighboring Collaboration, Stellenbosch Collaboration, University, Bergkelder, Personal ties and Stellenbosch. The local activities that these include will be described below.

WOSA: refers to all local activities (e.g. meetings, seminars, journalists) arranged in Stellenbosch as well as the participation at international and domestic wine fairs initiated by WOSA (mentioned by all wineries besides Devonvale).

SWR: relates to all local activities organized by the wine tourism association, including the impacts of the wine tourists in Stellenbosch (mentioned by all wineries, Devonvale a former member).

Wine Associations: considers all local activities and interactions initiated by the different wine associations (e.g. Shiraz Association, Chenin Blanc Association, Merlot Association) (mentioned by Haskell, DeMorgenzon, Kaapzicht, Devonvale and Keermont).

CWG: includes all local activities and interactions (e.g. innovation, benchmarking and knowledge sharing) initiated by the CWG members (mentioned by DeMorgenzon, Kaapzicht and Haskell).

Neighbouring collaboration: refers to the existing collaboration amongst the three wineries located at the Blaauwklippen Road (Kleinood and Keermont) as well as the two separate emphasized collaborations at the Bottelary Road (Kaapzicht and Devonvale).

Stellenbosch collaboration: concerns the collaborations amongst Stellenbosch wineries, not necessarily neighbouring farms (mentioned by Haskell, Aaldering and Meerlust).

University: relates to the collaboration between Devonvale and the Stellenbosch University.

Bergkelder: accounts for the former business collaboration between Meerlust and the Bergkelder.

Personal ties: addresses the personal relationships that the involved participants have with other actors in Stellenbosch (mentioned by Kleinood, Kaapzicht, Haskell, DeMorgenzon, Meerlust and Keermont).

Stellenbosch: based on the geographically demarcated area, i.e. the cluster itself, constitutes a network, where all wineries in the region are included. This network accounts for all local activities resulting from the co-location of the wineries, mainly focusing on the promotion of the “Stellenbosch wine brand” and the occurring recommendations between the wineries to importers (mentioned by all wineries).

As a first step to be able to analyze the local networks’ facilitation of foreign market entry, there is a need of clarification and categorization of the above-specified networks. As previously mentioned in Chapter 3, literature distinguishes between business and social networks (e.g., Jeong et al. 2017; Kontinen & Ojala, 2011; Udomkit & Schreier, 2017; Vasilchenko & Morrish, 2011), since the two types have been seen to influence firms’

internationalization in different ways. Business networks are described as “a set of two or more connected business relationships, in which each exchange relation is between firms that are conceptualized as collective actors”, inter alia, distributors, suppliers, competitors, customers and government (Anderson, Hakansson & Johanson, 1994, p. 2; Chetty & Blankenburg Holm, 2000; Jeong et al., 2017), whereas social networks are defined as “a web of personal connections and relationships for the purpose of securing favors in personal and/or organizational action” (Zhou, Wu & Luo, 2007, p. 674), such as families, friends and former colleagues (Senik et al., 2011). These different networks can further be divided into open and closed depending on the strength of the ties amongst the participants in the network (Hilmersson & Jansson, 2012). Business and social networks with strong ties amongst the participants are referred to as closed networks, often having a low number of involved participants where trust and social exchange are important components. In contrast, open networks have a high number of participants that are lightly connected with each other. Open networks are often portrayed as information hubs that offer the opportunity to benefit from indirect relationships (Hilmersson & Jansson, 2012). Concluding, since none of the identified local networks includes components that conforms with the characteristics of open social networks, the identified networks will be divided under the remaining three categories; business open networks, business closed networks and social closed networks. These will be further elaborated below.

5.1.2 Business open networks

WOSA, *SWR*, *Wine Associations* and the cluster network *Stellenbosch* are all categorized as business open networks. The first three mentioned can further be described as information hubs in their specific fields (international wine promotion, wine tourism and grape expertise), whereas the latter falls under this categorization according to the characters of the cluster, being open and including all wineries located in the region. There are no major barriers to enter these networks, resulting in a high number of participants were the members are lightly connected to each other.

5.1.3 Business closed networks

When it comes to business closed networks, *CWG*, *Neighbouring collaborations*, *Stellenbosch collaborations*, *University* and the *Bergkelder*, have characteristics that are in line with the definition of a business closed network. These networks are hard for anyone to

enter and the involved members are strongly connected with each other. Compared to the business open networks, these networks have a lower number of participating members.

5.1.4 Social closed networks

The addressed personal ties include personal relationships with family, friends and/or former colleagues that in some way have or currently contribute to the individual wineries. The personal ties are distinguished in the study to be coupled with strong ties. The participants are therefore tightly connected to each other.

5.2 Local networks' facilitation of foreign market entry

Below, the identified and categorized local networks will be further elaborated and analyzed, focusing on their facilitating effects on foreign market entry.

5.2.1 Business open networks' facilitation of foreign market entry

This study has shown that all wineries have insidership in at least one business open network. These networks are emphasized to provide the wineries with benefits in form of; information, market knowledge, international exposure, support and help. Further, these networks have been seen to facilitate the wineries' foreign market entries, although the networks' effects appear to have different outcomes. Therefore, an analysis and discussion of each business open network is required and follows below.

5.2.1.1 WOSA

The empirical findings show that all wineries being WOSA members have gained valuable benefits from the insidership. For the majority of wineries, gaining information about foreign markets is the prime advantage of being an insider, which in literature is underlined as one of the most prominent resources a network provides the members with (Johanson & Vahlne, 2009; Schweizer, 2013). As stressed by e.g. Schultz at Keermont, WOSA offers the wineries the opportunity to learn about foreign markets and how to best approach them, which corresponds well with Hilmersson and Jansson's (2012) and Schweizer's (2013) findings. This study's empirical findings show that the benefit of receiving information has an influencing effect on the wineries' foreign market entries but no explicit facilitating effect.

Still, the fact that WOSA offers the network members market information is not surprising, since its function is to supply the wineries with statistics and industry data.

Further, findings reveal that WOSA has facilitated for foreign market entries for at least three of the seven wineries with insiderships by offering the opportunity of co-participation at international trade fairs. This has facilitated for the wineries to meet and connect with foreign business partners; importers. Kleinoood connected with their Swedish importer in Stockholm at a wine tasting organized by WOSA, whereas Kaapzicht connected with their Chinese importer as a result of participating together with WOSA at a wine fair in China. This finding is contradicting with Kontinen and Ojala (2011), but in line with Ojala (2009) and Senik et al. (2011) who found institutions to be significant network contacts for facilitating the internationalization of SMEs. Going on trade shows are stressed by several wineries to be important to be able to establish contacts in new markets, as highlighted by Chetty and Campbell-Hunt (2003), Jeong et al. (2017), Kontinen and Ojala (2011), McAuley (1999) and Meyer and Skak (2002). The opportunity of traveling together as a group and standing united is said to increase the likelihood of grasping international opportunities (ibid.). Thus, by utilizing the WOSA network, the wineries have expanded and reached new markets, i.e. networks in terms of foreign nodes (Johanson & Vahlne, 2009; Sandberg, 2013; Schweizer, 2013).

5.2.1.2 SWR

Analysing the second categorized business open network, SWR, all wineries are members in this network, except for the former member Devonvale. All insiders except for one emphasize the importance of being a part of a network that aims to increase the tourism flows to the region as well as facilitating for visitors to find specifically their winery. Three out of seven wineries stressed that having international wine tourists visiting their farm positively correlates with increased sales, both domestically and internationally. Further, two firms highlighted brand awareness to be the biggest advantage of having tourists visiting their farm. Still, Kaapzicht, where one of the family members also is a part of the commiteé of SWR, was the only winery that expressively had experienced a direct benefit in terms foreign market entry. Their first export market, the Netherlands, was initiated after a Dutch tourist visited the farm, and the Norwegian market was also entered after connecting with a node, a tourist, visiting the farm. Thus, being an insider in the business network seems to provide the wineries with emerging internationalization opportunities (Chetty & Agndal, 2007; Meyer &

Skak, 2002). Yet, having insidership in a tourist-promoting network was predominantly seen to have a positive effect on the international side of the business in markets where the wineries were already present.

5.2.1.3 Wine Associations

Five out of eight wineries are members of at least one wine association. These networks are beneficial for the wineries, primarily for receiving information or for promotional reasons. Yet, only van der Merwe expressed that the wine association that DeMorgenzon is a member of promoted the members' wines overseas. Still, no facilitating effect on foreign market entry was presented. Hence, being an insider in wine or grape related business networks appear to be important for product development, which is contradicting to Senik et al. (2011), who found personal relationships to be essential in R&D and product development.

5.2.1.4 Stellenbosch

The last identified business open network is the network referred to as Stellenbosch, which is formed solely due to geographical reasons. Being situated within a geographically demarcated area, a cluster (Swann & Prevezer, 1996; Porter, 1998), automatically give firms insidership in the cluster network, i.e. access to the same type of information and resources. The majority of the wineries stress that they have recommended, or been recommended by another winery in the region to an importer, which has allowed for the opportunity to connect with new nodes (Jansson & Sandberg, 2008). The wineries can therefore be seen as connectors between importers and other co-located wineries in Stellenbosch (Felzensztein, Deans & Dana, 2018). The recommendations within the cluster seem to have either a connection with personal ties or a non-personal character that can be recognized as an outcome of a favorable reputation within the cluster (Coviello, 2006). The cluster network relationships are therefore seen to have a facilitating effect on the wineries' internationalization in terms of getting connected with new entry nodes (Brown & McNaughton, 2003; Cerrato & Depperu, 2011).

All wineries perceive the branding of the region, Stellenbosch, as immensely important and an advantage for their foreign operations. They therefore include the name of the region in their marketing strategy. This is in line with Felzensztein et al. (2014), who highlight that firms being located in a cluster can experience advantages resulting from a favorable reputation and branding of the region. Increased brand awareness and reputation are further stressed to have a positive impact on the volume of foreign sales. Besides increased sales

volumes, the branding of the region is also recognized by the wineries as important in order to attract international visitors to the area (positive impacts are discussed in 5.2.1.2 *SWR*). Further, findings indicate that in one case, for Devonvale, the reputation of the cluster enabled their first foreign market entry. A favourable reputation of the region is further seen as beneficial for the wineries at wine fairs where they stand together under the Stellenbosch brand, thus attracting importers. This is recognized to possibly facilitate for the opportunity to meet and connect with nodes as discussed in 5.2.1.1 *WOSA*.

5.2.2 Business closed networks' facilitation of the internationalization

The findings in the empirical chapter show that all included wineries in the study are insiders in at least one of the local networks identified as business closed. Having economic or information exchange in focus characterize all these networks with few tightly connected members included, which is in line with how business and closed networks are described (Anderson, Hakansson & Johanson, 1994; Chetty & Blankenburg Holm, 2000; Hilmersson & Jansson, 2012; Jeong et al., 2017). Yet, insidership in these networks has been seen to facilitate the wineries' foreign market entry to a very limited extent. Being an insider in CWG is described as useful where knowledge sharing and good reputation are the main outcomes. Still, this has not helped the wineries to connect with foreign market contacts. For Kaapzicht, where the owner used to be a member of CWG, has the insidership been recognized as an international benefit for the winery as other CWG members recommend them to importers. This goes well in line with research for two reasons. First, business network is said to entail not only a business dimension but also having social elements included (Hilmersson & Jansson, 2012). Secondly, it has been identified that being recommended by a firm in its existing networks is particularly favorable (Chetty & Patterson, 2002; Schweizer, 2013). Still, the empirical findings for Kaapzicht show no evidence that recommendations by other CWG members have resulted in any foreign market connections.

Two other groups of business closed networks are the collaborations between neighboring farms and Stellenbosch farms, not necessarily being located adjacent to each other. The first mentioned is found on the Blauwklippen Road where two of the included wineries collaborate with a third farm in order to attract journalists to the wineries as well as visitors. Although exposure, increased sales, knowledge sharing and access to external resources are expressed as benefits from the collaboration, neither Kleinood nor Keermont seem to have experienced a direct international effect in terms of foreign market entry. Concerning the collaborations

amongst Stellenbosch wineries, the empirical findings indicate that this form of collaboration is applicable for three out of eight farms; Haskell, Aaldering and Meerlust. The two first mentioned are expressed as chiefly concerning collaborative benefits in terms of combined shipping or to manage troublesome situations overseas, whereas Turner at Meerlust describes the collaboration as promotion driven where the included members, inter alia, stand together at domestic wine fairs.

None of the above mentioned forms of networks, Neighboring and Stellenbosch, seem to have facilitated for foreign market entry. This is contradicting to Chetty and Campbell-Hunt's (2003) and Meyer and Skak's (2002) findings, who found local or domestic business networks to be essential for firms in order to internationalize.

The last two recognized business closed networks are Devonvale's collaboration with Stellenbosch University and Meerlust's former collaboration with the Bergkelder. The first mentioned collaboration is solely product related where the university manages the fermentation process. Although Bernardo tells that he can turn to them for advice, the collaboration has not been a facilitator in the internationalization. Further, Meerlust's collaboration with the Bergkelder undoubtedly laid the foundation for the winery's international presence. Bergkelder's management of Meerlust's internationalization resulted in the winery's first export as well as the majority of following market entries. Hence, the latter form of collaboration corresponds to Chetty and Campbell-Hunt's (2003) findings regarding external actors' influence on the internationalization. This is also in line with Chetty and Blankenburg Holm's (2000) discoveries as well as Johanson and Vahlne's (2009) and Schweizer's (2013) reasoning, which underlines that insidership in current networks may serve as a stepping-stone into new foreign networks.

5.2.3 Social closed networks' facilitation of foreign market entry

Six out of eight wineries are involved in the last group of identified local networks, social closed networks, where personal ties with family members, friends and colleagues are included. The personal ties to friends in Stellenbosch and the wine industry have been underlined by the wineries to be important sources of knowledge and often considered to be the most important connections to turn to for advice. Schultz at Keermont underlines the valuable occasions with family and friends where knowledge and experience are shared amongst each other under more relaxed and informal circumstances. Both Schultz and van der

Merwe at DeMorgenzon further emphasize communication with friends, where their opinion about importers are meaningful to take into account. This goes well in hand with Zain and Ng (2006) and Ojala (2009) who found knowledge and market insight from friends to be important factors in the internationalization process. Further, recommending friends' wineries to importers is commonly occurring within the Stellenbosch region (as discussed in 5.2.1.4 *Stellenbosch*), thus resulting in new market contacts. Hence, recommendations have been seen to facilitate foreign market entry, which is in line with Coviello (2006), Vasilchenko and Morrish (2011) and Udomkit and Schreier (2017), who all found third-party referrals to occur in their studies. Further, Kleinood's first foreign market entry was indirectly facilitated where de Villiers through recommendations from friends became aware of the wine fair at which he met his first importer. Thus, personal ties had an influence on Kleinood's first foreign market node. Lastly, being located in a cluster where firms are within the same industry results in the fact that the employees' knowledge and experience tend to stay in the region, even if there are employee rotations amongst the different wineries. For several of the included wineries have employees' contacts been valuable for respective winery's foreign market entry. Taking advantage of employees' knowledge in the internationalization process corresponds well with Zain and Ng's (2006) and Ojala's (2009) findings.

5.2.4 The insufficiency of the structural network dimension

As seen in the previous section 5.2 *Local networks' facilitation of foreign market entry*, local networks have facilitated for small wineries to establish contacts, or nodes, in foreign markets, i.e. international expansion (Coviello & Munro, 1995, 1997), although to a somewhat limited extent. All three categories of local networks have in some way facilitated foreign market entry, where business open networks and social closed networks have the most prominent effect. The majority of the wineries are insiders in these networks, yet far from all of them seem to have experienced the same straightforward benefit in terms of facilitation of foreign market entry. It is seen that current relationships provide the wineries with occasions to identify foreign market opportunities (Johanson & Vahlne, 2009; Schweizer, 2013), where being an insider in local networks is important and can have an *influencing effect* on market entry. However, insidership do not automatically provide the wineries with connections to foreign market nodes. To exemplify, being insiders of WOSA allows for the wineries to get access to market information, which is helpful in the scouting process for new markets, therefore having an influencing effect. Although underlined to be important, it is not seen that

this information per se results in actual network extension where the wineries establish nodes in the foreign markets. The same argument is applicable for being a member of a network that aims to attract tourists, or having extensive social networks including a lot of friends active in the same industry; they provide the individual wineries with openings to recognize opportunities to establish foreign nodes, but do not on its own *facilitate* for the actual network extension. Thus, taking the structural dimension into consideration where solely the membership or insidership is discussed (e.g. Chetty & Agndal, 2007; Johanson & Vahlne, 2009; Meyer & Skak, 2002) seems to be deficient in this case.

The empirical evidence indicates that it is the interactional dimension of networks, the *networking* behavior, that is of greatest importance to pay attention to when understanding the facilitating effect of local networks on foreign market entry. When analyzing the relational elements of the identified networks, it is seen that it is the wineries that actively use their local connections that are the ones that have gained the most in terms of entry nodes. By participating in activities arranged by the networks as well as fully employ the networks and the appurtenant relationships, the wineries enhance the likelihood of recognizing and seizing internationalization opportunities. Thus, being an active insider is a necessity in order to benefit from the insidership. This confirms the literature (Gilmore, Carson & Rocks, 2006; Johansson & Mattson, 1988; Kontinen & Ojala, 2011) where a firm is said to perform proactive networking when extensively utilizing its networks. This also confirms Hilmersson and Jansson's (2012), Johanson and Vahlne's (1977) and Schweizer's (2013) conclusion that the more involved firms are in networks, the more knowledge about foreign operations will the management team gain. It therefore depends on the owner and/or the manager whether the networking ability is used as a dynamic business tool or not (Gilmore, Carson & Rocks, 2006). In line with Senik et al. (2011) and Chetty and Blankenburg Holm (2000), the empirical evidence shows that networks have the potential to facilitate establishment of foreign nodes. However, after all, it is still up to the person in charge to recognize and grasp the emerging opportunities derived from the local networks.

Hence, taking Coviello's (2006) approach to networks is observed to be important, as the structural dimension where insidership is prominent does not solely explain local networks' facilitating effect on foreign market entry. Instead, it is the interactional, i.e. the *networking*, aspect that explain whether or not local networks facilitate for small wineries in their establishment of foreign market nodes.

5.2.5 The complexity of being co-located in a cluster

Although the wineries express a positive attitude towards engaging in local networks, especially when looking for new nodes in foreign markets, our results indicate that local networks only to a limited extent have facilitated for the wineries to establish nodes abroad. So, even though there are existing substructures that have the potential for facilitating foreign market entry, underlying conditions appear to hamper the wineries from actually utilizing the local networks' full potential. One explanation for this can be coupled with the prevailing business environment within the cluster, where wineries both collaborate and compete with each other, referred to as cooptation (Bengtsson & Kock, 2014). After all, the main priority for the wineries is to sell their produced wine. For that reason, being from the same area, having the same Stellenbosch-label on the bottles and especially when offering wines from the same grape and in the same price range result in fierce competition, where the neighboring farms compete for the same markets and clients. In addition, all wineries operate with exclusivity arrangements in foreign markets, meaning that the node in each market is the only actor that has the rights to distribute the wine in that specific market. Hence, losing a node means losing a market and decreased foreign sales, at least for a period of time before a new node is established. Finding a new importer with the right portfolio can be troublesome (Håkansson & Ford, 2002) due to the deficiencies of being small with limited resources and time (Coviello, 2006; Zahra, 2005). Depending on the winery's dependence on the specific export market, this could have devastating effects. Wherefore, being too friendly and helpful in terms of recommending other wineries to its existing importers could result in increased competition. At the same time, the empirical findings do show that there are still recommendations occurring within the cluster. They support and help each other, as well as seeing the benefits of standing united. Accordingly, co-location generates a complex situation where wineries benefit from collaborations. However, they do not want to "sell their neighbor's wine" (Posthuma, 2018).

5.3 Revised conceptual framework

The analysis has shown that small wineries engage in local networks where these are seen to facilitate for the establishment of foreign nodes, although to a limited extent. Being a member of business open networks and social closed networks have an especially facilitating effect in the process of connecting with foreign nodes, i.e. expanding internationally. Still, solely being an insider in relevant local networks does not automatically provide for the opportunity to

connect with foreign nodes. Instead, the result indicates that it is the action of *networking* that enhances the possibility to take advantage of the benefits that the current networks offer. Yet, as competition prevails within the cluster, the wineries face a complex dilemma where they on the one hand benefit from collaborating, and on the other hand confront the risk of increased competition from the co-located farms.

Since only three out of the four types of networks (business open, business closed, social open and social closed) illustrated in Figure 1 are recognized in this study, there is a necessity to revise the conceptual framework depicted in section 3.5. The revised framework is a more accurate illustration of the actual existing cluster network types. Further, the arrows in Figure 2 visualize the identified local networks' ability to facilitate for the connection with foreign nodes, i.e. foreign market entry. As the aggregated facilitating effect varies between the different networks, the size of the centered arrow is thinner due to the lower aggregated facilitating effect of the business closed networks.

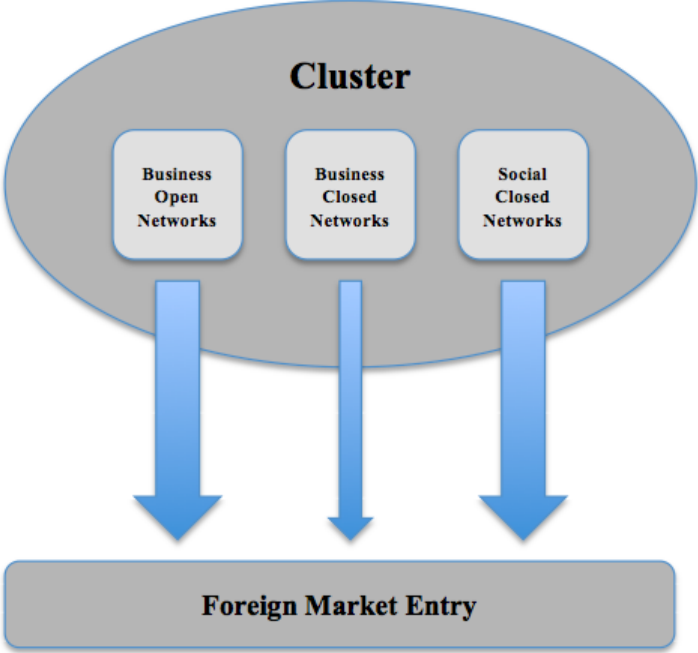


Figure 2. Revised conceptual model, compiled by authors

6. Conclusion

This chapter presents the conclusion of the derived findings in the analysis and answers this study's research question; "How do local networks facilitate small wineries' foreign market entry?". After presenting the conclusions and contributions, managerial implications are posted. Lastly, the study's limitations and suggestions for future research are outlined.

This case study has examined how local networks facilitate for small wineries' internationalization in terms of foreign market entry, i.e. connecting with nodes, with purpose to seek a deeper understanding of an interconnected phenomenon (network theory, cluster theory and SME internationalization theory). In order to be able to thoroughly investigate the effects of the local networks, the authors developed a conceptual framework, grounded in network theory. The gathered data was analyzed in order to identify the local networks in which the wineries have insidership. Thereafter, the identified networks were classified based on their character, resulting in three categories: business-open, business-closed and social-closed. The effects of the insiderships were distinguished in order to be able to identify the facilitating effect on foreign market entries.

The result of this study shows that both business and social local networks, having the character of being either open or closed, do have the ability to facilitate for firms' entry into foreign markets, although to a limited extent. Due to its open and lightly connected character, business open networks constitute an important role by providing the wineries with information, assistance and exposure, but also facilitate for market entry by offering the opportunity to directly meet with foreign nodes. In contrast, business closed networks, where members are tightly connected do only seem to have a facilitating effect when the actual purpose of the network relationship is focused on expansion activities. Social closed networks include actors that are tightly connected to each other through ties built on trust. The participants benefit from social relationships in terms of advice and recommendations, thus facilitating for foreign market entry. Being an insider in these networks are seen to forster foreign expansion, yet positive results are chiefly identified when the insiders actively utilize their network insidership, i.e. *networking*. Hence, the importance of taking the aspect of *networking* into consideration contributes to the interactive approach of network theory. This study has also presented a hampering condition where local networks are not utilized to the

fullest because of the prevailing business environment within the cluster i.e. competition. Hence, the findings confirm existing cluster theory.

Supplementary to the above-mentioned contributions, this study also provides a more holistic view of the involvement and interactions in cluster networks as well as how these facilitate for foreign market entry. The study therefore further contributes to the limited research field focusing on firms' insidership in local networks and the potential effect on firms' foreign market entry, as well as to the literature on internationalization of clustered-based SMEs. Additionally, the study contributes to the lack of studies completed in a cluster region located in the Southern Hemisphere, more specifically in an African context. Lastly, this study adds on to the existing New World wine literature.

6.1 Managerial implications

As stressed in this study, local networks have the potential to facilitate foreign market entry for small wineries located in a cluster region. Evidence show that all of the three identified network types in the cluster have functioned as a stepping-stone into foreign markets, primarily business open and social closed are observed to have the most aggregated facilitating effect. Still, it is evident that in order to connect with foreign nodes, active engagement from the participants is required. Thus, an implication for practitioners and owners is to *actively* engage in different types of local networks to be able to grasp emerging opportunities, which in turn can facilitate for foreign market entry. Yet, one cannot ignore the fact being co-located in a cluster entails distinct competition. This could have an impeding effect on the action of networking. Further implication is to never underestimate the social dimensions of business networks, since these have been observed to function as the actual facilitator for connecting with foreign nodes.

6.2 Limitations and future research

Although this study's contributions have emphasized that local networks can facilitate for small wineries' foreign market entry where the importance of networking is vital and the competition is impeding the local networks' full potential, there are some limitations necessary to take into account. Firstly, as mentioned in *Section 1.7 Delimitations*, the study is delimited to solely include SMEs in the wine industry that is located in a cluster region in South Africa.

This delimitation impacts on the transferability of the findings, wherefore there is a need for additional studies, both similar to ours as well as studies taking place in different contexts, i.e. other industries, locations and firm sizes. Further, as this study is of qualitative character, including a limited number of respondents impedes the generalizability of the findings to be applicable for the entire population. Hence, similar studies including a higher number of participants would increase the generalizability. Furthermore, based on the fact that this study was completed during a limited time frame, a longitudinal case study would overcome this limitation.

When completing this study, the authors have identified interesting aspects that we recommend to study in future research. Based on the findings that underline the importance of networking, focusing on the respondents' personal characteristics and the attitude towards networking activities would be interesting. This would further provide new perspectives on the individual's role in local networks and therefore also supplement our study. Additionally, to investigate the cooperation phenomenon in connection to the involvement in local networks would add knowledge to the somewhat novel field. Lastly, due to the significance for the wineries to maintain the relationship with their foreign nodes, i.e. importers, studies on the aspects that foster these relationships would be interesting.

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Bernardo, R. General Manager at Devonvale (face-to-face interview on the 9th of March 2018).

Calow, M. (Communications Manager at WOSA) & Du Plooy, T. (Market Manager Europe at WOSA) (face-to-face interview on the 8th of March 2018).

De Villiers, G. Owner of Kleinood (face-to-face interview on the 8th of March 2018).

Mackenzie, B. Operational Manager at Haskell (face-to-face interview on the 9th of March 2018).

Posthuma, G-J. Global Marketing and Sales Manager at Aaldering (face-to-face interview on the 12th of March 2018).

Schultz, J. Sales Administrator at Keermont (face-to-face interview on the 15th of March 2018).

Steytler, Y. Export Manager at Kaapzicht (face-to-face interview on the 8th of March 2018).

Strydom, R. General Manager and Winemaker at Haskell (answered questions via email 20th of April 2018)

Turner, E. Marketing Manager at Meerlust (face-to-face interview on the 13th of March 2018).

Van der Merwe, C. Chief Executive and Cellarmaster at DeMorgenzon (face-to-face interview on the 12th of March 2018).

Appendix

Appendix 1. Interview Guide

General questions

- Name:
- Country of origin:
- Education:
- International experience:
- Years of employment within the company:
- Titles and responsibilities:
- How old is the winery?
- Total number of employees?
- Do you operate the entire wine process in-house or do you use any external services?

Internationalization questions - general

- When was the first export?
- How many markets do you export to?
 - Which markets? (direct/indirect export)
 - Why these specific markets?
 - When in time did you begin to export to these markets and did you have to do any preparations before starting the export?
- What were your underlying reasons for engaging in export activities?
 - Would you describe your first export as a planned strategic move or as an emerging opportunity?
 - Where you inspired or influenced by something/someone?
- How did you become aware of the opportunities to export to these international markets?
- How and where did you learn about these possibilities?
- What were the sources of information?
- Did you actively look for information about the export destinations or did you get the information from someone/somewhere else?
- How did you get in contact with the different distributors?
 - Did someone help you with establishing these contacts? If yes, who?

Local networks

Business

- Are you involved in any associations or organizations tied to Stellenbosch?
 - If yes, which? If no, why not? - explanation
- How did you become involved in these networks? Was it a strategic decision or a result from something else?
- What is your purpose of being a member in these networks?
- Do you have any specific role or function in these networks?
 - If yes, please elaborate (when, why, how).
- What kind of activities do these networks offer?
- How often do you participate in these activities?
 - What do these activities mean to you? What have you gained from them? (Business-wise, social-wise) Would you say that it is the networks per se that is the important part or is it the social contacts you gain from it?

Social

- Have any of your colleagues' personal social relationships such as interactions with family, friends, business partners, former colleagues etc, been useful for the winery?
 - If yes, how, when and in what way?
- Have any of the above mentioned contacts influenced your winery's export process at some point been influenced from informal/social contacts? For example, friends, partners, colleagues, etc.
 - If yes, how, when and in what way?
- How is the contact between the wine producers in Stellenbosch?
 - Do wine producers help each other in some way?
 - Do you socialize with any of the other local wine producers on your spare time?
 - Do you collaborate/or compete with other Stellenbosch wine producers? How?
 - Do you include "the origin of Stellenbosch" in the international marketing strategy?
 - If yes, why? If no, why not?
 - Would you prefer to enter a market where wines from Stellenbosch are well-known and where other wineries are present or would you prefer to enter a market where the Stellenbosch brand is relatively unfamiliar?

- Would you say that it is important to be an active networker within the wine business in general/specifically in Stellenbosch?
 - If yes, please elaborate.
 - If no, why not do you think?
- Would you say that social or business relationships are more important than the other in regards to your international expansion? Which one do you value the most?
 - In what way and why?
- Has there been a specific point in time when networks (business and/or social) connected to Stellenbosch have been more valuable for you?
- Has the wine tourism in Stellenbosch influenced any of your current export activities?

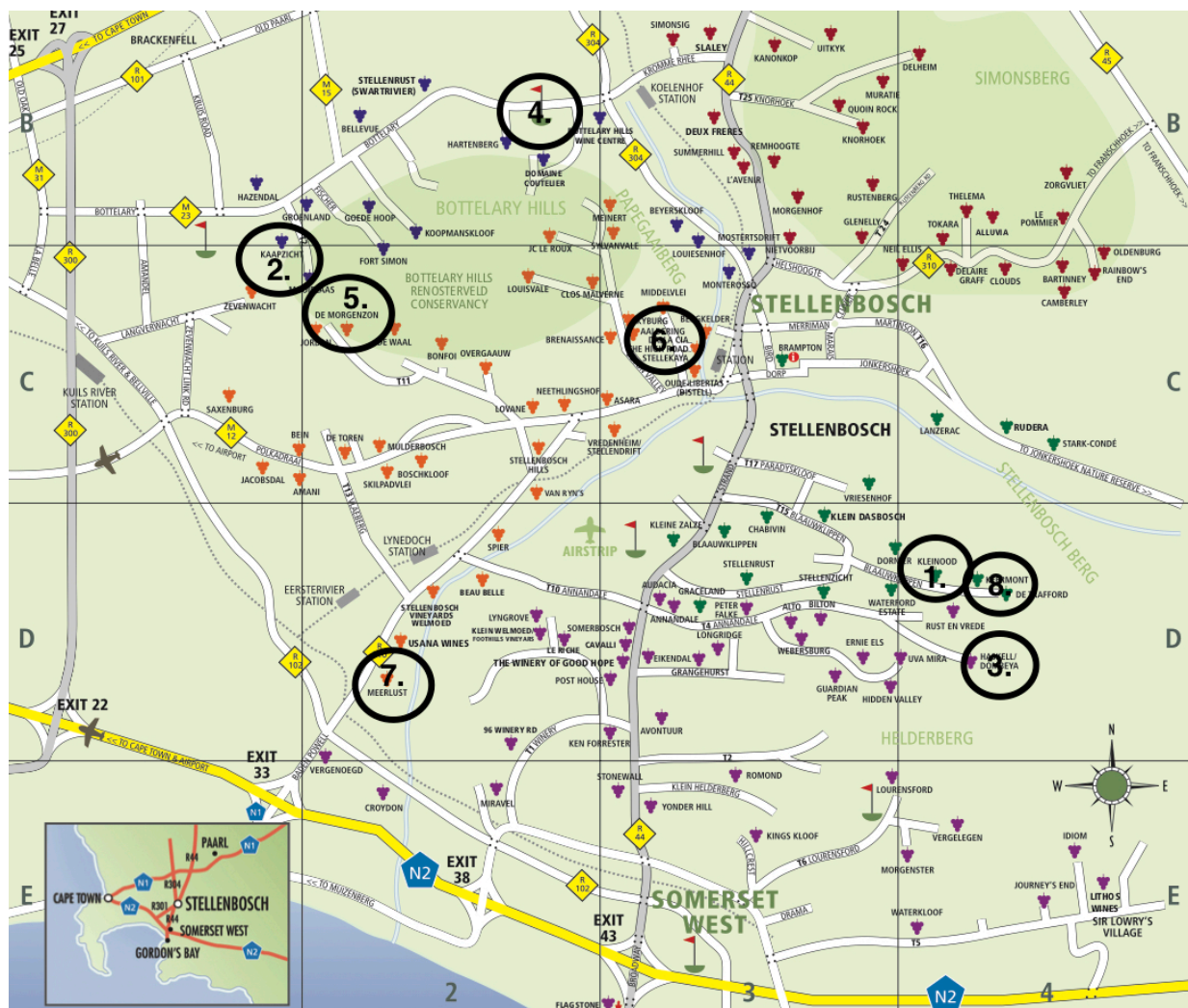
International sales

- Currently, what percentage of your total sales are exports?
 - Has it constantly increased or have there been variations throughout the years?
- How is your export share between the different export markets?
- Would you say that the internationalization strategy have been the same over the years or has it changed in any ways?
- Do you have any foreign offices? If yes, when was this established and why? Do you have plans for establishing one/several in the future?
- In the future, are you planning to increase the export to the existing export markets or are you planning to target new markets? If new markets, which markets would be of interest? How would you approach these markets? (Already established contacts or new?)

Appendix 2. Location in the cluster

The participating wineries' locations within the cluster are numbered and circled below.

1. Kleinood
2. Kaapzicht
3. Haskell
4. Devonvale
5. DeMorgenzon
6. Aaldering
7. Meerlust
8. Keermont



Source: Stellenbosch Wine Routes, 2018.