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## 6 Crowdsourcing in Wine Business: Co-Creation and Fundraising Experiences

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**Abstract:** *Thanks to the development of Web 2.0 tools and applications, crowdsourcing-based business models, in which the ‘crowd’ takes on a proactive role in the markets, being engaged in co-creation of value and in funding producers and their projects, are emerging worldwide. The aim of this chapter is to achieve a deeper understanding of the opportunities offered by crowdsourcing in wine business. Given both the novelty of the phenomenon and the exploratory nature of this research, a qualitative multiple-case study approach is used with the purpose of presenting cases of major interest as benchmarks. Overall, crowdsourcing is ideally suited as both a new approach to the radically changing consumer profile and as a source of funding for small entrepreneurs facing difficulties in accessing other forms of financing.*

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## Introduction

The term 'crowdsourcing' is a neologism, coined by Jeff Howe and Mark Robinson in 2006 and then defined by Howe (2006) as 'the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call'. Although still in an early stage, thanks to the development and diffusion of Web 2.0 tools and applications, crowdsourcing is rapidly redefining business models in which the 'crowd' gets more closely involved in the development of the firm's activities, as customers, having the potential to be part of the product design, manufacturing, marketing process, and as investors, directly funding producers and projects, or both.

In this context, the aim of this chapter is to achieve a deeper understanding of the opportunities offered by crowdsourcing in wine business. Overall, crowdsourcing might be deployed in marketing activities for co-creation of value and represent a new opportunity, through a practice specifically referred to as crowdfunding, for entrepreneurs facing difficulties in accessing bank loans. Given both the novelty of the phenomenon and the exploratory nature of this research, a qualitative multiple-case study approach has been used. For this purpose, cases of successful crowdsourcing experiences in wine business have been identified via an Internet research conducted from March to May 2015 through the main search engines, and then classified according to their characteristics, with the ultimate goal of selecting and discussing some cases of major interest as benchmarks.

The chapter is organized in the following main sections: (i) a literature review highlighting the main characteristics, benefits, and downsides of crowdsourcing, with a focus on two specific practices, co-creation of value and crowdfunding; (ii) the analysis of two selected crowdsourcing experiences in wine business—as meaningful examples in winemaking and retailing, respectively; (iii) a focus on the first two recently created wine-dedicated crowdfunding platforms, namely, Fundovino and Cruzu; (iv) a discussion of potential of crowdsourcing in wine industry and some preconditions for further future development.

## Literature review

Nowadays the concept of crowdsourcing refers to such a broad spectrum of practices that a large variety of definitions and categorizations is found in the literature. A comprehensive definition is provided in the systematic literature review by Estellés-Arolas and González-Ladrón-de-Guevara (2012): 'crowdsourcing is a type of participative online activity in which an individual, an institution, a non-profit organization, or company proposes to a group of individuals of varying knowledge, heterogeneity, and number, via a flexible open call, the voluntary undertaking of a task. The undertaking of the task, of variable complexity and modularity, and in which the crowd should participate bringing their work, money, knowledge and/or experience, always entails mutual benefit. The user will receive the satisfaction of a given type of need, be it economic, social recognition, self-esteem, or the development of individual skills, while the crowdsourcer will obtain and utilize to their advantage what the user has brought to the venture, whose form will depend on the type of activity undertaken'. In this literature review, the focus is on two different specific practices (even implemented jointly) in which the 'crowd' takes on a proactive role in the markets, being engaged by firms in the production process and marketing activities (co-creation of value), mainly as customers, and in the funding of their projects (crowdfunding).

Though customers can be actively involved in co-creation of value through different types of crowdsourcing (Pralhad and Ramaswamy, 2004; Kleeman et al., 2008; Zwass, 2010), here, only the most interesting and significant typologies in the framework of this chapter are mentioned and summed up in the two following broad categories.

- 1 Call by firms for either consumers' participation in product development and configuration (these vary in intensity from simple opinion polls to elaborate schemes for the collaborative development of actual products by users), or for the creation of a product that wholly depends on their input.
- 2 Call by firms for consumers' knowledge and opinions about products, to be shared online either in the form of published product rating or organized customer-to-customer support via chats and discussion forums.

Overall crowdsourcing allows firms to adopt an effective customer-centric approach, bringing considerable benefits such as: time-reduction in the development of new products; a better achievement of market acceptance, that is, a greater willingness to buy them; and products' quality improvement thanks to the wisdom of the crowd (Kleeman et al., 2008; Piller et al., 2010).

Moreover, crowdsourcing can be exploited by firms with the purpose of tapping into new sources of funding, through a practice referred to as 'crowdfunding'. The term can be loosely defined as the fundraising for a project or a venture by a group of individuals, instead of professional parties (e.g., banks), usually taking place online—without any intermediary or through dedicated platforms (Schwienbacher and Larralde, 2012). Crowdfunding is a channel of financing which can be used in many different ways by a variety of subjects. In the literature, with few differences among authors, crowdfunding initiatives are categorized into four main different models on the basis of what investors are promised in return for their contributions (Hemer, 2011; Bradford, 2012). The first model, donation-based crowdfunding, mainly promoted by charities and other non-profit institutions, does not offer any reward to investors that contribute for intrinsic and social motivation. The reward model provides a non-financial return, usually operating a tiered system where the more you donate the better the reward you receive (Baeck and Collins, 2013). These rewards are often just immaterial acknowledgments, ranging from a mere thank-you (by email or on social media) to the opportunity to participate in some way to the financed project. In some projects this model is similar to a pre-sale agreement: funders contribute in return for the product that has been developed and produced with the funds raised, at a reduced price. Other crowdfunding campaigns offer some form of financial return. Through the crowd-lending model, contributors provide funds on a temporary basis, expecting repayment on specified terms with (or in certain cases without) interests. The last model, equity-crowdfunding (or crowd-investing) allows contributors to receive equity in the funds-recipient company, which can include shares, dividends, or voting right.

The basic idea of crowdfunding is to raise money through relatively small contributions from a large number of people (Belleflamme et al., 2014): the innovative stretch is that anyone who has a good business idea can become an entrepreneur; and anyone with a little money can become an investor (Bradford, 2012). Crowdfunding reduces the transaction costs of getting capital to entrepreneurs, making financing cheaper. It

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represents an opportunity for firms that face difficulties in accessing to traditional financing methods, mainly valuable for small and medium enterprises.

Moreover, as crowdsourcing in general, crowdfunding can bring several benefits from marketing perspective (Schwienbacher and Larralde, 2012; Gerber et al., 2012; De Buyser et al., 2012; Gatautis and Vitkauskaitė, 2014; Rossi, 2014). Crowdfunding campaigns allow initiators to raise public attention around the product (or the project), thanks to social media exposure, interact with potential customers through a bidirectional communication, receive feedback on the product, as well as estimate the potential customer base. Funding contributors tend to become active promoters of the products themselves, as the feeling of involvement in the funded project motivates them to spread information about it through word of mouth. However, some drawbacks, such as entrepreneur's reputation damages and customer disaffection, may arise in case of failure (or delay) to meet a funded project goal.

From the contributors' perspective, this new form of financing offers direct choice over where to put one's money, therefore making investments a more democratic process, spiced with the opportunity to get both tangible and/or intangible rewards. Some authors (Hemer, 2011; Gerber et al., 2012; Gerber and Hui, 2013; Oddani et al., 2011) emphasized that backers are not primarily motivated by material rewards, on the contrary by immaterial ones, plus a range of intrinsic motives like: personal identification with the project's subject and its goals; willingness to support small entrepreneurs; satisfaction from being part of a certain community with similar priorities; enjoyment in being engaged in and interacting with the project's team or the producer; the chance to expand one's own personal network; the expectation of attracting funders in return for one's own crowdfunding project.

Although crowdfunding may bring several benefits, it also requires some cautions as it comes with some challenges and potential risks. In fact, funders might face a number of asymmetric information problems if lacking the information and skills needed to evaluate the chances of success of the proposed crowdfunding campaigns. Besides, they may not be able (or not be allowed) to verify how the funds collected are used. Crowdfunding platforms can play a key role in both reducing information asymmetry and building confidence, as they perform several functions: screen the project; collect the funds; make relevant information easy available, while, at the same time, encourage information gathering by funders (Belleflamme et al., 2015). In this context, the

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most dangerous risks of crowdfunding are those of fraud and abuse of funds by borrowers and/or platforms. Specifically, the model entailing financial returns carries the highest risks for contributors who take the position of investors, while, as for the reward model, the risk is that the promised reward may be delivered with a delay or not delivered at all in case entrepreneurs fail to meet the projects goals (Pazowski and Czudec, 2014; Molljck, 2013).

On the other side, for entrepreneurs, and start-up companies primarily, a first main challenge concerns estimating in advance how much funding is needed in order to meet the crowdfunding campaign goals. As a matter of fact, the risk is that a trail of projects failures may dissuade potential funders to get involved further. In addition, when starting innovative projects, entrepreneurs are required to disclose their ideas so as to attract the interest of funders, but if intellectual property is not sufficiently protected, market competitors will have access to information and may steal and take credit for it (Pazowski and Czudec, 2014). Furthermore, as discussed in more detail here, running successful crowdsourcing campaigns requires a significant investment of time and the development of some specific skills.

### Experiences of crowdsourcing in wine business

Entrepreneurs in the wine industry are starting to exploit the opportunities of crowdsourcing, by involving customers in value co-creation and the funding of projects. Among the many initiatives that have been identified via an Internet research, in this section two experiences of major interest are presented as meaningful case studies of value co-creation in winemaking, and crowdfunding and value co-creation implemented jointly in retailing.

#### La Crema: 'Virtual Vintner' program

Some winemakers have begun to involve customers in value co-creation by engaging them in some or all stages of production and marketing, with the idea of making a crowdsourced wine. A first experience, quoted by Ramaswamy and Goullart (2010) in their book as one of the best examples of co-creation within a small business, was Crushpad, a North American winemaking company based in Sonoma founded in 2004 and closed in 2012. Crushpad had individuals make their own decisions over

the winemaking process, from vineyard to labeling, with the purpose of releasing a customer-tailored wine. To date there are some similar ongoing projects worldwide such as the 'Virtual Vintner' program—launched in August 2014 by La Crema, one of the 25 largest wineries in California—that is analyzed as a case in point.

The 'Virtual Vintner' program takes customers through the winemaking process, by granting them the right to vote on such decisions as the varietal, the appellation, the vineyard, the barrel type, the name and the label design. However, La Crema decided that the most crucial decision, when to harvest the grapes (calling the pick), would be left to the Director of winemaking (Elisabeth Grant-Douglas). The interactive website led participants through their decisions step by step, with the support of sharp pictures, graphics, easy-to-understand texts and short videos explaining the process. The expected result, considered that climatic conditions can affect the quality and quantity of grapes, is a special bottling of 500 cases to be released in late fall 2015 that participants will have a chance to purchase.

As reported by Swindell (2014), according to La Crema executive vice president (Caroline Shaw) the results have far exceeded expectations. As a matter of fact, the winery had expected a much smaller number of participants (10,000) compared to the 22,485 registered users so far. Those visitors have logged 43,000 votes and quiz participations plus 38,000 likes, shares and retweets and other engagements through social media sites. The main strength of the Virtual Vintner project has been the ability to entertain (with the fun voting and naming contest), but also educate people about wine (explaining each step in the process along the way), allowing consumers to feel part of the winemaking process. This resulted in a user-engagement that went far beyond the act of voting itself, proven by the two and a half minutes average time spent on the site, with visitors showing interest in the product and how it is made. Moreover, La Crema Director of winemaking highlighted that the program has provided a real-time focus group on a large scale and has produced some unexpected results since the very beginning. In fact, as for the first choice, the varietal, it was expected that participants would choose chardonnay, which is the most popular wine in the United States, over pinot noir, that, instead, won with a 51 percent. Afterwards participants chose: the Russian River Valley appellation; the company's Loughlin vineyard; the grape which was described to the viewers having a wild berries prevailing aroma, such as raspberries and sweet sweet

wild yeasts for fermentation, and a nine months aging in oak barrels specially toasted to give the final product a 'subtle impression' (Swindell, 2014). Up to now, Virtuoso is the name chosen for the wine and voting will finish with the label design on summer 2015.

As said above, other winemakers are involving wine lovers in the production process to get a wine tailored to their preferences. Two ongoing projects in particular are worth mentioning: Crowdsourced cabernet by Columbia Crest (in the United States) and My Tailored Wine (in Italy).

### Naked Wine

Naked Wine (NW) is a unique and well-known case of reward-based crowdfunding and crowdsourcing for co-creation of value. Naked Wines, the online wine retailer launched in December 2008 (by Rowan Gormley) in the United Kingdom and expanded to Australia and the United States in 2012, collects from regular customers (called Angels) funds that are invested into small independent winemakers. In 2014 NW sold 13 million bottles and invested in 145 winemakers, producing 600 wines in 13 countries worldwide.

NW Angels (approximately 250,000 individuals with a waiting list of 45,000) invest a definite amount of money each month into their NW account towards their next wine purchase (£20 in United Kingdom, \$40 in the United States, \$40 in Australia). In exchange for this advance payment, they get a preferred access to exclusive wines, a discount on price (ranging from 25 percent up to 50 percent) every time they buy, plus a free premium bottle each month if they order a case. The funds collected from Angels are invested by NW into winemakers who need a financing to support production that will then be sold on the NW platform. Winemakers benefit in terms of guaranteed sales, commercial security, and reduced financial risk exposure. The basic idea is to develop a strategic win-win relationship, working on a cost plus basis, that allows to get good wine at fair prices for both consumers and producers.

In a broad way, customers' participation, sociality and interaction (among customers and with winemakers) are promoted through the individual online blog, Naked me (a personal feed), and the smartphone App exclusively available to the Angels. Among the Angels is a subgroup, whose members are called Archangels, more involved in the process of co-creation of value, as shown in Table 6.1.

TABLE 6.1 *Archangels' main engagements and rewards*

<i>Engagements:</i>
- Interacting with Naked Wine staff, winemakers, and other customers to share ideas.
- Wines evaluation and selection: tasting and reviewing wine samples (they get wine samples sent—to try, rate, and give a feedback—before they are proposed onto the website); searching for new wines (they are invited to participate at special events run by Naked Wines, Trade Fairs and Wine tours to taste wine and find new wine suppliers).
- Winemakers promotion: they champion winemakers to support and promote their wine (suggesting them to Angels).
- Naked Wine promotion: they are ambassador of the company.
<i>Rewards:</i>
✓ Free samples of wines Naked Wine is thinking of stocking
✓ Invitations to exclusive trade-only wine events
✓ The opportunity to go on buying trips
✓ Membership to Pearty Gates, a private group on NW website

The results of a previous research (Mariani et al., 2014), based on interviews to a sample of the Archangels in the United Kingdom, highlight that their motivations go far beyond price discounts, and that what they mostly appreciate is the opportunity to: test wines and to participate in special events; belong to an active community and interact with other customers, winemakers, and NW staff; be in touch with winemakers and know them; choose small winemakers to 'champion' and promote. Hence, Archangels high value their role as co-creators of value, they emphasize that NW business growth may jeopardize the strong and valuable interaction among customers, winemakers, and NW staff.

### Wine crowdfunding platforms and campaigns

Several entrepreneurs and startups in wine business have published call for money on their own sites and/or crowdfunding platforms (CF platforms), mainly as reward-crowdfunding campaigns, though equity crowdfunding campaigns are also common. The most successful example is represented by Chapel Down, which in 2014 reached the campaign total of £3.95 million in just over three weeks, making it the United Kingdom's largest ever equity crowdfunding initiative.

There are no estimates of the funds raised through crowdfunding with specific reference to the wine industry, but some overall figures may give

an idea of the significance of the phenomenon. The volume of money collected through crowdfunding worldwide reports an impressive growth. According to the latest data, global crowdfunding experienced an accelerated growth in 2014 to reach \$16.2 billion (up from \$6.1 billion in 2013) raised by 1,250 active CF platforms across the world. In 2015, the industry is set to more than double once again. Business and entrepreneurship stayed as the most popular crowdfunding category, collecting \$6.7 billion in 2014, social causes (\$3.06 billion), films and performing arts (\$1.97), real estate (\$1.01 billion), and music and recording arts (\$736 million) rounded out the top five categories (Massolution, 2015).

CF platforms that act as facilitators for both project initiators and crowdfunders can either accommodate any campaigns' type—general purpose or non-specific platforms—or be restricted to specific industries (e.g., music or video games), or projects' type (e.g., creative projects, technology or hardware development). Moreover they may even offer just one model or option from the abovementioned different crowdfunding models. The projects' qualitative selection process that evaluate whether the project is in line with the platform norms and decide over its publication can be performed by either an editorial team or an unbiased algorithm. Typically, there are two ways in which CF platforms allocate the funds. The first is the All-or-Nothing model, in which the project owner receives funds only if the funding goal is either met or surpassed within the predetermined funding period. In the event that the project does not meet its funding goal, contributors are either reimbursed or their pledges are never fulfilled. The other model, Keep-What-you-Earn, provides that the funds raised are transferred to the project owner regardless of whether the funding goal is met or not. At last, CF platforms use a variety of fee structures for the services provided, mainly a percentage commission on raised funds or a flat fee. In addition many of them also charge an additional payment processing fee, which is transferred to third-party payment partners (e.g., PayPal) or credit card companies.

### **Fundovino and Cruzu Platforms**

The interest in crowdfunding has recently led to the creation of two platforms dedicated to wine, Fundovino (founded in France in 2014) and Cruzu (founded in the United States in early 2015). The main reasons for those wine-dedicated crowdfunding platforms to exist are well explained by the founders. It is worth mentioning this excerpt from

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Cruzco-founder and CEO Michael Brill's LinkedIn profile: 'Cruzco is full stack marketplace for direct wine. We are rebuilding the wine industry around winemakers who share their world with consumers. They, in turn, fund projects, receiving wine and a unique connection with the winemaker. It is a platform for a new consumer-centric wine industry where wine enthusiasts fund, make, learn and share wines—wines that wouldn't exist without their participation.' Fundovino and Cruzco aim at gathering wine lovers together to join a community of people sharing the same passion. Above all, entrepreneurs using Cruzco and Fundovino are allowed to offer alcohol—conceivably wine—to their backers, whereas other well-established non-specific crowdfunding platforms, such as Kickstarter or Indiegogo, inform users that alcohol-reward to funders is prohibited, as stated in their respective Terms of Use. Though giving wine away as a reward may already represent a valuable reason for preferring a wine-dedicated platform to a non-specific one, two more interesting aspects, that are those related to user access and user experience, may affect both entrepreneurs' and consumers' choice. Given their nature of vertical portals focused exclusively on wine, they make it easier for users to select projects, without any other readdressing as it happens on other CF platforms, and establish a relationship with winemakers from all over the world (valuable especially for wine lovers that do not live in wine producing countries).

Before focusing on single experiences, it is worth looking at the main characteristics of these new platforms. Both Fundovino and Cruzco offer up to now just the reward model—with funds being released to initiators only if the campaign reaches or exceeds the pledge amount. Respectively, Fundovino charges a 5 percent fee (plus 3 percent bank transaction) while Cruzco charges a 15 percent success fee (plus 3 percent bank transaction) to successful projects—no fees have to be paid on either campaigns creation or unsuccessful projects. Cruzco uses Stripe Connect which is a platform for web and mobile payments that accepts and finally distributes proceeds once the projects funding phase is completed; while Fundovino uses a more conventional funds transfer process based on an e-payment bank system. As for age limit, funders need to be 18 or older to access Fundovino whereas they should be at least 21 to sign up to Cruzco. Finally, as for the projects' selection process, they both decided to rest upon their own editorial team, with Fundovino endorsing the task 'of reviewing the seriousness and coherency of projects in order to grant their publication' and Cruzco granting themselves 'the right to decide who's eligible to use Cruzco.'

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## Experiences of crowdfunding campaigns

On Fundovino platform, up to May 2015, 12 projects have been financed, with funds collected for a total amount of around 124,000€. Tables 6.2, 6.3, and 6.4 sum up the main characteristics of the funded and ongoing projects, classified according to the nine categories utilized by Fundovino.

In detail, Table 6.2 shows funded projects related to the world of wine, wine culture (a dictionary and two movies), and wine tourism; Table 6.3 displays funded projects promoting innovations (two) and investments

TABLE 6.2 *Fundovino—funded projects in the categories: culture and tourism*

Category/goal	Pledge amount	Collected amount	Donation	Types of rewards: tiered system where the more you donate the better the reward you receive
<i>Culture</i> Dictionary for wine and wine lovers	20,000€	27,820€	11 levels From €10 to 1,200	Bookmark, booklet, poster, bottles of wine, copies of the dictionary, the name as sponsor on the dictionary
A short movie on Grand Cru Zinnkoephlé	4,860€	4,970€	8 levels From €15 to 250	Thank you on Facebook, bottles of wine, invitation to a tasting, the name in the film credits
A documentary	6,400€	6,400€	9 levels From €15 to 2,000	Thank you on Facebook, DVD, invitation to preview, bottles of wine, subscription to a French wine magazine, the name in the film credits
<i>Wine tourism</i> Organization of themed visits in the Cognac area	1,500€	1,550€	9 levels From €5 to 190	Thank you on Facebook, USB storage devices, hats, visits

Source: Our elaboration from [www.fundovino.com](http://www.fundovino.com), updated on May 15, 2015.

TABLE 6.3 *Fundovino—funded projects in the categories: innovations, adopt a grapevine, vineyard, and wine cellar and organic-natural*

Category/goal	Pledge amount	Collected amount	Donation	Types of rewards: tiered system where the more you donate the better the reward you receive
<i>Innovation</i> Development of a kit for early on-field detection of the Flavescence Dorée disease	€15,000	€15,085	13 levels From €5 to 8,000	Thank you on social media, postcards, visits to the laboratories, T-shirts, coupons to purchase wine, offer kits to producers, a wine lovers tour, kits, heating blocks (that allow the DNA test on the field), name on marketing materials
Horse-drawn farming equipment—filing a patent and registration of three models	€7,340	€8,741	8 levels From €5 to 1,000	Thank you on Facebook, T-shirts, bottles of wine, introduction to horse plowing, wine tasting, workshops, vineyards tours, and farm tours
<i>Adopt a grapevine</i> Purchase of 20 acres of vines (Canon-Fronsac appellation)	€16,300	€16,723	12 levels From €10 to 1,000	Thank you on social media, bottles of wine, wine tasting sessions, vouchers to be used at the wine cellar
<i>Vineyards</i> Purchase of an ovoid wine tank for a special vintage	€7,400	€7,515	6 levels From €10 to 150	Thank you on Facebook, bottles of wine, bottles of the special vintage produced in numbered magnum
<i>Wine cellar</i> Purchase of egg-shaped tanks and barrels	€6,000	€6,340	6 levels From €10 to 100	Bottles of wine, bottles of organic wine, gourmet menu for two, a plaque in your name on the barrels or the tanks
Purchase and installation of an electronic temperature control system in the vat cellar	€4,565	€4,565	6 levels From €10 to 300	Thank you on Facebook, bottles of wine, wine tasting sessions, invitation to a party
Acquisition of a cask to produce their Petraea reserve	€15,200	€15,785	11 levels From €5 to 1,000	Thank you on Facebook, wine tasting sessions, bottles of wine and champagne, customized labels
<i>Organic Natural</i> Purchase of eco-friendly plows	€7,900	€8,185	8 levels From €5 to 500	Thank you on Facebook, bottles of wine, flacons, magnums, the amount of the donation to be spent in wine, even with personalized label

Source: Our elaboration from [www.fundovino.com](http://www.fundovino.com), updated on May 15, 2015.

(six) through various production stages; finally, in Table 6.4 ongoing projects are presented, among them, a project concerning wine distribution and one falling into the category named other alcohol products (stout) are shown. It is worth noting the wide range of donation-levels among which contributors can choose from, and the various associated reward types offered, all organized in a multi-tiered system where the higher the donation the better the reward you get. All projects are promoted by French initiators, with the exception of the ongoing project about wine tourism in the Duro Area.

According to Fundovino statistics, up to May 2015, less than the half of the campaigns launched have been funded, with a projects success rate of 48 percent. With the purpose of identifying the reasons behind the success or failure of a crowdfunding campaign, an email interview to the

TABLE 6.4 *Fundovino—ongoing projects*

Category/goal	Pledge amount	Donation	Types of rewards: tiered system where the more you donate the better the reward you receive
<i>Wine tourism</i> Discovering the Douro Area	€500	5 levels From €5 to 50	Thank you, postcards, corkcrawls, drop-stops, bottles of wines
<i>Vineyards</i> Acquisition of 2 vineyards (Gamay and Chardonnay) in Beaujolais villages	€5,000	15 levels From €5 to 300	Thank you on Facebook, bottles of wines, magnums, organic wines, customized labels
<i>Wine shop</i> Purchase of two Adveco wine distributors	€12,000	8 levels From €10 to 500	Thank you on Facebook, a map of the area, invitations to the inauguration, discount cards, bottles of wines, visits, tasting sessions, oenotouristic weekends
<i>Other alcohols</i> First biodynamic stout, aged in the most prestigious Sauternes casks	€7,000	8 levels From €10 to 380	Thank you on Facebook, bottles, aperitif-bag, lunches, tasting sessions, lessons.

Source: Our elaboration from [www.fundovino.com](http://www.fundovino.com), updated on May 15, 2015.

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Fundovino Team has been conducted. Its answers may be employed as precious guidelines by entrepreneurs interested in taking up a crowdfunding campaign. Specifically, a project must have:

- 1 A detailed description: as a matter of fact 'when you ask strangers to finance your project, you need to introduce yourself and describe the project as much as possible' through 'detailed information, pictures, budgets and ideally a video' since a potential funder 'needs to be reassured that the project owner is someone trustworthy and that the project is feasible and realistic'.
- 2 Original, customized, and worth it rewards: apart from the value of the reward itself, a potential funder is also interested in 'what it represents and the limited amounts of the rewards available'. In addition, 'rewards need to be available in a wide range of prices, in order to appeal to a large type of potential backers'.
- 3 Enrolment of initiators' first and second circle: in the early stages of the campaign, funders need to rest upon family, friends, users, and clients before starting to relate to strangers and draw their attention and money to it. After all 'if you can't convince people who know you—and your project—to help you, how can you expect to do so with strangers?'

No mention is made of pledge amount, since according to the Fundovino Team, 'The amount of money asked is not a key factor for the success of a project, as long as it's in line with the project owner potential and the project itself'. In other words, if the amount of money asked is proportioned to the nature and the size of the project, it does not become a potential detrimental factor to its success.

With regards to Cruzu, the smaller number of projects (see Tables 6.5 and 6.6) promoted on the site compared to Fundovino may be explained by its later launch. Up to June 2015, the platform only launched wine-making-related projects, though further categories are due to be added soon. Moreover, here donation levels are limited to 5 (starting from \$35), resulting in a lower customization-degree offered to potential backers. The pledge amount does not exceed the \$10,000 with one exception of \$20,000 for a project related to a Barolo vineyard in Piedmont that is a very valuable Italian territory for wine production. Bottles of wine are the most commonly offered rewards, followed by organized meetings with the winemaker (e.g., tasting sessions, release parties, or final blending sessions).

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TABLE 6.5 *Cruzu—funded projects*

Category/goal	Pledge amount	Collected amount	Donation	Types of rewards: Tiered system where the more you donate the better the reward you receive
<b>Winemaking</b>				
Production of negociant blends and wines from Napa Valley vintages	\$10,000	\$10,560	5 levels From \$35 to 350	Bottles of wine, release party
Production of wine from Napa Valley vintage 2013	\$7,500	\$8,060	5 levels From \$50 to 400	Bottles of wine, invitations to final blending session, lunches
Production of high elevation Pinot Noir	\$7,500	\$7,718	5 levels From \$38 to 230	Bottles of wine, release party
Creation of a new single vineyard of Barolo in Piedmont	\$20,000	\$20,669	5 levels From \$39 to 349	Bottles of wine, tasting sessions, become a founder
Production of wine from Napa Valley vintage 2013	\$7,500	\$8,235	5 levels From \$50 to 1,000	Bottles of wine, invitations to final blending session, lunches

Source: Our elaboration from [www.cruzu.com](http://www.cruzu.com), updated on June 4, 2015.

TABLE 6.6 *Cruzu—ongoing projects*

Category/goal	Pledge amount	Donation	Types of rewards: Tiered system where the more you donate the better the reward you receive.
<b>Winemaking</b>			
Production of biodynamic wine from Chile and support to enter into the US market	\$7,500	5 levels From \$50 to 1,000	Bottles of wine, tasting sessions
Support to enter into the US market with Barbaresco vintage 2011	\$10,000	5 levels From \$39 to 349	Bottles of wine, winery tours, tastings, participations in the next harvest

Source: Our elaboration from [www.cruzu.com](http://www.cruzu.com), updated on June 4, 2015.

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Last but not least, for a better backer's involvement, a list of contributors providing profiles, comments posted on the site and the number of projects that she/he has backed is available on Cruzu. In order to ensure a higher involvement of potential backers, an updated flow of information—such as videos—related to the proceedings of ongoing and successfully closed projects is posted by winemakers.

### Discussion of main results and implications

Crowdsourcing business model is ideally suited for the wine sector, as both a new approach to the radically changing consumer profile and a source of funding, since an overwhelming majority of producers is represented by small entrepreneurs that have difficulties in accessing other forms of financing.

As widely documented in many studies and recently reaffirmed by Rabobank (2014), one of the most important developments in today's wine market is a shift in the consumer base towards new markets, the so called non-traditional wine drinking countries, and new consumers. In those countries, the so-called Millennial generation—a cohort of individuals born between 1983 and 2004—represents the fastest growing wine consumer segment that appear to be behaving differently from the mainstay consumers of the past. In this scenario, the current challenge for wine companies is about adapting to the evolution of consumer preferences. As market segmentation is ushering in a new wave of innovation in global wine styles, marketing and distribution... a consumer-centric approach will become key to drawing in—and remaining relevant to—new generations of wine drinkers' (Rabobank, 2014).

Atkin and Thach (2012) in their literature review have highlighted some Millennials' core characteristics that are worth mentioning concisely: Members of this generation, having grown up with Internet and technology that touched almost every aspect of their lives, have developed specific values, such as innovation, freedom, fun, collaboration, openness to diversity and challenge, apart from a greater attention to fair pricing and environmental practices of companies. In particular, the results of their research indicate that Millennials are much more concerned about making a mistake in wine choice compared to older wine consumers and rely heavily on friends' opinions and Internet searches for reducing the risk of choosing the wrong

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wine. For all such aspects, involving those consumers in co-creation of value could prove itself to be a more attuned approach to fit their preferences and values, leading to a comparative advantage over competitors.

Winemakers and wine retailers can exploit a number of different options with the purpose of engaging customers, by involving them in the process of co-creation of value in a more or less extensive way. The Virtual Vintner program discussed here is an example of consumer involvement throughout every step of the winemaking process, a participation that implies and requires a willingness to learn and take a long term commitment. Nevertheless there are also opportunities of customers' involvement in relation to few less demanding choices such as wine name, bottle, and label design.

Moreover, customers can be involved as funders in supporting winemaking investment projects, to improve production and distribution processes; new producers; products and process innovations; cultural projects related to the world of wine. Crowdfunding can offer unique support for entrepreneurs that goes beyond funding itself, as it can provide, without additional cost, the benefits of pre-sales, market research, crowd wisdom and above all word of mouth promotion that is proving even more effective amongst wine consumers. Primarily small wineries could take advantage from crowdsourcing because, as reported for the use of social media practices too (Thach and Lease, 2014), consumers attribute a high value to interfacing with someone who is close to the business and, in addition, supporting small entrepreneurs may motivate them further as funders.

However crowdsourcing requires a significant investment of time and the development of some skills. As highlighted in our interview to the Fondovino Team, confirming the results of other researches (Agrawal et al., 2011; Molllick, 2013), for a successful crowdfunding project, initiators must keep in mind that their projects are to be geared towards a crowd who, among other things, wants to know as much as possible about him/her and the project, so as to evaluate its overall reliability before deciding to get involved in it. Even a great project may not succeed if not promoted properly and if lacking an initial group of supporters functioning as the main driving force, such as relatives and network of friends that support the project by sharing it on social networks. Furthermore, detailed presentations (e.g., attractive descriptions, biographic information, presentation videos) are signals of quality

of the projects' reliability that can help prevent the risk of fraud or abuse of funds, the main dangers that could jeopardize crowdfunding growth. At the same time, it has to be underlined that funders carry a specific risk when they back any project in winemaking, as, being wine a natural product, quantity and quality are subject to weather condition and other external factors, to such an extent that the characteristics of the wine promised as a reward may vary considerably from the initial expectations of both producers and customers.

Future expansion of crowdfunding and full exploitation of its potential, in the overall economy and wine sector, are heavily dependent on the fulfillment of some preconditions. First of all, there is still a general lack of awareness about crowdfunding as such and the mechanisms behind it, mainly in Europe. Sustainable growth in crowdfunding is only possible if users are informed on both its benefits and the risks, and are supported by the services offered by platforms and/or other actors (European Commission, 2014).

As CF platforms play a key role in reducing information asymmetry and building confidence in crowdfunding, there is a huge need for both transparency on platform's projects selection rules and charges, and collaboration among platform's in developing best practices to lower the risks of fraud and abuse of funds. This may be fulfilled, as suggested by De Buyser et al. (2012) and already implemented in some countries (such as United Kingdom), by establishing a quality label that would signal compliance with certain standards of transparency and functioning (European Commission, 2014). As for wine, to date, there are only two specifically dedicated platforms (respectively in France and the United States), though the creation of other platforms in major producing countries may help raise awareness about crowdfunding and, by focusing on the segment of wine lovers, offer more opportunities of engaging funders in long-term relationships to small and medium-sized enterprises.

Finally, with the aim of supporting successful crowdfunding campaigns and increasing trust among users, platforms and/or other actors may offer additional services. Among the others, two main categories are worth to be mentioned (Ramos, 2014): (i) technical services to improve the quality of the projects, such as assistance to develop a campaign, activate social networks, identify target groups set a realistic target budget and publicize the launched projects; (ii) legal services designed to create secure environment for businesses, as, given the novelty of

crowdfunding, there are still some issues of legal uncertainty regarding protection of ideas, investors and customers, taxation, and legislation.

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## 7 Are Customers Having E-Conversations about Your Wine? The Importance of Online Discussion Forums as Electronic Word of Mouth for Wine Marketers

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**Abstract:** Wine purchase decisions are influenced by the experiences of other consumers and with social media, these experiences can be delivered electronically. Of these, wine discussion forums are the least understood source of unbiased wine experiences. This chapter examines online discussion forums devoted to wine and identifies their potential influence on consumer attitudes and value for wine marketers. Fifty-one online wine discussion threads were analyzed at the conversation and individual post level and their Internet visibility was compared to other winery generated/controlled sources. The results document the anatomy of online wine discussions and indicate that wine forums are a visible and potentially valuable information source for wine consumers.

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