Management Control and Intangibles in the Italian Wine Industry. The Villa Banfi Case Study

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Recently, the attention of economic literature and of many national and international organisations has focused on the measurement and management of intangibles. This is due to the widely held opinion that balanced management of critical tangible and intangible resources is essential to achieve and maintain a sustainable competitive advantage, and to the conviction that intangibles are an integral and significant part of the overall value of the enterprise. In view of the strategic role that intangibles play as the main drivers of performance in many industries, it appears natural that one of the primary interests of companies is to improve their correct measurement to ensure more effective management (Lev 2004, Low and Kalafut 2002, Salvioni 2004, Kaplan and Norton 2004, Bobillo and others 2003). Also, the globalized competitive context characterized by a structural supply surplus forces the enterprises to invest in management control systems capable of adequately measuring both drivers and results (Thach and others 2007, Anderson 2004). In the opinion of some experts, however, all this must be placed in the proper context with reference to specific sectors, as there may be significant differences from one to another. Some empirical studies, for example, arrive at ambiguous (or not univocal) conclusions regarding the relevance of intangibles, emphasizing a negative association between intangibles and performance in the general sectors of beverages and agricultural food products.
This paper examines a few aspects that have not been fully defined by other authors, regarding the relevance of intangibles and their measurement in management control systems in the wine sector. It is one of the first studies concerned with the wine sector and intangibles in the wake of the paper presented by Amadieu and Viviani at the Ferrara Workshop on intangibles.The analysis is particularly interesting, in consideration of the fact that the sector is characterized by intense competition at the international level that prompts many companies to increase their investments in intangibles linked to marketing and innovation (trademarks, product innovations, etc.).Moreover, the paper highlights a number of features peculiar to management control systems applied to wine enterprises and shows how they depend on the sector and business model chosen by the enterprise. As regards the methods, the paper takes a deductive approach, starting from the analysis of theoretical contributions and the empirical results found in literature to raise a number of research questions to be tested in the subsequent empirical analysis. The analysis consists of a case study on the management control system used by one of the main groups of grape-growing/wine producing companies, the Banfi Group.
The qualitative results confirm (at least as regards the Banfi group) that intangibles, and marketing intangibles in particular, represent an important resource from a strategic viewpoint. Moreover, brands are also considered an important resource (especially for the higher-priced wines), as they are stable elements of differentiation, beyond the variability of tastes and the market.
The quantitative results, however, while in the first analysis seeming to confirm the relevance of the company's intangible efforts, when compared with the economic and sales performance apparently contradicted that conclusion, indicating a negative impact of intangibles on economic performance and a positive impact on sales performance.