

The transition of small Spanish wineries toward multi-channel distribution

The role of ambidexterity

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Abstract

Purpose – This paper aims to analyse the development of exploitation and exploration capabilities, and the role of ambidexterity, in the evolution of small Spanish wineries toward multi-channel distribution systems.

Design/methodology/approach – A qualitative methodology based on the analyses of multiple cases supported by a computer assisted qualitative data analysis software with an abductive approach was used to study the relationship between ambidexterity and the multi-channel integration of six wineries.

Findings – Companies with more advanced multi-channel distribution systems have more developed ambidexterity capabilities. This ambidexterity stems fundamentally from the ability to simultaneously maintain relations with distributors and innovate and search for creative ways to satisfy new customers.

Research limitations/implications – The research is based on insights from companies based in Spain.

Practical implications – Spanish small and medium enterprises in the sector are in an underdeveloped phase of multi-channel integration. To be successful in this process, these companies must combine exploitation and exploration capabilities.

Social implications – If the company is able to develop an integrated multi-channel distribution system leading to an omnichannel system, consumers will benefit from it, getting complete information at each specific stage of shopping.

Originality/value – This study provides the first description in academic literature of the usefulness of the concept of ambidexterity as a dynamic capability to explain the degree of development and multi-channel integration.

Keywords Spain, Wines, Multi-channel, Ambidexterity, CAQDAS, Abductive, Multiple cases analysis

Paper type Research paper

Introduction

The rapid growth of the internet and the increasing efficiency of logistics services have urged firms that commercialized their products exclusively through traditional channels to consider the option of selling directly to consumers through online channels, thus giving rise to multi-channel distribution (Ailawadi and Farris, 2017). Today, consumers want to be able to use new digital channels to interact with a company at any stage in the purchasing



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process. Thus, enhancing the consumer experience in the digital era requires the effective integration of multiple sales and communication channels (Saghiri *et al.*, 2017).

In this context, winemakers are challenged to understand the distribution through multiple available channels and to consider the advantages and risks of implementing a multi-channel strategy (Gurau and Duquesnois, 2008). Small wineries could benefit from integrating online channels with more traditional offline channels (Fiore, 2016; Galati *et al.*, 2016). Online channels provide a solution for small winemakers to reach new market segments, establish valuable relationships with customers, and increase word-of-mouth (Louvieris *et al.*, 2003). A specific advantage of direct channels for small wineries is related to the difficulty they have in attracting the interest of large distributors in the sector. Direct channels allow them to reduce their dependence on such distributors (Gurau and Duquesnois, 2008). Studying the implementation and integration of multiple channels by SMEs in the wine sector is of high relevance, as this sector is at an early stage in the integration of online channels. Although wine sales through online channels are growing, in Spain less than half of the wineries have an online store (Alimarket, 2018).

In the implementation of a multi-channel strategy, managers cannot rely on existing distribution resources. Instead, they must acquire new resources and combine existing resources and capabilities in new ways or reconfigure them. In other words, they must develop dynamic capabilities that allow to achieve new and innovative forms of competitive advantage (Tece *et al.*, 1997). In this regard, several authors (Daniel and Wilson, 2003; Li and Liu, 2014; Wilson and Daniel, 2007) have analyzed the role of dynamic capabilities in the establishment of successful multi-channel strategies, however, the role of the specific capability of ambidexterity in managing multiple channels has not been explored. Ambidexterity is a dynamic capability that allows companies to develop exploitation and exploration activities simultaneously (O'Reilly and Tushman, 2008, 2013). Exploitation focuses on using existing resources and current competitive advantage, while exploration is aimed at searching for new resources and expanding markets (March, 1991; O'Reilly and Tushman, 2008). According to O'Reilly and Tushman (2008), the development of ambidexterity is expensive and requires the company to have a strategic interest – e.g. the development of multi-channel distribution – that justifies its development. Recent studies have addressed ambidexterity from the standpoint of the supply chain (Kristal *et al.*, 2010; Patel *et al.*, 2012; Lee and Rha Sung, 2016; Faisal and Talib, 2017). However, very few papers have focused on ambidexterity in distribution channels (Oh *et al.*, 2012) and even less attention has been paid to the role of ambidexterity in the advancement of multi-channel strategies. In the wine sector there are studies that analyze the benefits of multi-channel distribution (Fiore, 2016; Galati *et al.*, 2016; Gurau and Duquesnois, 2008) or the role of innovation propensity in the implementation of online channels (Casali *et al.*, 2018). Researchers conclude that winemakers need to re-structure their strategic management practices to face the challenges of multi-channel distribution (Casali *et al.*, 2018; Gilinsky *et al.*, 2018). Implementing direct channels requires companies to have knowledge, intuition and experience, and additional resources and a flexible adaptation of strategy (Gurau and Duquesnois, 2008). Further research should be conducted on multi-channel distribution (Casali *et al.*, 2018), and doing so by focusing on the role of ambidexterity is of interest as the combination of exploitation and exploration could help firms to take advantage of existing channels in the development of new routes to market (Kristal *et al.*, 2010).

To fill this gap in the literature, the aim of this paper is to analyze the degree to which the advancement in the implementation of multiple channels by small wineries is related to the simultaneous use of exploitation and exploration processes, i.e. ambidexterity. Thus, this paper contributes to the literature by assessing the usefulness of the dynamic capability of

ambidexterity in the development of distribution systems in the wine sector. Due to the limited evidence on this topic this study applies a qualitative methodology based on the analysis of multiple cases through an abductive approach that combines inductive and deductive reasoning.

The remaining of the paper is organized as follows. The next section reviews the literature on multi-channel distribution in the wine sector and the literature on ambidexterity, which are the base of our research framework. Then, the methodology and results are presented. The paper ends with the discussion, conclusions and future research.

Literature review and research framework

As our aim is to investigate the dynamic capability of ambidexterity in the multi-channel distribution of wineries, we need to revise two streams of literature to build our research framework. First, we revise the key papers from the channels literature that analyze the benefits and requirements of a multi-channel strategy, and we present the findings of the papers that have analyzed multi-channel distribution in the wine sector. The second part revises the literature, from the management field that has investigated the dynamic capability of ambidexterity, and the limited findings on ambidexterity in supply chains and distribution channels.

Multi-channel distribution in the wine sector

Multi-channel distribution implies that a retail company or manufacturer uses several channels – both offline (e.g. catalogs, retailers and salesforce) and online – to reach the market (Ailawadi and Farris, 2017; Neslin and Shankar, 2009). This transformation is highly relevant due to its impact on pre-existing channels and customer relations, and the large investment in logistical and technological capabilities it requires (Neslin *et al.*, 2016).

The literature has analyzed if the substantial efforts needed to implement multi-channel distribution pay off. There is some evidence that a multi-channel strategy provides higher revenues (Kushwaha and Shankar, 2013) and builds customer loyalty (Herhausen *et al.*, 2015). Multiple channels provide increased market coverage as they allow firms to reach different types of customers and contribute to balancing channel dependence (Rosenbloom, 2007). Without undermining the benefits of the multi-channel strategy, it is not without obstacles. Neslin *et al.* (2006) identified five major challenges that must be addressed to manage multiple channels more effectively, namely, data integration across channels; understanding customer behavior; channel evaluation; allocating resources across channels; and coordinating channel strategies. The literature has investigated the requirements for the success of a multi-channel strategy and has concluded that it is imperative that online channels are not managed separately, but are coordinated and integrated, at all levels, with pre-existing channels (Herhausen *et al.*, 2015; Verhoef *et al.*, 2015). Multi-channel integration can provide synergies that boost the effectiveness of every channel and increase consumer acceptance and overall performance (Bendoly *et al.*, 2005; Pentina and Hasty, 2009; Zhang *et al.*, 2018). If multiple channels are not integrated, the strategy could have negative consequences (Sharma and Mehrotra, 2007; Neslin and Shankar, 2009): conflicts between channels may appear if they compete for the same customers, sales from a new channel may be insufficient to cover their costs or new channels may cannibalize the sales of existing ones. These issues are, for obvious reasons, particularly relevant when the multi-channel strategy combines company-owned and third-party channels. As Ailawadi and Farris (2017, p. 121) state, “[. . .] multi-channel firms are focused on trading off increased reach and service with conflict among channel members”.

In the wine sector, the consolidation of distribution, at both wholesale and retail level, has become a barrier for small wineries to reach the market (Gilinsky *et al.*, 2018). Additionally, wineries' margins are reduced because of the fierce competition and the bargaining power of distributors (Fiore, 2016), and wine sales to restaurants do not generate optimal profits for small wineries (Velikova *et al.*, 2019). Implementing multi-channel distribution is a way to overcome this situation and reduce dependence on traditional distributors. In an exploratory study conducted in Australia, Sellito (2004) found that small and micro winemakers were more active on websites than larger wineries, attributing this finding to the obstacles smaller firms face when attempting to reach large distributors. Similarly, Gurau and Duquesnois (2008) found that among French wineries, those of smaller size used more direct channels. Additionally, Fiore (2016) and Casali *et al.* (2018) analyzed small Italian wineries and discovered that those with low-innovation propensity are more likely to use traditional indirect channels, while more innovative winemakers choose wine experts and direct distribution channels. Some recent papers highlight the importance of using new online channels, such as mobile channels and social media, to strengthen customer loyalty (Szolnoki *et al.*, 2014) and attract younger customers (Fuentes Fernández *et al.*, 2017). Several studies have reported that direct channels allow wineries to transmit the large quantity of information sought by wine buyers and to broaden their markets, which have traditionally been limited to the local or regional level (Fiore, 2016; Gurau and Duquesnois, 2008). However, there are no studies in the wine sector that analyze the integration of multiple channels, which has been highlighted in the channels literature (Zhang *et al.*, 2018) as a requirement to obtain synergies from channel combination. Moreover, to successfully integrate channels, firms must develop the required resources and capabilities and be flexible in their strategies. The usefulness of the concept of ambidexterity to achieve this effective integration of multiple distribution channels is explored next.

Ambidexterity in distribution channels

To survive and thrive in the medium and long term, companies develop two types of initially antagonistic processes, namely, exploitation and exploration (Cheen, 2017; O'Reilly and Tushman, 2013, 2008). March (1991), in his seminal work, defined exploitation as "refinement, choice, production, efficiency, selection, implementation and execution," and exploration as "search, variation, risk-taking, experimentation, play, flexibility, discovery and innovation." In exploitation, companies focus on existing businesses or ways of doing business and on the use of available capabilities and information to achieve short-term organizational objectives and market positions (Cheen, 2017). Exploration is associated with the development of new knowledge (Vahlne and Jonsson, 2017). It focuses on the conviction that companies may not yet have reached their maximum capabilities, so they need to transform existing capabilities or develop new ones (Cheen, 2017).

The balance in the combination of both processes is known as the dynamic capability of ambidexterity (O'Reilly and Tushman, 2011). The ambidexterity capability suggests that the tensions associated with the contradictory nature of exploitation and exploration processes should be managed through integrative approaches that emphasize the interdependence and synergies between apparently contradictory activities (Koryak *et al.*, 2018). Organizational ambidexterity refers to the ability of an organization to simultaneously explore and exploit, i.e. to compete in mature sectors where efficiency, control and incremental change are needed, and also to compete in new sectors where flexibility, autonomy and experimentation are needed. (O'Reilly and Tushman, 2013). In ambidextrous organizations, exploitation and exploration work as complementary, mutually-supportive capabilities (Farjou, 2010), and in some industries are even interspersed

over time, prioritizing exploitation in periods of external stability and exploration when the environment is turbulent (Mudambi and Swift, 2011). Several authors conceive ambidexterity as a dynamic capability that is reflected in the ability of companies to accurately detect changes in their competitive environment and take advantage of them through the reconfiguration of tangible and intangible assets (O'Reilly and Tushman, 2008, 2013; Vahlne and Jonsson, 2017).

The literature on ambidexterity in distribution channels is very scarce. As Snehrat *et al.* (2018, p. 356) indicate in their review of research on ambidexterity, only 7 of the 83 recent studies reviewed focus on ambidextrous supply chains (Arlbjørn and Mikkelsen, 2014; Lee and Rha, 2016), and no contributions were found focusing on distribution channels. Given the absence of such research, as an initial step, we review the literature on ambidexterity in supply chain management, considering that distribution channels are the part of the supply chain that manages customer relations (Kozlenkova *et al.*, 2015).

In supply chain management, exploitation consists in refining current methods and technologies, using existing processes to maintain efficiency and improve activities in the chain (Kristal *et al.*, 2010; Patel *et al.*, 2012; Turedi, 2016). O'Reilly and Tushman (2004) report that exploitation capability makes it easier for companies to satisfy current business demands through more efficient operations, in addition to reducing the operating costs of distribution channels (Oh *et al.*, 2012). Innovations stemming from exploitation improve established designs through the application of existing skills and strengthen ties with customers through the improvement of distribution channel effectiveness (Jansen *et al.*, 2009).

In the context of supply chains, exploration involves finding solutions based on innovative approaches and identifying creative ways to satisfy clients (Kristal *et al.*, 2010; Patel *et al.*, 2012). Turedi (2016) adds that exploratory competition includes activities to develop new products or processes to address market changes. Exploratory processes require improving on existing knowledge and seeking new technological skills and customers. Innovation in products and processes improves the required knowledge that improves productivity (Sánchez-Sellero *et al.*, 2015). Thus, companies offer new designs, demand new systems and procedures, and attract new groups of customers through new distribution channels (Jansen *et al.*, 2009). Likewise, exploration facilitates the rapid reassignment of resources in the face of changing market conditions and the implementation of strategies to offer new distribution channels, increasing opportunities for cross-selling (Oh *et al.*, 2012).

In the context of distribution channels, the development of a multi-channel system requires the company to innovate and undertake technological transformation. To carry out a technology transition, companies often face the ambidextrous challenge of “exploiting” complementary assets to support new “exploratory” core technology (Taylor and Helfat, 2009). Given the multi-channel challenge, ambidexterity or the appropriate balance between exploration and exploitation would be, as March (1991) described, a primary factor in system survival and prosperity. Organizations that develop ambidextrous capability with respect to supply chains must be able to simultaneously integrate exploration and exploitation capabilities in activities with their partners in the supply chain. This ambidextrous approach within the channel is essential for companies to benefit from the knowledge obtained from their partners, and which will help them to enhance their internal capabilities (Kristal *et al.*, 2010). In the context of supply chain management, the development of advanced technologies, especially information and communication technologies (ICTs), has significantly broadened manufacturers' operational competencies and skills for both exploitation and exploration (Sanders, 2008).

Research framework

By combining two research streams, this paper analyses the potential of the dynamic capability of ambidexterity to help small wineries advance in a multi-channel integrated strategy. The process of implementing new channels and integrating them with existing ones requires technological and strategic transformations (Casali *et al.*, 2018; Taylor and Helfat, 2009). An ambidextrous approach would help in this process by combining the exploitation of acquired knowledge and experience and the exploration of new opportunities and implementation of new routines (Gurau and Duquesnois, 2008; Koryak *et al.*, 2018; O'Reilly and Tushman, 2013). Our research framework (as illustrated in Figure 1) seeks to answer two research questions:

- RQ1. What exploitation and exploration capabilities are used in multi-channel management by small wineries?
- RQ2. How is a greater level of development of the dynamic capability of ambidexterity related to advancement in multi-channel integration of small wineries?

Research methodology

Our study is focused on small firms in the Spanish wine sector. Spain is the first exporter of wine and the third wine producer in the world (Iñigo *et al.*, 2018). The sector comprises 4,373 winemakers (OEMV, 2018); 83 per cent of them have less than 10 employees and can be characterized as small family businesses [Instituto Nacional de Estadística (INE), 2018]. In Spain there are 89 Wine Denomination or Designation of Origin (DO) (Ministerio de Agricultura y Pesca, Alimentación y Medio Ambiente, 2018), being Ribera del Duero and Rioja the main ones as their sales represent 25 per cent and 21 per cent, respectively, of total sector sales (Iñigo *et al.*, 2018).

The on-trade channel (hospitality, restaurants and catering) accounts for 53.2 per cent of total wine sales in Spain, while sales for home consumption take the remaining 46.5 per cent (Passport, 2018). The retail channel for home consumption include: supermarkets (51.9 per cent), discounters (15.3 per cent), hypermarkets (13.9 per cent), traditional retailers (6.8 per cent), e-commerce (1.1 per cent) and others (12 per cent). Sales through online channels are still low but on the rise; percentage of online sales varies according to the type of wine, still wines with DO and sparkling wines with 5.6 per cent and 4.6 per cent, respectively, are the two types that best sell online. (Ministerio de Agricultura, Pesca y Alimentación, 2017). Less than 50 per cent of wineries sell through the online channel (Alimarket, 2018).

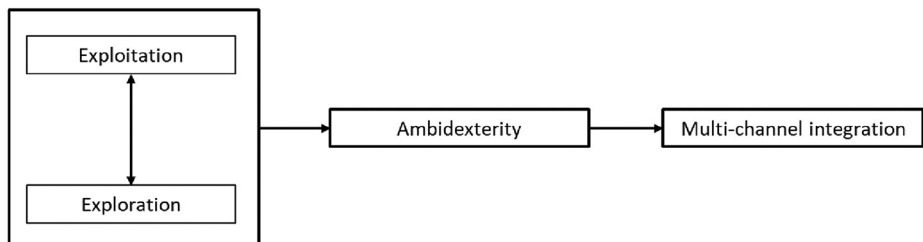


Figure 1.
Research framework

Source: Own elaboration

As for the value chain of the Spanish wine sector, Ferrer-Lorenzo *et al.* (2019) have identified four different successful business models and the related decisions in the value chain of each business model. Due to the strong dependence of the Spanish wine sector on exportation, the most relevant model concerns the:

[...] wineries that export, and its positive correlation in order of importance with: making red wine, distributing through a conventional distribution with an unstable contract; distributing through a large-scale distribution with stable and unstable contracts; distributing through conventional distribution with stable contracts; and selling in the on-trade channel (Ferrer-Lorenzo *et al.*, 2019, p. 43).

The research design we use to establish links between dynamic capabilities and ambidexterity is qualitative interviews with multiple case analysis. As we wished to focus on small firms, given its critical importance in the Spanish wine sector, instead of adopting a single case study approach, we considered as suggested in Yin (2014) that a multiple firm approach would provide greater insights in the processes under study. As our research is in real-life context, a case study research design will be able to frame the empirical inquiry of complex social phenomena (Yin, 2014). Qualitative design is used to generate rich data when the research phenomenon has no well-established dimensions (Cassell, 2015); this is the case of ambidexterity (Lee and Rha, 2016). This methodology has been recently used in studies of multi-channel management (Frasquet *et al.*, 2018; Gurau and Duquesnois, 2008; Turner *et al.*, 2018) and ambidexterity (Cantarello *et al.*, 2012), using in the latter, both one-firm and multi-firm case study (Snehvrat *et al.*, 2018). We adopt an abductive research model, as suggested by Dubois and Gadde (2014) as a kind of “evolving cases research,” but we take as reference the progressive focusing model of Sinkovics and Alfoldi (2012) that suggests to strengthen the “abduction process” with a computer-assisted qualitative data analysis software (CAQDAS) software. The abductive approach is a mixture of deductive and inductive approaches (Dubois and Gadde, 2014), and its main characteristic is a continuous movement between an empirical world and a model world (Dubois and Gade, 2002), continuously interplaying concepts and data (van Maanen *et al.*, 2007). An abductive approach is fruitful if the researcher’s objective is to discover new things, as new variables and relationships (Dubois and Gade, 2002) and not only seek to confirm existing theory and theory generation but also theory refinement.

We applied the principle of purposeful sampling (Patton, 2002), selecting firms located in Spain, with international presence, and using multiple channels at home and abroad, and as it is usual in qualitative research our aim was not to be statistically representative. For the selection of the number of companies we follow Eisenhardt’s (1989) recommendation that establishes between 4 and 10 cases to be analyzed in a qualitative investigation of multiple cases. As Turner *et al.* (2018, p. 1453) point out, “this sample size means that the investigation could not be exhaustive, however, it does have theoretic generalizability as it offers the opportunity for insight into the way managers respond to complexities.” Once a sizeable set of companies that met the criteria were identified, the ease of access to them and their management positions was decisive in their final selection. In-depth interviews were held with board level managers responsible of sales and/or general managers of five small wineries and one artisanal brewery, which was included as it used the wine channels to distribute its beers. Regarding the selection of managers to interview in each of the companies, given their different organizational structures and the aim of our research, the manager responsible for marketing and sales was selected, regardless of the name of that position in the company (Table I). For reasons of confidentiality, the participating firms are anonymous in the paper although key characteristics are provided in Tables I and II. Interviews, lasting between 1 and 2 h were led by two of the researchers and were recorded

	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5	Firm 6
Year of foundation	2001	2010	1986	1972	1950	2010
Size*	Small	Small	Small	Medium-sized	Small	Small
Number of employees	12	25	14	52	25	11
Turnover	1,800,000	2,300,000	4,700,000	15,000,000	2,800,000	1,500,000
%export/turnover	27%	68%	65%	8%	65%	60%
Portfolio of products	13 wine	19 wine	24 wine	33 wine	13 wine	3 beer brands
	7 cava (sparkling)				2 cava (sparkling)	
Denomination of Origin (DO)	1 DO	1 DO	1 DO	4 DO	5 DO	–
Positioning	Highlights R&D, and traditional know how	Name and social recognition of one of the owners	Innovation	Innovation, high range wines	Young people, repositioning from traditional winery	Artisanal premium, different
Interviewed person	Export manager	Area manager	Export manager	Commercial manager	Commercial manager export manager	Production manager

Table I.
Characteristics of the
firms interviewed

Note: *According to the European Commission Regulation 651/2014

and later transcribed (Yang *et al.*, 2018) to avoid losing information. Figure 2 summarizes the content of the questions guiding the interview, nevertheless research studies encouraged free-flowing discussion on the processes of channel management and whenever necessary, they guided the discussion toward the concepts of exploitation, exploration and dynamic capabilities but without mentioning these terms. Only in those cases in which at the end of the interviews, the companies had not addressed any of the capabilities listed in Figure 2, the interviewers asked directly about the “how” and “why” of those processes, adapting the questions to the specificities of each retailer.

The software Atlas.ti 7.5.10 was used as CAQDAS to document the research process and allow triangulation of data in three different stages of the research. First, when selecting companies and managers to interview, databases, directories, annual reports, websites, and other secondary sources of the sector were analyzed before getting primary data from the companies. Second, in the diagnosis phase when companies were classified according to their level of multi-channel integration, companies’ websites, reports, other secondary information and information gathered in interviews were contrasted. This diagnosis phase, which consisted in evaluating the level of multi-channel integration of the distribution channels of the six companies started by selecting the variables indicating the level of multi-channel integration as reported in previous research (Fuentes Fernández *et al.*, 2017; Bendoly *et al.*, 2005; Pentina and Hasty, 2009; Ailawadi and Farris, 2017; Saghiri *et al.*, 2017). Table II presents these variables and the position of each firm with respect to each variable. As a result, the companies interviewed were classified into three levels of multi-channel integration: medium-high, medium-low and low.

Thirdly, triangulation was also carried out in the content analysis phase where three researchers were involved throughout the process. The analysis of the content of the interviews allowed the authors to identify common traits and themes that enabled the

Table II.
Level of multi-
channel integration
of the firms

	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5	Firm 6
<i>Channels</i>						
Own store (winery shop)	✓	✓		✓	✓	✓
Online shop	✓	✓		✓		✓
Retailers	✓	✓	✓	✓	✓	✓
On-trade (hospitality, restaurants, ...)	✓	✓	✓	✓	✓	✓
Marketplaces		✓			✓	
Website information about offline points of sale	No	Yes	No	No	No	No
Website information about own store	No	No	No	No	No	Yes
Website information about the product	High	High	Medium	Medium	High	Very high, one website for each product
Website information about physical store promotions	No	No	No	No	No	No
Prices in own store, online shop and retailers	Equal	Equal	Equal	Equal	Equal	Different
Information about the product in online shop	High	Very high	Low	Medium	–	Medium
Specific promotions for the online shop	Yes	Yes	No	No	–	Yes
Image congruence online shop, website and social media	High	High	Medium	Medium	High	Medium
Cross channel level	Medium	Medium	Low	Medium	Low	Low
<i>RESULT: multi-channel integration level</i>	<i>Medium high</i>		<i>Medium low</i>		<i>Low</i>	<i>Medium low</i>

	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5	Firm 6
EXPLOITATION CAPABILITIES						
Learning through experience	Grey	White	Grey	Grey	White	Grey
Exploiting existing information	Grey	White	White	White	White	White
Encourage distributors to improve current technologies.	Grey	White	White	White	White	White
Keeping long time distributor's relationships	Grey	White	White	White	White	White
Search for solutions with current resources	Grey	White	White	White	White	White
Facilitate routine processes with channel members	Grey	White	White	White	White	White
EXPLORATION CAPABILITIES						
Searching for solutions based on innovative approaches	Grey	White	Grey	White	White	White
Searching for creative forms to enhance customer satisfaction	Grey	White	White	White	White	White
Finding new ways of combining existing resources and processes	White	White	White	White	White	White
Continuous search of information	White	White	White	White	White	White
Innovation and change	Grey	Grey	Grey	Grey	Grey	Grey
LEVEL OF MULTI-CHANNEL INTEGRATION	Medium high		Medium low		Low	Medium low
CHANNEL'S AMBIDEXTERITY DREGREE	High	Medium high	Medium high	Low	Medium low	Low

Notes: Grey-shaded cells mean capability is present; white cells mean capability is absent

Figure 2.
Ambidexterity and
firms' multi-channel
integration

identification of exploitation and exploration capabilities (Figure 2), the three researchers were involved in the process of coding the content of the interviews, following a preliminary code book set up beforehand based on the theory, but the iteration and comparison between theory and data suggested additional codes and themes. Initially each researcher undertook the codification individually, and following Patton (2002), they searched for recurrent topics or core meanings. Later, the outcome was discussed with the other researchers seeking consensus. The authors also examined how the simultaneity of certain exploitation and exploration capabilities had given rise to the dynamic capability of ambidexterity that facilitates the development of multi-channel integration. To illustrate the findings drawn from the qualitative analysis of interviews authors quote directly from the interviews, and decisive findings were summarized in tables following Eisenhardt and Graebner (2007).

Results

Firm 1.

Firm 1 has achieved a high level of multi-channel integration, simultaneously selling at its own online and offline stores and through distributors to reach retailers and the on-trade (hospitality, restaurant and catering) channel (Table II).

To develop multi-channel integration, it uses its own exploitation capabilities. It makes intensive use of information available from different sources (website, market studies, official institutions and own shop) to plan campaigns and open distribution channels in other geographical areas. It also demonstrates learning through experience using the same channels and strategies that work in one geographical environment when entering another area.

Firm 1: “we try to penetrate the same sales channel, the on-trade channel [...] we try to target the same demographic segment, i.e. with similar purchasing power”.

Another noteworthy aspect related to exploitation was that Firm 1 searched for solutions using current resources, as evidenced by the changes made to the online store to make it easier to use for customers (ease-of-use of the shopping cart) and the technical improvements made to the store. This capability is complemented with that of encouraging its distributors to improve existing technologies. This firm is concerned about maintaining relationships with current distributors, strengthening trust (communication is fluid and promoted through visits and meetings at fairs) and avoiding conflict in the channel (e.g. the company does not handle large orders in the store itself, instead redirecting them to the distributor).

This winery also engages in exploration to advance its multi-channel integration, seeking solutions based on innovative approaches that it applies to penetrate new markets, establishing new distribution channels (e.g. from on-trade to Club Gourmet). The new capabilities developed in the online store to solve a problem that hindered sales in this channel (adapting delivery prices to different situations) reveals the firm’s innovation capacity, and its, therefore, exploratory capability.

The data show us that this firm not only undertakes exploitation and exploration processes separately but also combines them, leading to ambidexterity. For instance, the firm detects changes in the environment (customer preferences) that lead to reconfiguring assets (introducing new products), and adapts to changes in the sector, opening channels in new markets and improving online presence. Thus, this winemaker has developed the dynamic capability of ambidexterity to integrate channels because although the management priority is to seek innovation through different channels, and thus, penetrate other countries and other channels, it maintains existing channels and looks after its relations with distributors to avoid conflict.

Firm 2.

Firm 2 has also achieved a high level of multi-channel integration, using online and offline channels at both retail and wholesale level.

This winery manages its multi-channel system through two exploitation capabilities: the capability to use available information; and the capability to maintain relationships with existing distributors. The most useful information for making decisions is obtained from the channel itself and the information generated on social media. In this respect, the firm is very proactive in sharing information published by importers on its own social media as a form of collaboration and searching for synergies. This winery understands that supporting distributors and avoiding conflict are essential requirements to survive in the market.

Firm 2: “if you do not provide support, build partnerships and make commercial allies, you are lost”.

In terms of exploration, the firm advances in multi-channel integration by improving and opening new avenues on the online channel but without ignoring the offline channel. The opening of online channels in foreign countries, either through an importer’s own online channel (UK) or through specialized marketplaces (The Netherlands), are noteworthy examples of how the firm seeks out creative ways to satisfy customers in each market, demonstrating its ability to innovate and change.

Firm 2: “we have been in fairly advanced negotiations with a wine club in the USA called Winebow [. . .]. It has a very important online business component, but it is opening up to other channels and creating its own distributor to develop its on-trade and off-trade activities”.

To summarize, the use of available information (exploitation) together with the close relationships of innovative collaboration that it maintains with the members of the distribution channel (exploration) generates the ambidexterity capability that allows the firm to advance the development of its multi-channel integration through not only market-adapted but also creative solutions.

Firm 3.

Firm 3 has achieved a low average level of multi-channel integration. Although it markets its products through offline stores, online stores and the on-trade channel, the integration between them is poorly developed, as shown in [Table II](#).

This winemaker uses exploitation processes in its multi-channel strategy, characterized most notably by its ability to maintain relationships over time with distributors, keeping daily contact via WhatsApp and facilitating routine processes with channel members. It also improves the efficiency of the channel by satisfying the demands of consumers more efficiently (e.g. delivery costs for customers are lower if it is the distributor who delivers). Through contacts obtained in fairs or from support institutions, the firm develops its ability to use available information as it subsequently performs Internet and social media searches for additional information on potential distributors and customers.

In terms of exploration, the firm seeks solutions through innovative approaches and introduces improvements in the distribution channel, developing its ability to innovate and change. With many years of experience, it has been a pioneering and innovative winery in the use of new technologies, establishing its “early detection” capability, although in recent years it seems to have lost part of its innovative capacity. Currently, rather than making big changes it adapts quickly to the peculiarities of each market in a flexible manner (e.g. instead of attending international fairs, it attends local fairs in the US, which are not normally attended by Spanish wineries).

Winery three integrates its distribution channels with a balanced – albeit not very intense – use of exploitation and exploration capabilities. It reveals its ambidexterity by detecting changes in the environment and reconfiguring assets (e.g. developing different

products to distribute through more channels). It also develops the ambidextrous capability by allowing its partners in the channel to freely determine processes at destination, but supporting them; the fluid and constant relationship with channel partners is complemented through innovation and making innovative resources available to distributors to improve their work.

Firm 3: “our website contains all the tasting notes and prize lists [. . .] our distributors use this information a lot and [the website] has been very helpful for them”.

Firm 4.

Firm 4 is at a low-to-mid level of multi-channel integration. It uses online and offline channels with a low level of integration. Some indication of improvement in this sense was detected at the cross-channel level (Table II).

There is evidence of the firm’s exploitation capability in multi-channel management as it uses available information, especially from social media, which it monitors closely, encouraging comments from consumers. It was also observed that the firm has maintained long, almost family-type collaborative relations with its current distributors, some dating back more than two decades.

As it regards exploratory capabilities, these are limited to the firm’s ability to innovate and change through the opening of the online channel for the whole of Spain, allowing consumers to purchase its products regardless of their location. A minimum purchase ticket system has also been set up on this online store. In this way, delivery prices do not exceed the price of wine products, thus increasing efficiency in the channel (cost reduction).

In this case, the development of the dynamic capability of ambidexterity for multi-channel integration is not clear. No points of confluence or synergies were identified, as exploration focuses on the implementation and management of the online channel but without affecting the other channels. However, as with the other companies studied, it was observed that the company has the capability to detect changes in the environment (end consumer preferences) and subsequently reconfigure assets (introducing new products), although this is not related to the development of multi-channel integration.

Firm 5.

Despite showing signs of being an innovative firm and maintaining good relations with the distribution channel, Firm 5 is at a very primary level of multi-channel integration due to the absence of an online store, although it sells to distributors through marketplaces.

This winery uses available information and maintains relationships over time with distributors. Both exploitation capabilities complement each other. For example, the firm makes systematic use of social media and channel members to obtain information from consumers and uses the same channels to ensure its information reaches distributors and customers. The aforementioned information is used for constant improvement:

Firm 5: “transfer the needs that we, the sales team, identify on the street in our customers, [. . .] so that he [the distributor] can learn how to focus on a specific customer”.

It was also observed that this winery provides quality services to the channel, showing its ability to facilitate routine processes with channel members. There is a high degree of interaction between the winery and distributors, supporting and sharing all the latter’s publications on social media, thus revealing a significant development of this exploitation capability of maintaining stable relationships over time with distributors.

In terms of exploration, the winery engages actively in the constant search for information and is characterized by its ability to innovate and change both online and

offline. According to the firm, “in a changing environment you not only have to evolve and keep ahead of trends in the market but also be satisfied with what you are doing.” Thus, it is continually developing creative ways to satisfy customers, notably through innovative marketing activities in the sector (e.g. sponsoring musical events).

Ambidexterity is evident in the belief of the company that if it attracts consumers to its social media (exploration) involving them with the brand, and continues to motivate its traditional distribution channel (exploitation), sales will improve and in the medium and long term, consumers will become loyal and turn into prescribers. They are also able to detect changes in the environment and reconfigure assets, but always through an approach strongly geared toward end consumers.

Firm 6.

Firm 6 has a low level of development in the multi-channel system. It uses the online and offline channels simultaneously but their level of integration is still low (Table II).

It was observed that this firm’s exploratory capabilities were more developed than its exploitation capabilities. Noteworthy exploitation capabilities include its ability to maintain relationships with distributors over time; the firm is young and knows that it has to support and “pamper” channel partners to compensate for its lack of knowledge of the sector. The company motivates the channel but does not intervene in its decisions, allowing it a certain degree of freedom. The firm is gradually developing the ability to learn through experience as it has embraced the importance of signing contracts with distributors.

It was observed that the company is constantly searching for information and potential contacts with new distributors to open new opportunities for multi-channel integration, especially internationally; this would, therefore, be an exploratory capability. Surprisingly, the firm uses wine sector distribution channels to market beer, revealing its exploratory capability as it seeks out solutions based on innovative approaches:

We are always looking for wine distributors because we believe they will have a better understanding of what they are selling [. . .] they have selected brands and generally take better care of them.

Ambidexterity is revealed by the importance the firm attaches to relations with the distribution channel, dedicating much of its research to its analysis and being innovative when using channels outside its sector, which it tries to look after, and which show commitment (for example, the Italian importer that helped the company adapt the brand and product to the market). Also, like the other companies, it is able to detect changes in the environment (e.g. customer preferences) and reconfigure assets.

Discussion of results

After analyzing each of the companies’ exploitation and exploration capabilities, these are summarized in Figure 2 to assess the level of ambidexterity of each firm and relate it with its level of multi-channel integration.

It was observed that all the companies presented the exploitative capability to operate and maintain relationships over time with distributors, in line with the argument proposed by Kristal *et al.* (2010) that the development of this capability helps improve firm results. The ability to use available information, as reported by Cheen (2017), was observed in the wineries that had more advanced levels of multi-channel integration. The exploratory capability developed by all the companies was the ability to innovate and change, which was highlighted by Turedi (2016), is necessary to

address environmental changes. The companies with lower levels of multi-channel integration adopted an exploration approach focused on the search for information, while those with higher levels of integration seemed to focus their approach on the search for innovative solutions and creativity, which is, as argued by [Jansen et al. \(2009\)](#), beneficial for the development of new distribution channels.

The analysis of the results reported in this study suggests that the companies that presented higher levels of multi-channel integration are ambidextrous, while those displaying lower levels of integration showed virtually no signs of ambidexterity. Nonetheless, it was evidenced that for the Spanish winemakers studied ambidexterity involved only a few of the exploitation and exploration capabilities, mainly maintaining relationships with existing distributors and innovation; hence, there is still much room for improvement. This study confirmed the findings of [Gurau and Duquesnois \(2008\)](#) in relation to the fact that the advantages for the wineries of incorporating online channels would only be reaped if the company has the necessary knowledge, resources and capacity to create, develop and manage the distribution strategy.

Conclusions, implications, limitations and future research

This study has analyzed the process of multi-channel integration in small Spanish wineries, identifying the exploitation and exploration capabilities deployed in the management of multiple channels. We have investigated if those firms with a more advanced multi-channel distribution, i.e. higher level of channel integration, show higher levels of development of the ambidexterity dynamic capability.

The theoretical contributions of our study are as follows. Firstly, to have initiated a research line studying the dynamic capability of ambidexterity and its building blocks of exploitation and exploration processes in multi-channel distribution. Previous studies had analyzed the role of ambidexterity in supply chain management ([Kristal et al., 2010](#); [Lee and Rha, 2016](#)), so this study contributes by focusing in the specific processes involved in multi-channel integrated management. Our results show that the concept of ambidexterity as a dynamic capability is useful for explaining a complex process of technological and managerial transformation such as the integration of online channels with more traditional offline channels. Secondly, contribution of our study is in the context of wine research, as our study extends the literature on multi-channel distribution of winemakers ([Galati et al., 2016](#); [Gurau and Duquesnois, 2008](#)), by paying attention to the processes involved in multi-channel integration. Our study also adds to the emerging line of research that investigates the drivers of distribution channel choices by winemakers ([Casali et al., 2018](#)).

As it regards the contributions to management, the results suggest that small winemakers wishing to be successful in their multi-channel integration processes should advance in the development of certain exploration capabilities (especially and specifically, finding new ways of combining existing resources and processes and searching for solutions based on innovative approaches) and simultaneously develop both types of capabilities. As reported by [Gibson and Birkinshaw \(2004\)](#) and [He and Wong \(2004\)](#), exploration is a risky strategy, which explains why companies tend to focus on improving capabilities in existing processes ([Lee and Rha, 2016](#)). None of the companies analyzed recognized that they were developing the exploration capabilities to find new methods of using existing processes and resources identified by [Turedi \(2016\)](#), which represents an opportunity for the companies to advance in their processes of ambidextrous development. In a traditional sector such as winemaking, companies should balance the traditional approach that characterizes many processes linked to

production and distribution, with the search for innovation through new channels and management processes.

Although some of the companies analyzed have developed their own online channels, their level of development in the use of ICT is generally still very low, which implies both the improved integration of channels and the necessary systematization, collection and continued use of market information. [Patel et al. \(2012\)](#) drew similar conclusions by suggesting to manufacturers that obtaining information directly from consumers could lead to incremental and radical innovations for both consumers and the firm. In short, digital development opens up new scenarios in customer relations that wineries should take advantage of by opening new online channels. However, the strategy should go further by fully integrating the multiple channels. In this effort, our study has shown companies should develop both exploitation and exploration processes, i.e. ambidexterity.

This study also has social implications. When firms develop multi-channel distribution systems with higher levels of integration that lead to omnichannel systems, consumers benefit from it. Consumers would be able to get complete and precise information through different online and offline channels, and they would have the choice of using a different channel at each specific stage of shopping, i.e. crossing the channels to improve the value-added by multi-channel integrated distribution.

The limitations of this study stem from its exploratory nature and the small number of companies analyzed, despite the suitability of this number within the scope of a multiple case study ([Yin, 2014](#)). Thus, future lines of research are suggested using both qualitative and quantitative methods. In view of some of the results obtained in this study, a more in-depth qualitative analysis should be performed on the relationships identified between exploration and exploitation capabilities as a means of increasing ambidexterity, and its subsequent relationship with the complex multi-channel integration in the wine sector and in other sectors. Complementary quantitative measures of exploration and exploitation capabilities could be developed to assess their influence on multi-channel integration. Given the different existing measurement approaches, [Lee and Rha \(2016\)](#) propose an approach taking into account not only the balanced vs combined dimensions but also longitudinal measurement taking into account different periods.

Moreover, future lines of research to advance the understanding of ambidexterity in the field of multi-channel integration, would start with achieving more in-depth knowledge of the antecedents of ambidexterity as proposed by [Asif \(2017\)](#), and in the three interrelated hierarchical types of ambidexterity (zero, first- and second-order) proposed by [Carter \(2015\)](#), which would reduce the ambiguity that sometimes accompanies the concept of ambidexterity and would allow managers to understand its true benefits. An additional future line of research should focus on the new concept of omnichannel. Omnichannel is understood as a “new phase in multi-channel retailing” ([Verhoef et al., 2015](#), p. 174), wherein the number of channels and the integration between them are increased to correspond to how consumers shop ([Zhang et al., 2018](#)). Omnichannel attempts to blur the boundaries between offline and online channels and allow customers to shop in a seamless manner ([Verhoef et al., 2015](#)). The wine sector in general, and particularly small wineries are far from being omnichannel; most wineries still have difficulties managing multi-channel distribution ([Casali et al., 2018](#)). However, the authors hope to see more firms in this new phase of omnichannel in the future and to research the factors related to it.

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Further reading

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