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Governing through Quality: Conventions and Supply Relations in the Value Chain for South African Wine

Stefano Ponte

Abstract

Global value chain (GVC) analysis examines the dynamics of economic globalisation and international trade. The concept of GVC governance illustrates how 'lead firms' achieve certain functional divisions of labour along a value chain – resulting in specific allocations of resources and distributions of gains. In this article I argue that agro-food lead firms do not govern chains solely on the basis of buyer power, market share, and/or economies of scale or scope but also through normative work. In order to do so, I apply convention theory to the analysis of governance in the value chain for South African wine. I analyse how wine quality conventions applied in the UK are translated in South Africa into specific functional divisions of labour and supply relations, themselves underpinned by local configurations of quality conventions. The case study of wine suggests that lead firms are able to drive a value chain only when industrial and market conventions are dominant, such as in basic quality wine. These conventions are more portable and thus easier to transmit at a distance. Where other, less portable, conventions are more important in discovering quality, as in mid-range and top quality wines, the value chain is much more fragmented and less driven.

Introduction

Global value chain (GVC) analysis has emerged since the early 1990s as a novel methodological tool for understanding the dynamics of economic globalisation and international trade. It is based on the analysis of discrete value chains where input supply, production, trade and consumption or disposal are explicitly and (at least to some extent) coherently linked. In addition to the descriptive aspects of territoriality and input–output structure, much GVC discussion has revolved around two analytical issues: how GVC are internally governed (in the context of a larger institutional framework) and how enterprise-level upgrading or downgrading takes place. In the agri-food sector these discussions have often been carried out with an interest in how power and rewards are embodied and distributed, what entry barriers characterise GVCs and how unequal distributions of rewards can be challenged in favour of labour, small producers and/or developing countries.

In the literature GVC governance has been defined and operationalised in different ways. The original approach to governance developed by Gereffi (1994) sees it as the process of organising activities with the purpose of achieving a certain functional division of labour along a value chain – resulting in specific allocations of resources and distributions of gains. Here, a group of 'lead firms' drive a value chain through specific mechanisms that are related to the nature of entry barriers and core competences. This interpretation of *governance* as *drivenness* involves lead firms defining the terms of chain membership, the incorporation/exclusion of other actors accordingly and the re-allocation of value-adding activities (Gereffi 1994; Ponte and Gibbon 2005; Raikes et al. 2000; Wilkinson 2006). A second and more recent approach has focused on unpacking how co-ordination takes place at individual nodes along a GVC (Gereffi *et al.* 2005; Altenburg 2006), an approached termed elsewhere *governance as coordination* (Gibbon, Bair and Ponte 2008).

In these two interpretations of governance the literature suggests that lead firms do not necessarily control value chains through hands-on mechanisms (such as vertical integration or highly socialised or supervised relations). Increasingly, they do so in hands-off ways by providing specifications to their immediate suppliers (or buyers) who in turn transmit and translate them further along the value chain (Ponte and Gibbon 2005; Sturgeon 2002). A key factor in governing in hands-off ways is for lead firms to succeed in spreading specific quality conventions and operational procedures of their liking. In other words, lead firms obtain or keep their position in a GVC not only as a result of their dominant market share, superior innovation, and/or substantial economies of scale and scope, but also through 'normative work'.

On the basis of such observations, a third approach has emerged, that of *governance as normalisation* (Gibbon, Bair and Ponte 2008). This approach underscores the discursive dimension of the framing of buyer–supplier relations, based on a constructivist approach to the knowledge content of transaction and the capacities of suppliers. The term 'normalisation' is used not to mean 'making things normal' in the vernacular sense of unexceptional, but refers to a project of re-aligning a given practice so that it mirrors or materialises a standard or norm. Early work taking this approach (Ponte 2002; Daviron and Ponte 2005; Ponte and Gibbon 2005) borrowed from convention theory in situating and analysing the dynamics of buyer–seller relations in wider normative contexts. This work used convention theory to elaborate an account both of the immediate normative environment in which value chain actors operate (that is, in relation to their functional statuses as buyers or suppliers) and the broader normative frameworks influencing the designations attached to the products and services they exchange within GVCs. Such contexts provide vocabularies for describing, and prescriptions concerning, what actions buyers should take when governing a value chain and what specific qualities suppliers should aim for and how they should secure them.

This article furthers the analytical project of GVC 'governance as normalisation' by examining the value chain for South African wine. To the author's knowledge, few attempts have been made in the literature to analyse the governance of the GVC for wine. Often, this has been done in terms of how a specific producing country is inserted in the GVC (for Chile and New Zealand, see Gwynne 2006, 2008; for New Zealand, see Lewis 2008; Hayward and Lewis 2008). Others have used different political economy approaches to analyse wine market restructuring (see, among others, Pritchard 1999; Shaw 2001). Finally, other contributions have examined specific aspects of value chain dynamics (such as learning and innovation) through a convention theory approach (see Guthey 2008 on the northern California wine industry) but have not linked them explicitly to governance.

In the rest of this article, first I provide a concise analysis of quality conventions and supply relations in the value chain for wine ending in the UK (the main destination of South African wine). Second, I scrutinise how South Africa-based wine actors transmit upstream (towards producers) demands that are placed on them by lead firms, and how this transmission process leads to specific functional divisions of labour and supply relations in South Africa, themselves underpinned by local configurations of quality conventions. In both instances much of the specific empirical evidence underpinning the analysis is available elsewhere (Ponte 2007; Ponte and Ewert 2007).

The wine GVC is particularly interesting in this context because, in the agri-food sector, it has the most complex and sophisticated quality infrastructure. Furthermore, it is going through a major process of restructuring in which the battle lines are drawn along the application, challenge and re-interpretation of different quality conventions. Recent trends in the geography of wine production, trade and consumption, and the changes in the quality composition of supply and demand, have been well documented elsewhere (see, among many others, Anderson 2004b; Spahni 2000; Unwin 1996). These include, in the last few decades, a dramatic fall in production volumes and per capita consumption in traditional wine-making and -consuming countries, such as Portugal, Spain, France and Italy. This has been partly compensated, on the one hand, by growing production and exports in New World producing countries (Argentina, Chile, South Africa, New Zealand, Australia and the USA) and, on the other hand, by increasing consumption in the UK and the USA. What for centuries was considered a cottage industry is becoming characterised by the presence of large multinational companies (Anderson 2004a). At the same time, the level of concentration in production/processing in the industry is far behind other sectors in the agri-food sector such as coffee, cocoa or beer. Wine retail, traditionally the domain of small specialist shops, is now in the hands of supermarket chains, especially in northern Europe and the UK, but increasingly in southern Europe as well. Although there are fears of the homogenisation of styles and offerings in the wine market, this is still an industry that produces a phenomenal array of different products, which are sold under a combination of brand names, grape variety and/or geographical indications of origin.

Finally, South Africa is instructive of the normative aspects of value chain governance for two reasons: (1) its wine sector, due to sanctions against apartheid, was insulated from the international market for a long period; with the opening of the South African export market in 1994 the long-simmering battles that had taken place internationally on 'what wine quality is' unfolded in the country in a short time; (2) South Africa has positioned itself as neither Old World nor New World style wine producer, effectively trying to find its own normative space and profile.

GVCs and conventions

Conventions are generally defined as a broad group of mutual expectations that include – but are not limited to – institutions. For convention theory,[1] rules are not decided prior to action, but emerge *in the process* of actions aimed at solving problems of co-ordination. At the same time, action may be tested and thus needs to be justified by drawing on a variety of criteria of justice that are broadly accepted at a particular time. In other words, convention theory links situated action to widely accepted normative models (Borghi and Vitale 2006). Conventions are not fixed in time and space: they include mechanisms of clarification that are themselves open to challenge. They are both guides for action and collective systems to legitimise those actions that can be submitted to testing and discussion, leading to compromises and possibly defeat (Boltanski and Thévenot 1991; Eymard-Duvernay 2006a and b; Favereau and Lazega 2002; Ponte and Gibbon 2005; Wilkinson 1997).

Boltanski and Thévenot (1991) developed six historically based 'worlds of legitimate common welfare' that draw on particular paradigms of moral philosophy. They elaborate an account of how these worlds are embedded in the behaviour of firms on the basis of organising principles. To these 'worlds' correspond different norms of qualification, of people (e.g., employees) and objects. Depending on what justifications are employed, one can arrive at different conventions for organising the activities of firms (see also Boltanski and Chiapello 1999). According to Boltanski and Thévenot:

The *inspirational* world rests on the principle of common humanity and non-exclusion (based on Augustine) and agreement about evaluation and action refers to grace and divine inspiration (in firm parlance, creativity).

The *domestic* world is founded on the principle of dignity (Bossuet) and agreement is founded on the basis of tradition (firms draw on the concept of loyalty).

The *opinion-based* world is structured around the principle of difference (Hobbes) and objects and subjects are evaluated through the opinion of others (firms use the concept of reputation).

The *civic* world finds its justification in the notion of common welfare (Rousseau) and agreement is founded on the fact that individuals are sensitive to changes in common welfare (firms are organised around the concept of representation).

The *market* world is based on the notion that difference is justified by sacrifice, effort or investment (Smith), and agreement is found on the basis of market principles such as price (firms organise themselves around the concept of competitiveness).

Finally, the *industrial* world is based on the existence of 'orders of greatness' (St Simon) and agreement is based on objective (technical and measurable) data (firms invoke the concept of productivity).

Convention theory does not place a hierarchical value to these worlds, nor does it portray them as historical inevitabilities. Furthermore, at any particular time and locality multiple justifications of action may be operating at the same time. Finally, although there is an internal coherence in each world there are also qualifications that bridge different worlds.

On the basis of the Boltanski and Thévenot framework, Eymard-Duvernay (1989; see also Sylvander 1995; Thévenot 1995) developed a typology of quality conventions and related forms of coordination. Eymard-Duvernay's main point of departure is that price is the main management form of a particular market only if there is no uncertainty about quality. If this is the case, differences in price are equated with quality. This characterises a *market* quality convention.[2] When price alone cannot evaluate quality, economic actors adopt other conventions to solve uncertainty about quality. In a domestic convention this is solved through trust (long-term relationships between actors or use of private brands that publicise the quality reputation of products). In this case the definition of quality is resolved 'internally', and the identity of a product is guaranteed or institutionalised in the repetition of history by its region or country of origin or by a brand-name. In an industrial convention uncertainty about quality is solved through the actions of an external party that determines common norms or standards and enforces them via instrument-based testing, inspection and certification. More recently, an additional category has been added, civic convention, where there is a collective commitment to welfare, and the quality of a product is related to its impact upon society or the environment.

In this article, to these quality conventions, two others are added to complete the original Boltanski and Thévenot framework: an opinion convention where uncertainty about quality is resolved through the personal judgment (rather than objective measurement) of an actor that is external to the exchange and has a 'good reputation'; and an inspirational convention where the personality of one of the actors in the exchange, his/her genius, intuition, creativity, vision or downright weirdness substitutes for other means of assessing quality. Table 1 lists the modalities for assessing quality that are linked to these conventions in relation to wine and specifies the actual instruments of verification. These will be explored in detail in following sections.

TABLE 1 ABOUT HERE

In recent Anglophone literature convention theory has been used chiefly as a source for typologies of various dimensions of product quality.[3] This literature has been mainly concerned with classifying new dimensions of product quality, reflecting struggles over the content of civic conventions; and judging these struggles as for or against a contemporary 'capitalist' project. This capitalist project is said to be striving not only to 'commodify' new product qualities, but also to commodify information about them – what Freidberg (2003, 2004) terms 'double fetishism'. These dynamics are said to lead to a hollowing out of organic, fair trade, and other sustainability labels (Raynolds 2000, 2002, 2004; Barham 2002; Renard 2003). Alternatively, convention theory has been used to highlight the putative emergence of 'alternative food networks' based on locality and domestic conventions (Murdoch and Miele 1999; Murdoch *et al.* 2000).

Until recently convention theory had not specified the boundaries and overlaps of conventions across different levels of generality and spheres of action. This led to some degree of confusion on the applicability of conventions in terms of reach (and degrees of power) and of geographical or organisational extension. Distinctions between conventions of quality (Eymard-Duvernay 1989) and wider normative models of organisational 'best practice' (Boltanski and Chiapello 1999) were drawn only implicitly. This has now been partly clarified by some of the key convention theorists in a programmatic paper presented at the 2003 Paris conference on '*Conventions et institutions'* (Eymard-Duvernay *et al.* 2006), where the authors extend the concept of a horizontal plurality of forms of co-ordination to a vertical plurality that allows the explanation of 'more localised' spheres of action (but do not mention 'more generalised' ones). This approach, according to its promoters, incorporates variation in levels of generality and justification within conventions. In other words, the plurality of possible worlds of justification of action drawn upon within certain spheres coexists with more localised and familiar understandings of what is just.

In this article, convention theory is employed to unpack the dynamics of governance in GVCs, but instead of explicitly discriminating between broader and more proximate levels of normative influence in the same sphere of action, focus is placed on: (1) how quality conventions that apply to a particular segment[4] of a value chain (the UK end-market of the wine value chain) shape its governance; and (2) how these are 'translated' upstream into specific supply relations and functional divisions of labour in the South African segment of the wine chain.

Space limitations militate against examining the whole cycle of formation, challenge, test and reconfiguration of quality conventions in the wine value chain and the overlapping of values, practices and institutions brought into play by an array of actors throughout this cycle. The more modest focus is instead on instruments of verification, which make visible and translate the complex and hidden negotiations, interactions and representations that lay behind the crystallisation of a convention (or the overlap of conventions) at a particular time and position in the value chain. Verification (or testing) is the moment when justifications are rendered explicit, where socio-technical devices are pulled in and different kinds of knowledge and expertise recruited. The aim is thus to show how certain quality conventions and attached instruments of verification translate into supply relations and divisions of labour that are employed to drive value chains in particular ways.

Quality conventions and governance in the GVC for wine ending in the UK

This section provides a concise picture of the overlap and tensions between the different quality conventions that operate in the wine GVC ending in the UK, followed by a short discussion of how these conventions influence GVC governance. This picture arises from an analysis of interviews carried out by the author with South Africa wine operators (and subsidiaries of UK importers and marketers based in South Africa) on perceptions of how buyers in the UK measure the quality of wine. This was supplemented by an interpretive reading of the discourses on quality in wine trade and consumer-oriented magazines (see methodological appendix for details). What is provided here is a simplified, snapshot picture, which does not do justice to the array of enrolments of expertise and knowledge, or to the complex combination of advertising, marketing and technical (winemaking and viticultural) tools that are behind measuring quality and justifying one quality convention or another.

The overlap of quality conventions in the value chain for wine ending in the UK is represented in Figure 1 in the form of a quality pyramid of wine. The pyramid is divided into three perceived quality brackets for top quality, mid-range and basic wines. Inside the pyramid, for each bracket, the main instruments of verification of quality are noted. To each of these correspond one or a combination of quality conventions, indicated on the left side of the pyramid. Each convention is mentioned in order of descending importance in each quality bracket. It is worth remembering that different conventions almost always overlap, their configurations change in time, and that they are always contested, with the possible exception of those lubricating the basic wine market (at least in the UK).

FIGURE 1 ABOUT HERE

Top wines

Both the trade literature and interview data suggest that, for top quality wines, one of the main instruments of verification of quality is endorsement by a respected (or renowned) wine writer, judge or publication. Following the original Boltanski and Thévenot (1991) framework, this translates into a quality convention based on *opinion.* So far, the quality convention literature has mobilised only some of Boltanski and Thévenot's worlds and not others. Wine provides the opportunity to complete their palette of conventions. In an opinion convention, the judgment of quality rests on the aesthetic approach of the endorser towards wine, the perceived independence of the endorsers from industry interests and their own preferences. Main factors for top wines are ratings by US wine writer Robert Parker, and by influential publications such as *Wine Spectator* and *Decanter*. When location or terroir are at play (in domestic conventions, see below) in top quality wine, such parameters are also mediated by 'wine experts' – given that even knowledgeable consumers need to be guided through the great diversity of wines available in the market. A brand alone will not be able to measure quality either in this quality bracket.

Which experts, and in what markets, come to be recognised as being of 'worthy opinion' is the topic of entire books (see McCoy 2005). Also, opinion makers will not have an impact on quality unless producers make wines that appeal to their palate. Therefore, the rise and consolidation of one particular aesthetic of wine instead of another will also depend on those actors, for example, flying winemakers such as Michel Rolland, who can deliver portable solutions to winemakers and viticulturists around the world and do the hidden (some say 'dirty') work of shaping an opinion convention into real world practices (on flying winemakers, see Lagendjik 2004).

Terroir, the specific combination of soils and microclimate in a particular vineyard or property, is another important factor in the quality evaluation of top wines, but less so in English-speaking markets than in continental Europe. Terroir, as the French insist, relates to a *domestic* convention, where intimate knowledge of the land, and long-term and repetitive fine-tuning of practices and varieties embed into the wine the natural elements of land and climate. Such a convention was for a long time dominant in assessing top quality wine in Old World producer countries, but it has been challenged by increased consumption in English-speaking countries such as the UK and the USA, and by the rise of 'opinion kings and queens' (such as Robert Parker in the USA and Jancis Robinson in the UK). Quality as terroir is built upon the idea that good wine can come only from specific locations and only after centuries of experimentation and close knowledge of the land. Viticulture and winemaking skills are directed to 'letting the land' speak – the best winemaking in this tradition is one that is as non-interventionist as possible. The still unresolved conflict between a domestic quality convention and one rooted in opinion has perhaps been the defining feature of the normative power struggle in the top quality wine industry over the last few decades, with signs that the opinion convention is becoming more dominant.

Finally, some wines are reputed to be of top quality because of the unique 'personality' of either the wine, its presentation, the winemaker, or the property behind the wine – this includes weird, 'visionary' offerings, 'mad winemakers', alternative labelling or a specific story behind any of these. Here is another convention that had been disregarded in the quality convention literature, even though it has been given a prominent treatment in the original Boltanski and Thévenot discussion of worlds of justification. Such a convention is related to *inspiration* – creation, innovation, vision, uniqueness and even elements of alchemy. In terms of quality conventions, this means that a wine's quality is assessed against the properties of those making it (or marketing it), where their expertise is not necessarily based on technical competence or on tasting prowess, but on their capability to enact an 'artistic moment'. An inspiration convention is part performance (in interviews with trade magazines, for example; or at the property with a prospective buyer) and part embedded in design (a unique label, a funky name for the wine or a special bottle shape). It may indeed be based on technical skills in winemaking (viticulture is not fancy enough to make an impression in the same way), provided that they are used in unique or alchemical ways. For example, the success of wines produced by South African maverick Charles Back can only be explained by the humour he inspires and his boisterous persona. This applies equally to commercial wines (such as tongue-in-cheek wines 'Bored Doe' or 'Goats do Roam') and to top quality offerings based on the life histories of some of his grape suppliers written down on the bottle label.

Mid-range wines

For mid-range wines the combination of quality conventions and of influential actors is even more complex. Endorsement by wine critics (and an opinion convention) is still a factor, but it is a less determinant one than in top quality wines. South African wine operators of all sizes argue that good scores from wine writers and publications help to sell wine, as do stickers and medals awarded in international competitions. But they also claim that what is more determinant in this range of wines is a combination of (and often conflict between) geographical origin, brands and grape varieties. A normative war has taken place in the wine world in the last few decades in this quality bracket too, but here it is based on the fault lines of two different groups of instruments of verification of quality: geographical origin/terroir (supported by Old World wine producers) versus brand/grape variety (supported by New World wine producers), with clear indications that the latter is gaining ground on the former. One exception to this simplified divide is Champagne, where both the geographical indication and brand names are important for marketing.

Indications of geographical origin are instruments of a domestic convention, but are less precise and 'immediate' than 'terroir' and can relate to fairly large and internally diverse regions. They seek to transmit a sense of (sometimes romanticised) connection with a place, where trust is embedded in the specific geography, in a processing system that is typical of that area, and in the people who carry it out. At the same time there are vast differences in the wine-producing world on what an indication of geographical origin actually means and how it is operationalised. In some countries, including South Africa, generic indications of geographical origin actually transmit information more akin to a brand than a territory. Therefore, the expertise and knowledge enrolled in the process of selling quality to buyers are closer to marketing and branding. Instead, in smaller indications of geographical origin, geographic information system data, soil sampling, macro-geographical and climatic information and expertise are enrolled to characterise quality and operationalise the demarcation of administrative boundaries.

Brands in mid-range wines are often accompanied by the indication of one or more grape varieties. The approach here is to help the consumer recognise and appreciate the differences between varieties and to hook onto a specific brand to sort through a myriad of offerings and variations. Marketing and advertising knowledge is essential here, rather than knowledge of the terroir, the macro-geographical traits of the area or the opinion of a renowned wine writer. From a convention theory point of view, brands operate as a *domestic* quality convention as well, in the sense that repetition of experience builds trust and the brand name becomes a substitute for quality. However, as argued elsewhere (Gibbon and Ponte 2005), the mechanisms of transmission of information are very different for brands than for the repetition of interpersonal relations and intimate knowledge of places.

An increasingly important element at play in the evaluation of mid-range wines is their civic content – as attested by the success of organic wines, and now also fair trade wines in UK, USA and Scandinavian markets (South Africa was the first and still is the largest exporter of such wine), The quality of wine in this case is related the impact of its production on society or the environment. At the same time, many labels and certifications related to environmental management (ISO 14000, organic, biodynamic, biodiversity) and social impacts (Fair Trade and the Wine Industry Ethical Trade Association) have tended to codify and formalise these concerns in ways that resemble industrial convention procedures (see also du Toit 2002). Auditing and certification provide instruments to objectify civic concerns that tend to obfuscate the civic content and frame it in the realm of fairly standardised technical devices such as inspection, form filling and documentary flow control. For this reason, in Figure 1 this convention is labelled *civic/industrial* rather than just civic.

Basic wines

Basic wines are evaluated for quality in quite a different way from mid-range wines. The complex configuration quality conventions and processes of contestation described above leave the ground for a much simpler constellation. Retailers decide what quality is and everyone else follows suit. For retailers the first, and most important step, is that a basic material quality is assured. Three elements in delivering basic quality in wine are needed: (1) intrinsics and packaging; (2) codified solutions to food safety and (3) logistics. These are features of an *industrial* convention (see details in Ponte 2007) that entails the enrolment of technical expertise and skills at the levels of logistics, clean winemaking (as opposed to unique or fancy) and 'Smart viticulture' (inspired by the influential Australian consultant Richard Smart).

South African operators report that UK retailers communicate very specific demands on intrinsics and packaging to their suppliers when buying basic quality wine: they tell them what to bottle, what kind of label and cork to use, the weight and shape of the bottle and the recycling possibilities. Specifications on intrinsics at this level of quality can be measured or described easily for purchasing purposes. These factors are then translated into specific clean winemaking techniques and further upstream into systematic viticultural practices.

In recent years, however, the package of basic quality that needs to be provided by suppliers has become more demanding and goes well beyond the intrinsics of the wine. One of the main UK retailers, for example, is implementing retail-ready packaging in wine, which entails unloading from the pallet to shelf in one move. Retailers are also moving towards screw-cap and synthetic closures to minimise returns for corked wine. In terms of food safety, in addition to meeting EU food safety rules, suppliers are increasingly under pressure to conform to food safety and quality management procedures through British Retailer Consortium, International Food Standard and/or ISO 22000 certifications.

In relation to logistics, UK retailers are working towards lead times of 8 weeks on promotion. As a result, UK-based agents and marketers are trying to exert more direct control over logistics. Previously they sold wine free on board to retailers; now, some have started selling ‘in-bond delivery’ in the UK. This way, retailers can place a call with a lead time of 3 days for delivery. Retailers are seeing themselves increasingly as shelf-space providers. Suppliers can log into the retailer’s supply management system and monitor movements in retail space and stocks, and order replenishment themselves. These processes entail an increasingly enrolment of packaging and logistics expertise and knowledge in wine production and marketing.

Once the basic quality step is cleared, then price and promotions (instruments of a *market* convention) are the shortcuts for signalling quality. Social and environmental certifications do not play a major role in this price bracket, nor do personality, geographical origin or terroir. Wine is offered under a brand, often with the indication of a combination of varieties, but price is more important than brand recognition. External endorsements may play a role but promotion is much more important. So, domestic and opinion conventions do not play important roles.

Governance

In the following, a brief sketch of governance in the GVC for wine ending in the UK is provided, based on analysis carried out in more detail elsewhere (Ponte 2007). What emerges is a picture of a GVC that is, in its basic quality configuration, retailer-driven and highly driven in a hands-off manner on the basis of strict demands on basic quality, price and (at least for the UK) promotional support. The middle range strand[5] is less driven, enjoys better margins for suppliers, does not have a clear group of lead firms and allows for more input by suppliers on the determination of quality. The top quality strand is placed in between the other two quality strands in terms of their levels of drivenness, with external actors (wine critics and publications) vying for prominence in driving the chain against elite producers.

The nature of quality conventions and their overlap in the three price brackets are key determinants of different configurations of GVC governance. The conventions that operate in the top price bracket make it difficult to drive a value chain completely from one functional position: proximity and uniqueness are not elements that are easily translated and spread both functionally and territorially, although some elements can be codified and opinion can be spread more easily. Thus, this strand of the GVC for wine exhibits a middle range degree of drivenness. On the basis of the better portability of the opinion quality convention, it is actually increasingly driven by wine critics and specifically through Robert Parker's scores. Because the 100-point Parker scale has been adopted by other influential publications a creeping element of an industrial convention is helping to give the impression of the 'objectification' of tasting, which also makes it easier to communicate information about quality, thus increasing the level of drivenness. Interestingly, Parker does not buy or sell wine and he does not have direct shareholdings in wineries or the trade. His empire is based on selling his opinion (McCoy 2005). The value chain is thus (partially) driven by an external actor. Although quality in this segment is also to some extent producer-determined (quality specifications do not follow a register provided by retailers, but are the result of tradition and/or innovation in wineries), it is an open secret that producers (often through the enrolment of specialist consultants) increasingly try to shadow the new aesthetics of wine that Parker and others have promoted.

In mid-range wines, even though domestic conventions are the principal instruments of quality evaluation, a reliance on branding would in theory make it easier to communicate quality information along the value chain (and in end-markets through advertising). However, there is no clear driver in this strand of the GVC: branded wine producers have not yet achieved a dominant position, and wine critics, wine marketers and retailers still have influence on its governance. There is no clear locus from where explicit functional divisions of labour are imposed either. Retailers and branded wine marketers (and producer/marketers) are mutually dependent – the first need successful brands to sell; the latter need a retail outlet, a contact with the consumer; both need to pay attention to wine critics' judgments.

In basic wines the industrial/market nature of dominant quality conventions makes it much easier for lead firms (retailers in this case) to specify quality information requirements and to transmit these to their first-tier suppliers and beyond. The GVC in this strand is highly driven by retailers, which also set all elements of a quality profile.

Wine quality, supply relations and value chain governance in South Africa

The wine industry is an important contributor to the economy of the western Cape region of South Africa. Perhaps even more important than its direct economic impact on employment and foreign exchange generation is the unique position of wine (and to some extent wine tourism) in generating images of South Africa abroad. It is therefore surprising that this industry has been the subject of a relatively limited academic literature. Much of this literature has been generated by sociologists and a few geographers examining how the restructuring of the wine and fruit industries has impacted on labour practices at the farm level (Ewert and Hamman 1999; du Toit and Ewert 2002; Barrientos and Kritzinger 2004; Kritzinger *et al.* 2004; Ewert and du Toit 2005). A sub-component of this literature explicitly examines the impact of ethical trade initiatives and other 'empowerment' processes on both the actual conditions of labour on the farms and the space for manoeuvre for more radical policy options (du Toit 2002; McEwan and Bek 2006; Bek *et al.* 2007). Others have tackled the process of 'Black economic empowerment' in the wine industry and its actual and potential impact on the industry as a whole, and not only at the farm level (Williams 2005; du Toit *et al.* 2007). To the author's knowledge there has been no published attempt to examine the political economy of the wine value chain as a whole in South Africa and in connection to the dynamics of wine markets globally. While Shaw (2001) laid out some analytical pointers and provided a basic architecture for such a project, this has not been followed up (with the partial exception of Vink *et al.* 2004).

In the rest of this section, I examine in brief how quality conventions that characterise the GVC for wine ending in the UK are translated into specific wine and grape supply practices and functional divisions of labour in South Africa, and what quality conventions underpin such practices.[6] In simplified terms, wine and grape procurement in South Africa can be described as following four-layer model: (1) own-wine production and grape procurement (both hands-on and hands-off); (2) procurement of ready-made wine with a hands-on management model; (3) procurement of ready-made wine with a hands-off management model; and (4) the spot wine market.

Different kinds of actors in South Africa engage in procuring grapes and wine in different ways. Small wineries tend to stick to own-grape growing and winemaking. However, even they are increasingly engaged in buying and/or selling grapes from/to others to match the quality profiles of the portfolio of wines they want to offer. Producer–wholesalers and marketers are striving to move away from own grape growing and in some cases even winemaking. Large producer co-operatives do not have such an option and are increasingly holding stock (and facing higher risks) on behalf of others in the value chain.

FIGURE 2 ABOUT HERE

Figure 2 is a simplified representation of the mix of procurement systems that wine marketers, producer–wholesalers and private cellars operate as they move down the quality pyramid (see Ponte 2007 for more details). The divisions in the pyramid are not as clear-cut as the graphic representation suggests – overlaps and a combination of other systems also apply. Large operators in South Africa handling wines in all quality ranges operate not just one model, but an overlap of different procurement systems. At the same time, across the quality range, they are generally striving to move away from systems sitting at the top of the pyramid and towards those sitting at the bottom, as is explained below. The modalities chosen and the general movement from one to another are often the result of demands that are placed on South African operators by their buyers upstream – definitively in the basic quality bracket, but also partly in mid-range and top quality wines.

Supply systems and quality conventions for the production of top quality wine

To deliver top quality wine, winemakers source the grapes they need either internally in the same company or from trusted grape farmers rather than blending ready-made wine. In this quality bracket good scores from wine critics are becoming important to signal quality to consumers. This has led many top winemakers in South Africa to adopt new cellar techniques to suit particular wine styles that are preferred by influential critics (although other winemakers still stick to more traditional ways of doing things). In the 1990s, in the first years after the end of *apartheid*, such techniques and knowledge were mainly acquired either from foreign consultant winemakers or through extended visits in other winemaking countries. More recently they have become part of the local knowledge base provided by public or private service providers to the wine industry.

But winemaking itself will not be able to deliver a critic-friendly wine profile unless the grapes delivered at the cellar are of the right quality. This means that winemakers need to translate specific wine aesthetics (say, Robert Parker's predilection for ripe, full colour and high-alcohol wines) into particular grape characteristics and foster the adoption of specific viticultural management techniques in the grape farms. As a result, grape growers need to tap into new expertise provided by consultant viticulturists (or train their own viticulturists to particular vineyard management systems). In this framework of close co-operation the winery and grape growers often agree on specific practices and fine-tune them during the year (such as timing and type of desuckering and pruning; if a new vineyard is established, agreements will be made on the density, position and aspect of new plantings). At harvest grapes will be accepted at the winery only when they have reached the exact degree of ripeness required by the winemaker. Such demanding interactions require a high level of engagement between wineries, viticulturist and grape growers, with vertical integration being the extreme end of such engagement.

In this kind of environment, the sourcing agreements between grape growers and buyers/users of grapes are clearly underpinned by a *domestic* quality convention (see Figure 2). Quality is 'discovered' though close engagement and proximity or with repeated personal interaction between the grape farmer, the viticulturist and the winemaker. When terroir comes into play as an important quality trait in consumer markets, local supply agreements are also based on either vertical integration (grapes are sourced from the same property that makes the wine) or very close supervision of grape growers. Therefore, we can argue that quality demands based on opinion and domestic conventions in consumer countries are translated in South Africa in supply systems underpinned mainly by domestic conventions and instruments of verification (see Figure 2).

Supply systems and quality conventions for the production of medium quality wine

Moving down the quality bracket to mid-range wines, it can be seen that some of the practices and interactions between winemakers, viticulturists and grape farmers become more codified and standardised. In mid-range wines, both grapes and ready-made wine are sourced for winemaking and blending. Grape growers that set aside blocks for the production of medium quality wine (they are usually booked by the buyer) will still occasionally consult a viticulturist for their management, but they are unlikely to try to fine-tune vineyard management throughout the year with their buyers.

In mid-range wines made from these grapes, where (more generic) geographical indications, brands and grape varieties are important in consuming countries, it is essential that year after year consistency is achieved. This implies that the same viticultural practice is carried out, rather than the best practice given a particular wine profile, and that the right grape variety is available in the right quantities. This entails a more hands-off relation between grape growers and wineries and an industrial type of quality convention, based on a more formulaic management system – including indicators of maximum yield per hectare, for example, and more dependency on ex post objective measurement of grape quality, rather than ex ante co-management. But even when engagement by the buyer becomes less hands-on, domestic elements of trust and engagement remain (for example, the winemaker will make several visits to grape farms close to harvest time). Thus, as shown in Figure 2, this combination of grape procurement is said to be underpinned by a compromise between industrial and domestic quality conventions.

If the wine marketer, producer–wholesaler or private cellar uses ready-made wine for blending and further cellaring (rather than using their own grapes or buying in grapes for winemaking), hands-on procurement systems will usually be applied for mid-range quality wine. This means that, at the beginning of the season, the wine buyer (a marketer or producer–wholesaler) books a tank from the private cellar or co-operative that will make the wine. The buyer provides detailed specifications on variety, style, wooding regime and bio-chemical profile, and the buyer's winemaker is involved in the vinification process and/or blending. Some level of engagement is also carried out on the farms where the grapes will be sourced from to make that particular wine (which entails at the very least block identification and some general routine of viticultural management). But the level of hands-on engagement is not as close as it is in the case of grape-buying in general. Although elements of a domestic convention remain in wine sourcing, other quality parameters are set through industrial-type measurement devices and procedural systems (thus, Figure 2 shows a domestic/industrial convention for wine purchasing).

When social and environmental concerns are at play in consumer markets, these are often translated into certification and auditing procedures at the production level (both for grapes and wine). As a result, growers and wineries have to modify their operations, but these changes are rarely the result of their own initiative (with the main exception of fair trade wine, of which the certification process and content actually originated in South Africa; see Kruger and du Toit 2007). They are responses to demands placed on them in consumer markets. The conventions underpinning the supply solution to these quality aspects in South Africa are based on objective (or at least codified and formalised) measurements and procedures. Thus, they are more akin to an industrial convention rather than resting on civic concerns *per se*. This is why civic conventions do not appear in Figure 2 as key quality conventions that underpin supply systems in South Africa for mid-range quality wine.

Supply systems and quality conventions for the production of basic wines

For basic wines marketers, producer–wholesalers and private cellars tend to buy and blend ready-made wine, usually from co-operatives and ex-co-operatives, on the basis of a sample of ready-made wine without too much input (in a hands-off manner), especially once a commercial relation has been established for a few years. The requested wine needs to be ‘-clean and drinkable and match a generic style. Consistency of quality year after year is still as important as for medium-range wines, but even more important is that within the same season all bottlings are homogeneous. Guaranteeing a minimum volume is absolutely necessary.

Price plays a key role in signalling quality in consumer markets for basic wines, which means that all sorts of devices are used at the level of supply to cut down on costs and optimise processes. The rules of engagement are clear and simple for suppliers. For these wines, the marketer or producer–wholesaler provides the wine cellar with a generic recipe (itself often negotiated between the marketer and the retailers’ wine buyer in the importing country, together with a full breakdown of costs along the chain) and only limited input in the winemaking process. Volumes will be drawn by the marketer or producer–wholesaler as needed within a 6–7 month period (and bottling will be done at the very last minute). In contrast, in the past marketers purchased wines from wine cellars as soon as possible to establish control over the wine. They made one blend for the whole year just after harvest. Currently, they need to keep the wine at the cellar as long as possible. Smaller batches are blended and with more precise specifications. Quality management in procurement in this case is based on elements of an industrial convention, but trust and personal relations still play a role between seller and buyer to ensure minimum volumes and timely delivery (thus, Figure 2 indicates an industrial/domestic convention). Finally, some large producer–wholesalers and marketers also procure wine through spot-buying. In this case the buyer visits the cellar, tastes wines from selected tanks and decides whether or not to buy. Quality management in procurement is carried out through a mechanism that is close to a market convention.

In conclusion, in the case of basic wines, market and industrial conventions that apply in consumer markets are translated themselves into largely industrial and market conventions regulating supply systems, with residual domestic conventions due to the importance of guaranteeing volumes in a country that has only few large producers and limited scope for expansion of viticultural land.

Governance

The South African segment of the value chain is characterised by producer–wholesalers and marketers as the main lead firms, although their power over other actors in the country is limited by their own need to deliver volume and homogeneous quality to their importers. At the same time they are rationalising their supply base, shadowing what retailers are themselves doing in the UK. They occupy a key position in South Africa because they translate quality conventions that apply in consumer markets for different levels of quality into actual sourcing practices, themselves underpinned by specific quality conventions and instruments of verification. For top quality wines they rely on mainly domestic quality conventions to source the best grapes and wine. For mid-range wines they have devised more industrial-type conventions based on codified and routinised tools, combined with some level of repetitive interaction and hands-on engagement (and domestic quality conventions). As they move down to basic quality wines, they have increasingly been able to provide simple, ready-made recipes and clear parameters to their suppliers, based on industrial and market conventions of quality.

In terms of governance marketers and producer–wholesalers are reshaping the functional division of labour in the wine value chain in South Africa by

- generally trying to move away from grape growing towards buying-in grapes with hands-on management
- trying to divest from winemaking as well, or to move from hands-on to hands-off management
- partially integrating some downstream functions in logistics, inventory management and replenishment through joint ventures with importing country agents.

In this reconfiguration of the functional division of labour, inventory and risk are pushed upstream (in terms of volume and time) all the way to producer co-operatives and other large cellars and to grape growers.

Conclusion: governing through quality

In this article convention theory provided an entry point to the theoretical discussion of 'governance as normalisation' in GVC analysis. Three different quality strands of the wine value chain ending in the UK were examined. The three strands showed different degrees of drivenness and mechanisms of governance, underpinned by specific quality conventions and instruments of verification in consumer markets. These translate in specific configurations of supply relations at the production level, themselves based on other, more localised, quality conventions. The article highlighted disjunctures and fragmentations in GVC governance and conflictual and unresolved definitions and applications of 'quality'. Yet, a number of general traits can still be observed and theorised upon.

The wine value chain is highly driven only in its basic quality strand, where industrial and market conventions underpin its governance. Here, the value chain is characterised by supply relations at the production level (in this case, South Africa) that offer little flexibility, low margins and demanding volumes and logistics. Wine value chain strands that are governed through other quality conventions, especially territorial-based domestic conventions (such as geographical origin and terroir) and inspiration conventions tend to be less driven because such conventions are less portable and thus more difficult to be operated at a distance by one group of lead firms. In such situations, producers have more flexibility/control over production processes and also enjoy better returns. Where opinion conventions play an important role (such as in top quality wine), an intermediate degree of driving (by an external actor, such as a wine critic, judge or publication) is exhibited, due to the easier portability of such a convention. These value chain strands can offer substantial rewards to producers but also operate in an environment of high risk (a bad score from Parker can ruin a cellar).

These observations show that while the discussion of governance in global value chains remains important, it is equally important to examine how driving mechanisms are underpinned by specific quality conventions and instruments of verification and how they are transmitted and translated upstream (or downstream) in the value chain from where lead firms are functionally situated. It is also essential to undo chains into strands and possibly compare similar quality strands in different chains.

The analysis of quality conventions helps clarifying the extent to which drivenness can be exercised in value chains (in wine, lead firms are able to drive the value chain only when portable conventions are dominant, such as in the basic quality strand). Quality conventions can also clarify how and why the same players apply different driving mechanisms when they operate in different strands of value chains, and how and when lead firms are able to drive a value chain (or a segment of it) with limited or no hands-on involvement beyond their immediate suppliers. Finally, the analysis of quality conventions can help delineate how lead firms do not govern chains solely on the basis of buyer power, market share, and/or economies of scale or scope, but also through normative work.

Methodological appendix

This article is based on material gathered through fieldwork carried out in South Africa from June to November 2005, plus a continuous survey of trade and consumer-oriented wine magazines from January 2005 to October 2008. Part of the fieldwork in South Africa consisted of 99 interviews with 74 entities that are directly or indirectly involved in the production of grapes and wine, and their processing and marketing, and/or related inputs and services. In terms of direct players, the main focus of fieldwork was at the marketing/exporting level and, to some extent, at the cellar level. All nine producers–wholesalers and marketers/exporters that sell more (or around) 1 million cases of wine per year were interviewed, plus five smaller ones (selling between 120,000 and 800,000 cases each). The 14 entities interviewed account for marketing almost 280 million litres of wine, or 44 per cent of the 2005 production of wine. In the category of private cellars, given the large number of cellars in operation, the aim was to cover a small number of medium-scale cellars (four producing between 100,000 and 250,000 cases each) and of small-scale cellars or estates (ten producing between 4,000 and 90,000 cases each). In addition to this, 20 per cent of existing co-operatives and ex-co-operatives were interviewed (12 in all). The co-operatives covered in the study account for a production of around 180 million litres of wine, almost one-third of total production of wine in South Africa in 2005. In relation to grape growers, given the limited resources available, only a small group (10) was interviewed to provide a general idea of how contractual relations, quality assessment and agronomic practices were changing. All three categories of growers were covered (in addition to private cellars who have their own vineyards): independent grape growers (without cellar facilities), growers that are part of a co-operative and growers that are shareholders in an ex-co-operative. Finally, interviews were carried out with retail chains (three of the top four retailers in South Africa), wine writers and judges, providers of services to the industry and government entities that regulate the production, trade and retailing of wine. The UK segment of the value chain for wine was examined on the basis of interviews with agents based in South Africa that deal directly with the UK wine market and through the analysis of wine trade publications (*Harpers, EuroWine, The Drinks Business, Impact International, The Australian & New Zealand Grapegrower & Winemaker, Drinks International, Wineland, Wine Business Monthly, Grape,* and *Wine and Spirit International)* and consumer-oriented wine magazines *(Wine* [South Africa], *Wine Spectator* and *Decanter).* All information presented in this article, unless otherwise stated, derives from the primary material gathered through interviews. The identity of companies and individuals has been withdrawn to comply with the statement of confidentiality that was offered to interviewees.

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[1] Convention theory is also known as the economics of conventions. The term 'convention theory' is used in this article to avoid confusion with game theoretical approaches (also referred to as 'economics of conventions' in France) that focus on conventions as outcomes of strategic interaction motivated by personal interest. What is meant by 'convention theory' here is thus the interpretive and normative approach to conventions (see Batifoulier and de Larquier 2001).

[2] The term 'convention' is used here to also cover the convention theory meaning of 'co-ordination'. This is to avoid confusion with the GVC meaning of 'co-ordination'.

[3] An exception to this trend is work by Storper and Salais (1997) that builds upon the original Boltanski and Thévenot framework and focuses on forms of industrial organisation.

[4] Segments are large vertical chunks of GVCs, for example, the part of the value chain from the point of production to export, or from import to retail.

[5] Strands are specific (and parallel) typologies of GVCs in which governance may differ from the mainstream GVC under consideration (or from other strands, if there is no clear mainstream). Governance of specific strands still refers to 'whole length' GVCs, unless combined with segments. Strands may differ because of different product characteristics (e.g., specialty coffee); a different institutional configuration (e.g., the presence of an auction that cuts the GVC); or a different end-market/origin of production (e.g., clothes retailed in Europe or in the USA; bananas grown in Latin America).

[6] Due to space limitations only the export-oriented segment of the South African wine value chain can be examined here. The domestic market represents around 50 per cent of the total value of wine sales (for more details, see Ponte and Ewert 2007).