The Role of Umbrella Brands for SMEs' International Market Entry: The Case of "Cellars of Canterbury"

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Abstract

Small and medium-sized enterprises (SMEs) face numerous challenges to successfully enter international markets (Jarrillo, 1986; Zacharakis, 1987). In this paper, we analyze the strategic role of umbrella branding as an entry mode by extending the traditional definition of a firm umbrella brand (Warnerfelt, 1988), by building upon the stage model of international brand development (Cheng et al., 2005) and by comparing the structure of a strategic alliance under an umbrella brand with the prototypical structure of a "New Generation Cooperative" (NGC) (Gall and Schroeder, 2006). As this represents the first exploration of this alternative strategic mode of entry, we follow a "grounded theory" approach for analyzing the instrumental case of "Cellars of Canterbury", a New Zealand-based wine marketing cooperative created during the 1990s, which provides support to our emergent theory. Longitudinal data have been collected from a series of yearly interviews to entrepreneurs and key stakeholders, as well as from wine industry reports, from 1993 to 2008.

Keywords: Umbrella Brand, International Branding, Strategic Alliance, Cooperative.

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1. Introduction

Most small and medium-sized (SMEs) have limited capacity to internationalize due to strict resource constraint (Jarillo, 1986; Zacharakis, 1997). When they can do so, it is often via sporadic exports that do not provide them the opportunity to establish or grow a foreign market presence (Leonidou and Katsikeas, 1996). A viable option to overcome these international market entry constraints is to establish a strategic alliance, which can be either vertical, such as long-term contracts or equity-based alliances with buyers (Peterson, Wysocki and Harsh, 2001), with or horizontal, such as cooperatives (Gall and Schroeder, 2006; Beverland, 2007). Strategic alliances can provide SME's access to necessary key resources to successfully enter, develop and compete in the international market (Barney, 1991; Erramilli and Rao, 1993) and they reduce the inherent market entry risks associated with a new business environment. However, they limit the SME's market control (Anderson and Gatignon, 1986) and can ex-post impose high alliance costs if the partners' strategic intents diverge, or if a larger or more experienced partner acquires them.

In this study, we explore how a group of local SMEs can collaboratively form a horizontal strategic alliance to enter and expand into international markets under an umbrella brand, while ensuring to keep their own brand independence in the long run. Our analysis reveals that, under an umbrella brand, a SME can successfully establish a strategic alliance with local partners to obtain and develop its own resources to compete in a foreign market and to transfer the reputation vis-à-vis its international buyers from the umbrella brand to its own individual brand. Then, in a long run perspective, the umbrella brand can be a temporary tool enhancing the opportunities of a SME's to enter and expand in the global market.

Given the exploratory and instrumental nature of this research topic, we adopted a "grounded theory" approach as method for this study (Glaser and Strauss, 1967; Strauss and Corbin, 1994; Dey, 1999). The case of "Cellars of Canterbury", a New Zealand-based international wine marketing and distribution co-operative, provides an instrumental empirical case to support the development of an emergent theory. The resulting analysis draws upon a series of yearly interviews that we have conducted with all of the key partners and channel members over the past fifteen years. Primary longitudinal data have been integrated by secondary data on the New Zealand wine industry and cross-compared with other case studies presented in the literature (Gall and Schroeder, 2006; Beverland, 2007).

The conceptual framework that we develop is built upon three theories established across the fields of agricultural economics, marketing and strategic management. First, we introduce the use of the concept of "inter-firm umbrella brand" as a marketing tool for a horizontal multi-firm alliance competing collectively in the global arena, extending upon the original concept of umbrella branding elaborated by Wernerfelt (1988). Second, we propose an alternative international brand development stage model than that proposed by Cheng et al. (2005), by suggesting that a collective umbrella brand provides entrepreneurs a new viable international market entry option to build their own international brand in the long run. Finally, we juxtapose the organizational structure of a strategic alliance build under an umbrella brand, such as “Cellars of Canterbury”, against the structure of New Generation Cooperatives (NGCs) synthesized by Gall and Schroeder (2006).

The rest of this paper is developed as follows. We introduce our methods and data in section 2, while in section 3 we present the relevant literature on umbrella brand, international market entry modes and branding strategies of agri-food SMEs’ branding strategies. In section 4, we propose our conceptual framework that aims at building upon the literature cited. The instrumental case of “Cellars of Canterbury” providing evidence to our conceptual framework is synthesized in section 5, while in section 6 we draw our conclusions.

2. Methods and Data

Recognizing that this is exploratory research into a field where there is no current theory, we undertook a “grounded theory” approach to analyze and to establish the conditions enhancing the strategic role of umbrella brands for a successful SME’s entry into the international market. “Grounded theory” is a general methodology that emphases an inductive research process focused toward theory development as opposed to deductively theory testing (Glaser and Strauss, 1967; Strauss and Corbin, 1994; Dey, 1999).

The “grounded theory” is recognized as the appropriate method to analyze and evaluate complex dynamic issues at the organization and inter-organization level where limited data points or cases are available (Stake, 1995; Westgren and Zering, 1998). “Grounded theory" provides research an inductive process of thinking about and conceptualizing data into a theory which evolves through a continuous interplay between analysis and data collection during actual research (Strauss and Corbin, 1994). Initially data collection is liable to be somewhat unfocused and often unstructured, but as the inquiry proceeds the data collection and analysis becomes more selective and focused on particular topics (Dey, 1999). During the process, the researcher must think conceptually and constantly analyze the relationships between their data (Dey, 1999). There is an insistence among grounded theorists that it is interpretive work and that the interpretations must include the perspectives of those studied (Strauss and Corbin, 1994). Such interpretations are sought for understanding the actions of those being studied, however, those who use grounded theory procedures accept responsibility for interpreting what is observed, heard, or read, and not merely voicing the viewpoint of those studied (Strauss and Corbin, 1994).

The "Cellars of Canterbury", a New Zealand-based international wine marketing and distribution co-operative, provided the instrumental case for this research (Stake, 1995; Westgren and Zering, 1998). The resulting analysis draws upon a series of yearly interviews that the researchers have conducted with all of the key partners and channel members over the past ten years. The initial interviews were conducted in an unstructured manner to gain a broad understanding of the case without imposing any preconceptions, but gained further focus as successive interviews were undertaken and an understanding of the firm was gained. At present, "Cellars of Canterbury" is the only case that the authors know of where SMEs have followed this umbrella branding strategy.

The case of "Cellars of Canterbury" has been already used in the literature as instrumental case to build different emergent theories. In particular, this case has been studied for its flexible supply chain architecture enhancing market responsiveness in a highly volatile environment (Gow and Oliver, 2002; Gow et al. 2002) and for the role of public-private partnerships on the formation of evolutionary SMEs' alliances (Dentoni and Gow, 2008). Furthermore, the vertical coordination strategy of a member of "Cellars of Canterbury" after the termination of the alliance has been analyzed (Tipples, 2008).

Secondary data sources were used to gain an insight into the context of the New Zealand wine industry and the overall world wine industry environment. An extensive search of the relevant literature was undertaken to evaluate what was already known against what was being observed, and synthesize existing research streams to develop a conceptual grounded theory framework to address the research objectives. In particular, we cross compare the individual strategies of the five members of "Cellars of Canterbury", and we cross compare the structure of the alliance under the umbrella brand with the structure of NGCs described in the literature (see Figure 1)

Insert Figure 1 – see Appendix

3. Literature Review

3.1. Umbrella Brands and "Place Umbrella Brands"

Umbrella brands are traditionally considered as "bonds for quality" in the economics and marketing literature (Wernerfelt, 1988; Montgomery and Warnerfelt, 1992). Through an umbrella brand, a seller can extend the reputation of its brand name associated to an established product to a new experience good. By doing that, the seller can signal higher quality to the buyer (Wernerfelt, 1988) and/or reduce buyer's perceived risk

(Montgomery and Warnerfelt, 1992). Moreover, through an umbrella brand, a seller can develop the equity of both the parent brand and the brand extension (Aaker and Keller, 1990), as well as obtain economies of scope in advertising and promotion activities (Erdem and Sun, 2002; Balachander and Ghose, 2003).

Within this strand of literature, the concept of umbrella brand has been always limited to the context of an individual firm, where the firm seeks to leverage equity between a parent brand and a brand extension.

Only recently has umbrella branding been used in the context of a geographic region, where the actors within the region seek to leverage equity among their own individual brands and the geographic region brand, or place brand (Iversem and Hem, 2008).

Within this context, the term “place umbrella branding” has been used to describe the activity of the actors of a region of developing such an umbrella brand. However, to describe this phenomenon, the term “place branding” has been far more used than “place umbrella branding” (Anholt, 1998; Cai, 2002; Kavaratzis and Ashworth, 2005; Kotler and Keller, 2005). These authors argue that marketers can use “place brands” to replicate the strategic purpose and role of umbrella brands. But there is one critical limitation that they have not been able to overcome: the ownership of the place brand equity is not clearly defined. Thus, place branding strategies based on a traditional umbrella branding strategy have had limited success, as there is no uniquely defined residual ownership of the place brand and the individual brands (Gnoth, 1998; Pritchard and Morgan, 1998; Kavaratzis and Ashworth, 2005). This has resulted in severe incentive misalignment.

The literature has so far not explored the use of umbrella brands in a small, closed-membership inter-firm organizational context, where brand equity ownership is clearly defined. In such an inter-firm context, firms can leverage their own brands with the umbrella brand without incurring in the transaction costs and incentive misalignments associated with the unclear definition of individual and collective property rights (Coase, 1960; Williamson, 1985). In this study, we contribute to the literature by providing an exploratory analysis of how an inter-firm organization can successfully use an umbrella branding strategy to develop both the inter-firm brand equity and the individual members' brand equity.

3.2. The Role of Strategic Alliance for SMEs' International Market Entry

Recent research indicates that SMEs can rapidly enter and expand into the international marketplace from a young age through leveraging strategic alliances (Welch and Luostarinen, 1988; Oviatt and McDougall, 1994; Knight and Cavusgil, 1996) without necessarily having to follow the traditional intermediate stages (Johansson and Valhne, 1977). As conceptualized in the resource-based view approach (e.g., Barney, 1991; Erramilli and Rao, 1993), a SME can have a rapid success by leveraging its strategic alliance's partners to access and develop key resources to compete in the new market (Larson, 1992; Oviatt and McDougall, 1994; Coviello and Munro, 1997). From a transaction cost approach standpoint (Williamson, 1985), SMEs can leverage strategic alliances to reduce the inherent risks of new market entry, but concurrently they also incur in increased costs and risks giving up partial or full control over their product, market or organization (Anderson and Gatignon, 1986).

To successfully enter and establish an international market presence and protect themselves from opportunistic behavior of their partners, a SME has the option of establishing its own brand in the new foreign market (Gabrielsson, 2005; Yeniyurt et al., 2007). In general, developing an international brand means building “equity which appeals to overseas target customers’ positive attitudes about the brand” (Dictionary of Marketing Terms, 1995). The development of brand equity is recognized to be a key indicator of firm performance (Hult et al., 2008). A firm that develops its brand within the foreign market that is entering protects itself from the risk of potential new competitors and the rise of grey markets (Yeniyurt et al., 2007), but this process can be extremely costly.

There is evidence that SMEs can build their own brand equity in a new foreign market through strategic alliances with indigenous or large foreign firms (Cheng et al., 2005). But this is rare and only occurs when the SME maintains the visible independence of its own brand within the strategic alliance (Cheng et al., 2005).

The literature has also explored how a SME can use dyadic alliances, either vertical or horizontal, with a larger or more experienced partner to enter international markets (Larson, 1992; Coviello and Munro, 1997; Cheng et al., 2005). This entry mode can be risky for SMEs, as the larger and more experienced partners have the potential to acquire full control over the alliance with very few controls available to the SME.

Although there is a large and growing literature on the role of strategic alliances with host country and larger partners as an international market entry strategy for SMEs, either with or without their brand (Oviatt and McDougall, 1994; Coviello and Munro, 1997; Cheng et al., 2005), there is no literature on the strategic role of alliances between equally sized local partners vertically collaborating to enter international markets. We find that this option has not been explored in the literature, although the importance of multiple-firm alliances for SMEs to acquire and develop key resources is well-known (Kanter, 1987; Oviatt and McDougall, 1994).

In this study, we start filling this gap by exploring how a SME can enter a foreign market and develop its own brand over time by initially creating a horizontal strategic alliance with multiple partners under a common umbrella brand.

3.3. Branding Strategies of Agricultural Producer Cooperatives

In the agribusiness literature, there are numerous cases of horizontal strategic alliances among SMEs, more broadly defined as cooperatives (Gall and Schroeder, 2006), that have been able to build their own brand (Haller, 1992; Beverland, 2001; Beverland, 2007). In many cases, especially in Europe, the brands have been created and governed by a public agency, under legal status, whose goal is to support the commercialization of a local product and to set a minimum standard of quality, as in the cases of "Parma Ham" (O'Reilly et al., 2003), "Chianti Classico" wine (Malorgio and Grazia, 2007) or "California Milk" (Grossman, 1997), whereas the producer cooperative manages the branded business. However, these examples are more often called appellations or designations of origin (Barham, 2003) in the literature. In other cases, the cooperative has privately realized the entire process of brand creation and management, such as in the case of "Zespri" kiwi (Beverland, 2001) or in the case of US cottage cheese cooperatives (Haller, 1992).

Based on the evidence of New Zealand cooperatives such as "Zespri" kiwi, "Merino NZ" wool, "Fonterra" cheese and "Sealord" seafood, Beverland (2007) recently provided evidence that, because of their organizational structure (Cook and Iliopoulos, 1999; Gall and Schroeder, 2006), New Generation Cooperatives (NGCs) are likely to be more successful than traditional cooperatives in creating and sustaining brands over time. This is because traditional cooperatives, differently from NGCs, are characterized by property rights that are poorly defined and so they incur in “losses in efficiency because the decision-maker no longer bears the full impact of his or her choices” (Cook and Iliopoulos, 1999). The New Zealand-based NZGIB venison marketing cooperative provided empirical evidence of the difficulty of branding successfully in a foreign market associated to the organizational structure of a traditional cooperative (Beverland, 2007).

However, NGCs and traditional cooperatives usually do not have an organizational structure that is able to concurrently enhance both the collective brand and the independent brands of the individual members. In many cases, the cooperative is entirely in charge of distributing and marketing the products of the individual members, and individual brands do not exist (e.g., Haller, 1992). In other cases, such as “Merino NZ” wool co-operative (e.g., Beverland, 2007), individual brands co-exist with the collective brand but they are not independent from it. That is, members can commercialize their products also individually but they have to show the “Merino NZ” brand together with the individual brand (Beverland, 2007).

In this study, we explore what organizational structure can instead enhance independence between a collective brand and the individual members’ brands, while allowing for equity transfer among the two.

4. The Conceptual Framework

4.1. Inter-Firm Umbrella Brands

We define an “inter-firm umbrella brand” as a collective brand - owned, managed and governed by the members of a horizontal multi-firm alliance - that can transfer equity to the individual members’ brands, which co-exist under the umbrella brand and maintain their individual independent brand identities and ownership.

First, collectively owned and managed umbrella brands differ from single firm umbrella brands (Wernerfelt, 1988) in that they can transfer brand equity from the umbrella brand to each of the separate but aligned individually owned member brands. This transfer can be both negative and positive. Hence, it is important under a collective inter-firm umbrella brand that appropriate controls and governance structures are implemented. This is different from single firm umbrella brands that are owned and managed by a single unique actor, hence it is easy to align strategic direction and incentives.

Second, inter-firm umbrella brands differ from “place brands” (Anholt, 1998; Iversem and Hem, 2008), as they involve an inter-firm organization with a clearly defined property rights (ownership, control and governance) over the brand. Whereas place brands are usually constrained by poorly defined property rights and hence underperform due to internal conflicts and incentive misalignments.

Finally, inter-firm umbrella brands differ from the brands of cooperatives, both traditional and NGCs (Haller, 1992; Gall and Schroeder, 2006; Beverland, 2007), as their organizational structure allows the individual brands to co-exist with while remaining independent from the collective inter-firm umbrella brand. Traditional cooperatives usually do not allow the co-existence of individual members’ brands (Haller, 1992;

Beverland, 2007) and NGCs usually do not allow the individual members to pursue their own branding strategies independently from the collective brand.

These three important differences uniquely define the concept of an inter-firm umbrella brand and show that it is distinct from these other alternatives.

4.2. Inter-Firm Umbrella Branding and SMEs' International Market Entry

To describe how a SME can use an inter-firm umbrella branding strategy to enter the international market entry and develop its own global brand, we propose a three-stage model (see Figure 2), adapted from the four-stage model of international brand development proposed by Chang et al. (2005).

STAGE 1

The SME generally has a domestic market focus but may sporadically entry the international market via spot market exports. In the domestic market, their strategic position may be either expansive or defensive, depending on the nature of domestic competition. At this stage, the SME may recognize that the domestic market presents a threat to their growth or survival or that the international market - either a specific foreign country or the global market in general – offers appealing new market opportunities for their product or service.

The problem is that SMEs often lack the necessary bundle of resources to successfully access the international market. This lack of resources includes:

- the international experience and knowledge to profitably deal with international buyers or market agents effectively,

- sufficient product volume, quality, or certification and controls to meet market requirements, and
- the capital resources required to finance their expansion and upgrading their production facilities to meet international market requirements.

As a result of these constraints, a SME has three options: 1) wait until they acquire the necessary resources required to take their brand to the international markets, which may take a long time; 2) ally with a larger partner who has the necessary resources but risk being consumed in the process; or 3) consider collaborating with other SMEs that have complementary resources and a similar strategic intent to enter the international market together. Options 1 and 2 have been extensively discussed in the literature, hence we on Option 3. The third option may be difficult to achieve due to insufficient social ties among local partners. The inter-firm umbrella brand requires the establishment of collaborative organization to support it. This is not a trivial process, especially between SMEs who do not know each other. Appropriately designed government SME programs can provide support this process through an independent facilitator, or broker (Dentoni and Gow, 2008) that can assist the SME's creating and establishing a viable organizational structure.

STAGE 2

The SME enters the international market under a horizontal strategic alliance together with local partners. The entry process can be enhanced by a partner that has the international experience and skills to approach buyers, or by pooling financial resource to hire a marketing agent. By leveraging and pooling resources, the SMEs' alliance can both obtain the necessary resources to satisfy the request of international buyers, such that the alliance can realize a sharp and rapid increase of its export sales. At the same time, the SMEs' alliance can build its international brand equity by creating its reputation of good supplier vis-à-vis buyers and, if possible, by creating a suitable brand image vis-à-vis final consumers.

However, at this stage of a rapid collective expansion in the international market, a divergence among the strategic intent of the alliance's partners might emerge: some of them may want to keep expanding in the international market; others may want to defend in the international market and rather grow domestically, while others may be willing to re-focus in their domestic market and outsourcing their partners.

Insert Figure 2 – See Appendix

In this situation, a SME with a vision of expanding or establishing their own international market presence can develop its own individual brand and marketing concurrently with the inter-firm umbrella brand, leveraging its reputation (Wernerfelt, 1988) and spillovers in advertising and promotion (Erdem and Sun, 2002; Balachander and Ghose, 2003). For this to be effective, the SME has to re-invest its revenues from exports sales in building the individual firm and brand resources necessary to satisfy buyers' demand autonomously. At the same time, the SMEs' alliance has to clearly and transparently the "rules of the game" governing how the partners collectively and individually engage in new market opportunities, the exit and entry of partners as their individual and collective strategic intent changes, as well as the possible termination of the alliance. In this way, the risks of organizational shocks related to exiting, entering and terminating the alliance can be foreseen and minimized.

STAGE 3

Finally, once the SME has amassed sufficient resources to act alone, they have the option to leave the strategic alliance if they so wish according to the ex-ante jointly established rules and compete on an individual basis with their own brand in the international market. As long as appropriate rules of the game (including an exit strategy) are established ex-ante, the exit of one or more alliance partners will be a consensual evolutionary process rather than traumatic idiosyncratic shock. Thus, structural changes of the alliance, such as the entry and exit of members, are thereby considered natural adaptive and evolutionary processes of the organization and its membership to new market opportunities and to each entrepreneur's values. If during the alliance's life an individual SME is able to internalize all the necessary resources to compete independently and to transfer sufficient equity from the umbrella brand to its brand, then that SME could substitute out the alliance for its own resources and thus compete independently in the international market. However, if the alliance is still providing sufficient value to the individual SME, they may decide to remain in the alliance, running a dual strategy.

Related to this, if any of the alliance members perceive that they do not have the sufficient internal resources to compete individually yet, they have the option to build further alliances with other partners sharing the same strategic intent or seeking a vertical alliance with international buyers.

4.3. Structure of a Strategic Alliance under the Inter-Firm Umbrella Brand

We juxtapose the organizational structure of a strategic alliance among SMEs under an inter-firm umbrella brand with the structure of NGCs (see Figure 3).

Following the Gall and Schroeder (2006)'s framework, we conduct a comparative institutional analysis between the two structures as it relates to the major strategic alliance theories (transaction costs approach, resource-based view, social networks, trust and cooperation).

Insert Figure 3 – See Appendix

Similarly to NGCs, SMEs' strategic alliances under an umbrella brand have closed membership, involve contractual delivery rights and obligations that are tradable and have a joint capital that is property of the individual members of the alliance. On the other hand, strategic alliances under an umbrella brand have distinctive features that can be summarized in the following five points:

1) Alliance partners under an umbrella brand are aware that they are likely to share a common strategic intent only in the short run. In the long-run, depending on rapidly changing market opportunities and on their own personal values - such as their degree of risk-aversion, their willingness to travel abroad often and their willingness to expand the traditional boundaries of their firm – each member could have strong incentives to leave the alliance. Therefore, from the beginning, partners must ex-ante establish "the rules of the game" for the alliance that ensure appropriate governance and incentives alignment between the alliance partners and prevent the costs and risks that could occur from various idiosyncratic shocks such as a partner's exit from the alliance, or the termination of the alliance.
2) Structural changes within the alliance are regulated by written rules, which include a shared strategy of partners' exit, entry and termination of the alliance. These rules are written at the time the alliance is created. At this stage, the presence of a 3rd party

facilitator, independent from the interests of individual members, would guarantees transparency in the process of writing these written rules (Dentoni and Gow, 2008).

3) Partners invest in a small amount of collective non-separable assets, such as specialized facilities and equipment, as they are aware that the participation to the alliance may be limited to the short-run. On the other hand, partners invest on collective separable assets, such as land, as these are easy to separate once the alliance terminates or once a partner decides to exit the alliance.
4) As partners perform limited joint investment in non-separable assets, they make large use of individual members' capital. Non-separable assets, such as technical facilities and equipment, are usually provided by an individual member that is compensated by a service fee.
5) The individual members' brands co-exist with and are independent from the inter-firm umbrella brand. As the individual brands and the umbrella brand co-exist and can be free associated by the members of their product, an equity transfer from the umbrella brand to the individual brands can happen over time. At the same time, members that have an excess output can commercialize their product with their brand independently from the umbrella brand, even if the same foreign market where the alliance is exporting.

As a result of these particular features, strategic alliances under an umbrella brand are less significantly shaped by transaction cost problems than NGCs. Problems related to asset specificity are moderated by the limited joint investment in specialized non-separable assets. As there is an equity transfer from the umbrella brand to individual members' brands, members have lower incentives of assuming an opportunistic behavior that could damage the reputation of the umbrella brand. We propose that resource-based view theory significantly explain the creation of alliances under an umbrella brand. The primary purpose of joining the alliance is getting leverage and pooling each other members' resources, which can become assets that are scarce and difficult to imitate. Over time, members can internally acquire the resources of the alliance by learning from its partners and by re-investing its export revenue to develop its own resources.

Social networks can be crucial for the creation of an alliance under an umbrella brand (Gulati, 1998), if there is no 3rd party facilitator enhancing the first contact among firms (Dentoni and Gow, 2008). On the other hand, the evolution of the alliance structure is regulated by the rules written at the time the alliance starts, rather than by the social ties among partners. The presence of written rules regulating the decision-making process among members and the structural changes of the alliance also enhances the creation of a climate of trust and cooperation among partners, as each member can have more confident expectations (Rousseau, 1998) on the consequences to its partners' behavior. Finally, as partners set and reach short-run objectives, trust and cooperation can develop according to a "small event" incremental transaction process (Doz, 1996).

5. The Case of "Cellars of Canterbury"

5.1. Stage 1: Domestic Branding Strategy and Occasional Exports

From the mid-1990s, the owners of five small- and medium-sized wineries from the region of Canterbury, New Zealand (NZ), started facing an international market dilemma. They had a vision of entering into the international market and they realized that their opportunities were growing, as the demand for NZ wine was increasing both in US and

Europe. At the same time, domestic competition had heightened in NZ - the number of wineries increased 173% between 1990 and 2000 - while wine consumption had stabilized. The largest outlets for NZ wine are very cost/price oriented and large volumes are required to compete in this market arena. The five entrepreneurs were aware of their risks involved in entering the international market individually, while they had scarce information on the requirements of European and US buyers. On the other hand, each of them was very reluctant of losing his independence to commit in a long-term joint marketing initiative with other producers, even if its partners were from the same geographical area.

In 1996, the opportunity of creating a strategic alliance came when one of these five entrepreneurs learned that the NZ trade development board put a hard business network program in place designed to encourage the formation of alliances among individual enterprises (McNaughton, 2001). The rationale for this Government program was that if businesses were prepared to cooperate they could compete more successfully in the international marketplace. The government funded a short-run scheme to provide the services of a business consultant, with the role of facilitating the formation of the alliance. The entrepreneur's initial strategic intent was to form an alliance among wineries from the same geographical region to share their marketing expenses, in particular the costs of entering the numerous wine and food trade fairs held regularly throughout NZ.

Therefore, the entrepreneur and the newly appointed business consultant approached what they felt were the four most attractive potential business partners in the Canterbury region with this concept. They were all virtual strangers but some of the more high profile and innovative vintners in the Canterbury region. All could see that there were significant and immediate benefits to be realized if they were prepared to cooperate and accepted the invitation to join the alliance. They registered the name “Cellars of Canterbury” as a limited liability company. The initial strategic intent of the alliance was to achieve immediate cost savings by substantially reducing the individual wineries’ marketing costs by jointly marketing their individual brands under a jointly owned distribution brand. Additionally, they also wanted to collectively raise the profile of Canterbury as a wine-producing region and thereby increase the market recognition and value of their individual brands.

The members of “Cellars of Canterbury” established a formalized business structure that provided flexibility and adaptability. The members of the alliance, with the contribution of the business consultant, formalized the agreement by writing a constitution for the newly formed company which specified the guidelines for business conduct and protocols. Most importantly, the formal alliance agreement included explicit provisions for valuing the enterprise should any of the partners decide to exit the alliance. All of this activity took place before any significant capital investment, and therefore few contractual safeguards were required, thus the alliance relationship was established with minimal contractual rigidity (Gow et al., 2002).

In the first two years of their activity, the alliance implemented this marketing strategy almost exclusively in the domestic market, even if all of them realized the increasing international market opportunities and NZ market competition threats. In the domestic market, the firms were able to reduce their costs significantly and rapidly, as they realized economies of scale in advertising and promotion. At the same time, only small export trade relationships were developed in the Pacific Islands. These were not ideal markets and were not the primary focus of the 'Cellars' partners themselves but served as a means to fill the export trade requirement of the government assistance they received and also provided valuable export trading experience for those partners that had not done so previously.

5.2. Stage 2: Inter-Firm Umbrella Branding Strategy and Int. Market Entry

In 1998, the five entrepreneurs decided that was time to enter the UK and US markets. Initially, they implemented the same strategy they had used in the domestic NZ market: they entered the high profile European wine trade shows as "Cellars of Canterbury" under a collective "Cellars of Canterbury" brand and banner, but touted the wines of each of its members on the stand. From there, they decided to advance the Cellars of Canterbury concept a step further and produce a range of wines with the umbrella brand "Cellars of Canterbury". Some of these wines had only the brand "Cellars of Canterbury", while others had a combination of the umbrella brand "Cellars of Canterbury" together with the brand of the individual winery. This allowed them to pool financial resources to hire an international marketing agent, whose task was to seek markets and distribution channels in the UK and US specifically for the umbrella brand.

From the information received by the hired international marketing agent, they soon learn what the primary requirements of the major UK and US buyers were. Primarily, buyers were requiring volume with consistent quality. By pooling their production, however, they could often satisfy the quantity requirement. When they could not, they had the opportunity of outsourcing it from the NZ spot market. By pooling their financial resources, they hired a wine maker that was able to blend wine appropriately. Moreover, almost all the buyers required NZ Sauvignon Blanc as part of a supplier's wine list, as this wine had become highly recognized internationally. Therefore, to expand in these markets, the wineries would have to ensure that Sauvignon Blanc from the area of Marlborough, north to Canterbury, remained a part of their offering. Traditionally they had purchased all of their requirements from Giesens, the largest of the five partners, however Giesens were now becoming constrained attempting to meet their own increasing demand and would soon be unable to meet the growing demand of the group. Contracting for grapes or buying from the spot market was not a satisfactory option from a long-term perspective as they foresaw that the demand for those grapes was going to continue to increase. Therefore, they began to realize that vineyard ownership was a necessary requirement.

When it appeared that this was the direction the joint venture was headed, one of the partners became uncomfortable. The winery he represented did not have the desire nor the financial standing to push the alliance to this next level. Some of the wineries already had smallholdings in Marlborough Sauvignon Blanc vineyards but privately could not afford to extend themselves any further financially. This did not pose a problem since they had a valuation formula in place for exit and entry and alliance partners were not bound by any other contractual rigidity as long as the directors at the biweekly directors meetings agreed. So the alliance was quickly valued, the exiting partner bought out and the search began for a replacement. There were many interested parties waiting to join the alliance given the opportunity, this was a clear indication of the industry reputation that had accumulated to the ‘Cellars’ entity.

As a result these activities, the “Cellars of Canterbury” partners were able to substantially improve product quality, production, management and marketing competencies by sharing the state-of-the-art knowledge among partners, to expand their product and market bases and to create a strong market reputation for Canterbury as a super-premium wine region. The strategy worked, as it provided the partners with a premium volume label to gain an initial market beachhead and establish distributor relationships that could then be used to support the international market entry of their individual super premium labels. Over the next few all of the partners saw double digit growth of both the cellars of Canterbury label as well as their individual labels. Additionally, the intra-alliance trust and reputation had reached the level where they felt that they could manage without the third party enforcement provided by the business consultant. At this point in time they employed an office clerk, took over the administrative duties of the company, and established a private office independent of the individuals' wineries. This ensured that the authority and control in the company remained balanced. Without the use of an umbrella brand, any of the five wineries would have been able to enter and expand into the international market in such a short period of time. As a result of this success under the "Cellars of Canterbury" brand, each winery realized a strong individual and collective growth both in sales and reputation.

5.3. Stage 3: Individual International Branding Strategy

By 2004, the partners all recognized that their individual brands were booming domestically and internationally and there was no longer sufficient excess wine to support to Cellars branded line. Added to that, the Marlborough Sauvignon Blanc vineyards now had a net worth in excess of 5 USD million. But given Cellars of Canterbury's current structure it was too difficult for the partners to individually or collectively access this capital gain for their individual expansion requirements.

Therefore, the “Cellars of Canterbury” partners decided collectively to wind up Cellars of Canterbury ltd and break up the Marlborough Sauvignon Blanc vineyards in to five separate blocks and sell one to each of the individual members. This process ensured that each partner still retained a source of Sauvignon Blanc grapes but also gained access to the much needed capital. At this time, each individual brand had gained sufficient core competencies and international reputation to successfully function independent of the umbrella brand and other members. Some individual brands replaced the umbrella brand in the supply of international buyers through the established export channels, while the others, whose managers chose a more risk-averse strategy, signed outsourcing contracts with the exporting former partners.

Towards the end of the wind-up process, Tesco’s approached with an offer to establishing a private label sourcing contact for Marlborough Sauvignon Blanc with Cellars of Canterbury. The group collectively discussed the opportunity and how it fitted into there individual and collective interests and strategic intents. Given the Tesco’s was only interested in sourcing Sauvignon Blanc under an exclusive private label for Tesco’s, not the Cellars brand or any of the individual brands, and non of the other wines the cellars group produced, they collectively decided to decline the offer. However, even thought the group was not interested, two of the partners saw an opportunity. They asked and were grant permission from the group to pursue this opportunity. The two partners established a new private label for Tesco’s and have gone on to become Tesco’s major provider of Marlborough Sauvignon Blanc. Not a small feat, when Tesco’s sells more than one out of five bottles of all wine sold in the United Kingdom (Tipples, 2008). The other members have all since gone on to success international brand expansions across Europe, North American and Australasia.

Hence as easily as Cellars of Canterbury was established, it was disbanded. But in the process, the partners had gone from five small wineries competing in the New Zealand domestic marketplace to five international competitive wineries with established and stable market relationships in North America and the UK, which is something that would have been extremely difficult to have achieved individually.

6. Conclusions

SMEs face several challenges entering international markets. The previous literature has provided a comprehensive coverage of many of the different strategic opportunities available to SMEs to overcome these international entry challenges, including strategic alliances, cooperatives, exporting and other modes of entry. One viable mode of entry that has received no research is the strategic use of umbrella brands as a viable mode of international market entry.

In this paper, using a grounded theory approach, we conducted comparative institutional analysis to create a conceptual framework and evaluate the role of inter-firm umbrella branding as a strategic mode of international market entry for SMEs. We have found that, over time, a SME can use a strategic alliance with local partners under the umbrella brand to build its own core competencies and to transfer the reputation vis-à-vis its international buyers from the umbrella brand to its own individual brand. In a long run perspective, the umbrella brand can be a temporary tool enhancing the opportunities of international market entry. As in the context of contracts and joint venture agreements (Oviatt and McDougall, 1994; Cheng et al., 2005), once the SME has acquired its core competencies within the new market, the umbrella brand organization can be terminated and replaced by the individual brands that were under the umbrella after a certain stage of their development.

Basing theory on one instrumental case study has serious limitations about the conclusions that can be drawn from the study. Hence it is important that further case studies be identified and analyzed, so that great understanding can be gained on generalizability of these results. Even given the limitations of a one case sample, a number of important strategic points about the establishment and evolution of strategic alliances, as well as on their effect on SMEs' performance, are discussed in this paper.

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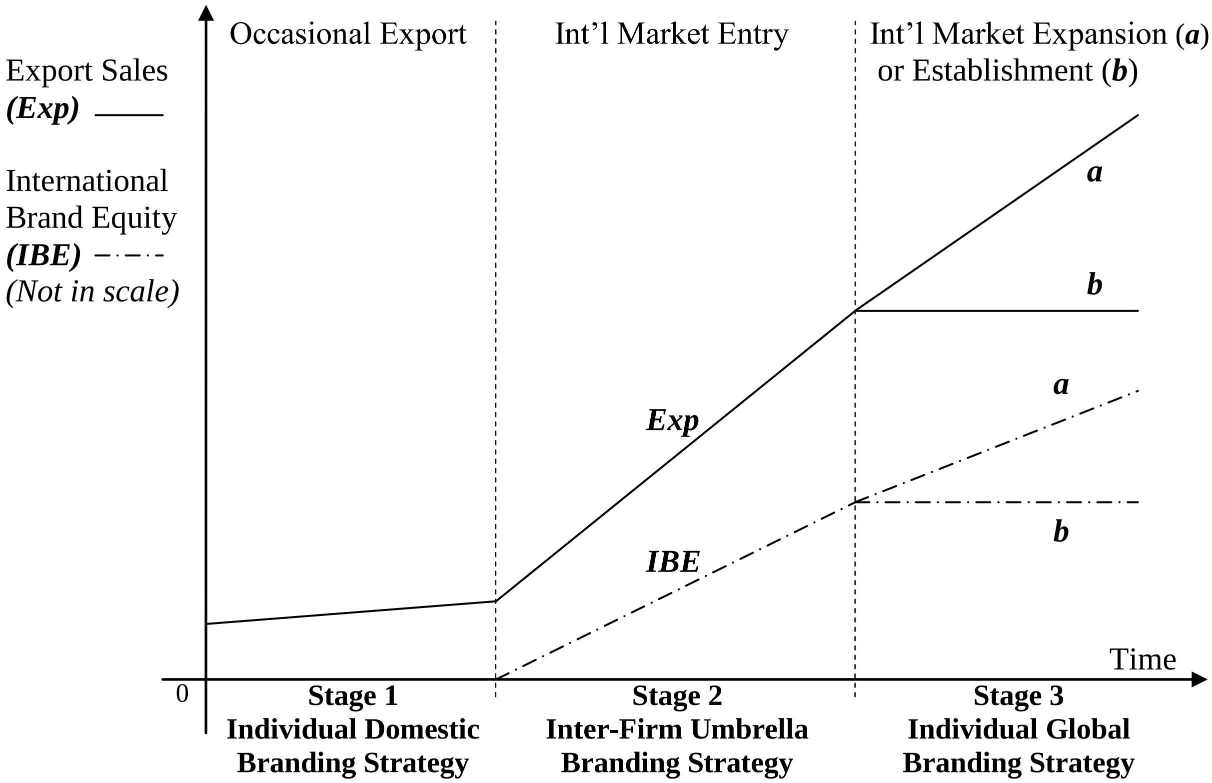
Appendix – Figures

Figure 1 - Cross comparison of Cellars of Canterbury with secondary data from case studies in the literature

Major Points of Comparison ↓	Analysis of "Cellars of Canterbury" Case	Cross- Comparison with Case Studies in the literature	
Owner of the Umbrella Brand	Inter-Firm Organization (CoC)	Individual Firm (Aaker and Keller, 1990)	Geographic Region (Iversem and Hem, 2008)
Alliance's Partners	Local SMEs	Foreign Buyer (Chang et al., 2005)	Foreign Multi-National Corporation (Coviello and Munro, 1997)
Structure of the Branding Inter-Firm Organization	Strategic Alliance under an Umbrella Brand	Traditional Producer Cooperative: NZGIB (Beverland, 2007)	New Generation Cooperative: "Merino NZ" wool (Beverland, 2007)

Figure 2 - The Role of Inter-Firm Umbrella Branding Strategies on Individual SMEs' Export Sales and International Brand Equity



Control of the Brand	Individual Firm	Inter-Firm Organization and Individual Firm	Individual Firm
Firm's Strategic Intent	Defend or Expand in Domestic Market	Expand in the International Market	Defend or Expand in the International Market
Firm's Weaknesses	Limited Resources to Enter the Int'l Market: • Int'l Experience • Output Volume • Human Capital • Financial Capital	• Divergence with Partners' Strategic Intent can create Conflict • Access to Alliance's Resources, but Limited Individual Resources	• Limited Resources to Keep Expanding • Limited Experience in Individual Brand Management
Firm's Coordination Strategies	Seeking Partners to Leverage and Pool Resources	• Aggressive Int'l Learning and Investment to build Individual Resources • Building individual brand which co-exists but is independent from the umbrella brand • Strategy of exit or of termination of the alliance	• Creation of Smaller Horizontal Alliances, or Creation of Vertical Alliances with Buyers, or Individual Investment in Further Resource Development

Figure 3 - Structure of Strategic Alliances under an Umbrella Brand and New Generation Cooperatives

<table>
<tr><th>Theory ↓</th><th>New Generation Cooperatives
(Gall and Schroeder, 2006)</th><th>Alliances under an
“Inter-Firm Umbrella Brand”</th></tr>
<tr><td rowspan="2"></td><td colspan="2">Common Features:
Closed Membership
Capital of the Alliance is Property of Individual Members of the Alliance
Contractual Delivery Rights/Obligations
Tradable Delivery Rights</td></tr>
<tr><td>Distinctive Features:
Alliance usually created by firms with a common long-run strategic intent
Significant Equity Investment in the Start-Up Capital of the Alliance
Limited Use of Individual Members’ Capital
Absence of Written Code allowing for Changes in the Alliance Structure
Individual Members Sell Exclusively under the Brand of the Cooperative</td><td>Distinctive Features:
Alliance created by firms with a common short-run strategic intent and with the awareness that members’ strategic intent can change in the long-run, depending on market opportunities and entrepreneurs’ values
Limited Joint Investment in Joint Non-Separable Asset, so limited Equity Investment in the Start-Up Capital of the Alliance
Significant Use of Individual Members’ Capital
Presence of Written Rules allowing for Changes in the Alliance Structure, including a shared strategy of exit from, entry in and termination of the alliance
Individual Members’ Brands Co-Exist with and are Independent from Umbrella Brand</td></tr>
<tr><td>Transaction Cost Approach</td><td>Significance: Moderate-High
TCA Issues in Supply Contracts
Asset Specificity and Opportunism, as Significant Joint Investment in Specialized Plant and Equipment is Significant
Tradable Delivery Rights limited by Constitution</td><td>Significance: Moderate-Low
Asset Specificity moderated by Limited Joint Investment in Specialized Non-Separable Assets
Opportunism moderated as there is Equity Transfer from the Umbrella Brand to Individual Members’ Brand</td></tr>
<tr><td>Resource Based View</td><td>Significance: Moderate
Contracts can facilitate the supply of differentiated raw materials requiring unique resources
A relatively small number of members may facilitate their unique competencies contributing to the governance of the cooperative</td><td>Significance: High
The primary purpose of joining the alliance is getting leverage and pool each other members’ resources
By pooling their resources, members can create resources that are scarce and difficult to imitate
Over time, the individual members develop their own resources by re-investing their export revenues and by learning from each other</td></tr>
</table>

Social Networks	**Significance: Moderate** • Like-minded business people in a rural community are likely to have multiple network linkages • Similarity in status may be significant • Social networks may facilitate expansion	**Significance: Moderate** • Social networks can be crucial for the formation of the alliance, if there is no independent broker facilitating the first contact among potential partners • The importance of social networks for the evolution of alliance is moderated by the presence of a written rules governing the relationship among partners
Trust and Cooperation	**Significance: Low-Moderate** • Confident expectations and a willingness to be vulnerable are required for the cooperative to be established • A relatively small number of like-minded members of similar status should facilitate trust and cooperation	**Significance: Moderate-High** • Presence of written rules governing possible organizational changes enhances confident expectations of members • Setting and reaching short-term objectives shared among partners enhances trust and cooperation among partners in the long-run