



# Sustainable development: Innovations in business

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## BRAND AS AN INNOVATION— THE CASE OF CZECH WINE



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**Abstract:** The Czech Republic is not a typical wine-growing country, yet winemaking and viticulture are among the oldest Czech crafts. Although the situation is slightly improving today, domestic wine production is not very preferred by Czech consumers since more than two-thirds of the wine that Czechs drink each year is imported. In the long term, the worst situation prevailed with the sales of a young wine. The cause was twofold: On the one hand, the market was already penetrated by imported Beaujolais nouveau, which became a synonym for the young wine. On the other, a peculiar Czechs' taste for young wine was also an obstacle. As a young wine, many Czechs drink partially fermented must from grapevine fruits called "Burčák". The young wine market was therefore seemingly penetrated with a low possibility of new brands entering it.

The proposed case study will describe an ongoing campaign in which a new brand, "Svatomartinské víno", was created. With this brand, it was possible to change the Czech consumers' view of immature wines fundamentally. Thanks to the innovative branding approach, the product, which Czech consumers had neglected for many years, became a superior and must-have product for broad consumers. Also, the relationship between the brand and consumers has been established. The new brand has become a potential for many other related events. Last but not least, the consumption of domestic wine increased, which led to the support of local wineries and related regions.

**Keywords:** innovation, Svatomartinske, young wine, wine brand, Wine Fund of the Czech Republic.

## 8.1. Introduction

Winery and viticulture are among the oldest craft industries in the Czech Republic. Nevertheless, domestic wine production is not very preferred by Czech consumers. Nowadays, the situation is slightly improving, but still, more than two-thirds of the wine that Czechs drink each year is imported. In an effort to help Czech winemakers to find their place on the domestic market, various marketing communication campaigns are conducted. However, in spite of all efforts, Czech winemakers failed to sell young wine for a long time. In the Czech Republic, consumers prefer quite a peculiar version of a new wine called “Burčák”. It is partially fermented must from grapevine fruits, and therefore, this is more an intermediate product in wine production rather than regular wine.

The goal of the chapter is to describe brand as an innovation. To achieve this goal, the case study of an ongoing campaign for a new brand, “Svatomartinské víno”, was proposed.

## 8.2. Theoretical background

The American Marketing Association defined brand as “a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers”. Similarly, Aaker (1991) defines a brand as “a set of assets (or liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service...” The brand informs about the product (or service) origin and thus offers protection to both—the customer and the manufacturer. Most other definitions are compiled in a similar vein, although the meaning of the brand has changed throughout history.

From their very beginning, brands help to differentiate individual products from each other. At the same time, they bring a specific promise of value, strengthen trust, evoke emotions, and appropriate consumer behaviour. A successful brand allows producers and marketers to speed up the product launch phase, including speeding up the consumer processing of information. Thanks to the well-known brand, it is possible to use existing associations with the brand for a new product (Kotler & Gertner, 2002). The importance of brands has expanded from mere product identification to other levels, such as performance, social image, value, credibility, and identification (Lassar, Mittal, & Sharma, 1995). Brands offer social and emotional value to consumers. But there are even more purposes of brand since it can serve as a means for innovation.

There are many successful paths to innovation, so it is quite regrettable that companies often limit themselves to only one or two of these paths, and therefore they unnecessarily constrain their growth potential (Calder & Calder, 2012). There

is an indisputable fact, that innovation is crucial for continuously ensuring superior customer value creation, which is considered an unquestionable part of modern management (Beverland, Napoli, & Farrelly, 2010; Kapferer, 2012). As Nedergaard (2014) suggests, corporate brand identity can guide innovation strategy and decisions for coordinating management processes and the use of resources to develop brand supportive innovation capabilities.

The basic definition of innovation was formulated by J. Schumpeter (1982), who understood innovations “as creating fundamental or radical changes, including the transformation of a new idea or technological invention into market product or process”. As Calder & Calder (2012) states, companies focusing on innovations consider brand as an outcome of innovation processes. But brands are not just the result of innovation—they can be an important path to innovation. Very simply put, an established brand can lead the company into new product categories. In this case, it is the so-called “brand-led path to innovation” (Calder & Calder, 2012; Nedergaard & Gyrð-Jones, 2013; Dru, 2015).

Branding and innovation are tightly connected. But for a brand to be able to drive innovation, it must have certain characteristics. As Abbing (2010) noticed, there are at least three factors which the brand must have: (a) a content, (b) a form, and (c) a process. In this case, brand content is about the story, which a brand is telling, or, in other words, what the brand is about. The second factor, brand form, refers to how the brand is set and shared within the company. The last one, brand process, means the way in which and by whom a brand is built, communicated, and maintained. The special place in this list has another factor—specific qualities. The brand in the innovation process must have specific qualities that can inspire the ideation of new product ideas (Abbing, 2010).

According to the text above, brand-driven innovation will consist of four steps:

1. Human-centered branding: Making the brand suitable and accessible for innovation and design by releasing and connecting the brand with product-designers or with the stakeholders.
2. Building an innovation strategy: Creating a strategy to fulfil the brand promise from the match between company capabilities and customer needs. In this case, there is a difference from a customer-centered innovation strategy that heavily relies on the organization’s vision and understanding of its own capabilities.
3. Building a design strategy: Creating a strategy to use design to make the innovation strategy meaningful interactions in brand touchpoints.
4. Touchpoint orchestration: Aligning all brand touchpoints into a total customer experience. When the customers encounter a brand touchpoint, the organization has an opportunity to strengthen the relationship with them. By this stage, it is possible to focus on managing these opportunities.

In this regard, Nedergaard and Gyrð-Jones (2013) suggested that traditional market-oriented strategies should be complemented with intuitive thinking and

abductive reasoning as associated with the concept of design thinking. They invented a framework for Sustainable Brand-based Innovation (SBBI), which can be used as a tool for radical and market-shaping innovation processes that underlines the critical role of the corporate brand in innovation management processes. Despite the lack of related relevant literature dealing with the use of brand as an innovative tool, their framework can be valuable. At least one main idea of the framework should be resonating: the idea that the brand should be considered as an equal partner to the strategic management of resources and intuitive market orientation.

### 8.3. Case study

The first written mentions documenting the cultivation of vines and wine production on the territory of today's Czech Republic are dated to the ninth century AD. However, it is very likely that winemaking in this territory had been previously done by Celts around 500 BC (Kraus, Ballík, Vanek, & Pospíšilová, 1999). The places where vines have been grown since ancient times co-create not only the countryside but also penetrate the songs and poems, shape cultural habits, and so influence the fine arts of local artists.

Despite all the above, the Czech Republic is certainly not the “Vine Country”. Vine and viticulture in the Czech Republic account only for about 5% of final crop production. However, there are some areas where viticulture is of extraordinary importance. In the South Moravian Region, Vini- and viticulture account for about 1/5 of the total agricultural production of the region, which is the most of all branches of agriculture (Tomsik & Sedlo, 2007). In this region, Vini- and viticulture is considered to be a very important local economic factor with indisputable positive externalities related to tourism.

The specifics of viticulture in the Czech Republic are not only given by nature, but also by political and economic factors. In this regard, the development in the field of viticulture over the last century is crucial. The historically significant area of agriculture began to decline during the Austro-Hungarian Empire when the customs border between Hungary and Austria was abolished. The Czech market was then flooded with cheap wines of Hungarian production, which resulted in a reduction in the production of Czech winemakers. Also, farmers began to be interested in more profitable technical crops such as sugar beets. As a result, vineyards rapidly started to disappear, and in 1930, there was the smallest number of vineyards on Czech territory ever. The subsequent collectivization of agriculture and the inclusion of former Czechoslovakia in the Council for Mutual Economic Assistance (CMEA) had further negative impact on the form of Czech viticulture.

Wide privatization of agriculture in the first half of the 1990s and the approval of the Wine Act in 1995 laid the foundations for the development of viticulture

in its current form. The quality of our wines was gradually improved. Firstly, by changing the methods of treating vineyards, returning to traditional varieties, but above all thanks to extensive investments in modern technological equipment of small and large processing capacities. At the turn of the millennium, Czech wine again began to enjoy increased interest among Czech consumers.

Nevertheless, there were areas in which Czech winemakers had long been unable to fight foreign competition. Mostly, this was a result of weak or even missing marketing approach of most Czech winemakers. The cause was—as usual—the lack of money, knowledge, and time of the majority winemakers. The point is that the structure of the viticulture business in the Czech Republic is quite unequal. There is a relatively massive number of small winegrowers who farm on lands up to 0,2 ha. These small wineries represent more than 70% of all Czech wineries. On the other hand, the sum of their total vineyard lands represents only 7% of all the Czech vineyards. Thus, there is a concentration of vast vineyards in a small number of “large” growers, i.e., growers with vineyards over 1 ha of planted area. They represent 6% of the total number of growers, and manage 84% of the total area of vineyards in the Czech Republic (Vinařský fond České republiky, 2020).

While large wine companies were able to communicate their products even to foreign markets, small winemakers did not have enough know-how to communicate even in the domestic market. What is more, the position of the sale of Czech wine in strong competition with foreign markets is generally and in the long run very difficult anyway.

To help winemakers with marketing communication activities, the Wine Fund of the Czech Republic was established in 2002, The Wine Fund operates on a similar basis as this type of organization in other wine-growing countries in Europe. Its sole task is to support the marketing of Czech wine, the development of wine tourism, and informing the public about viticulture and winemaking aspects (Vinařský fond České republiky, 2020).

In spite of all efforts, Czech winemakers, for a long time, failed to sell young wine. In the Czech Republic, consumers prefer quite a peculiar version of a new wine called “Burčák”. It is partially fermented must from grapevine fruits, and therefore, this is more an intermediate product in wine production rather than regular wine. At the same time, in some foreign countries, the young wine was sold well. The most famous example of the sales success of young wine is Beaujolais Nouveau. This wine is produced in France in the Beaujolais region. It is a region that is not as promised to wines as, for example, the region of Bordeaux. Wines produced in these climate conditions are fresh, atypical, and very well coloured, but these properties last for only a few months, and after half a year, they cease to be suitable for drinking. The wine must, therefore, be drunk young otherwise, its economic benefits are lost. The strong tradition of Beaujolais Nouveau bottles to open at midnight on the third Thursday in November has been joined by strong

global marketing, and Gamay wine is now opening in more than 150 countries each year. Apart from France, Beaujolais Nouveau is the most popular in Japan.

In the first decade of the new millennium, the same sales success of Beaujolais Nouveau threatened to be repeated on the Czech market. For Czech winemakers, who mostly grow vines suitable for making young wine, it could be life-threatening competition.

## 8.4. Results and solutions

A wine whose alcoholic fermentation has not yet been completed and which is not separated into yeast is called a “Young wine”. It is a fresh and fruity wine with lower alcohol content (usually up to 12%). The most famous brand of young wine is Beaujolais Nouveau in France and *Vino Nuovo* (Novello) Italy (Dusková, 2006).

The tradition of young wine has developed over the centuries in a completely unique way based on the local cultures of the part of the Czech territory, especially Moravia. The designation of new wine, according to St. Martin’s, began to be used at the court of Emperor Joseph II (Hynek, 2011). At the beginning of November, it was customary to taste the new wines. This period coincided with a time when the harvest was already safe under the roof, and the peaceful Advent associated with the pre-Christmas fast was approaching. St. Martin’s has always been associated with a time of rich feasts and exuberant merriment. This is where the traditional connection comes from today—St. Martin’s goose and St. Martin’s wine.

St. Martin’s wine was first commercially introduced in the Czech Republic in 1994. At that time, it was still called “Moravíno Nouveau”, and it was only wine of the company *Vinné sklepy Valtice* (Krška, 2005). Sales success was minimal—only a few hundred bottles were sold, which was also due to the above-mentioned popularity of “Burčák”.

It was not until 2005 that the Wine Fund of the Czech Republic started to use the historical tradition and the story connected with St. Martin. Until then, only the word designation “St. Martin’s” was transformed into a graphic form of a registered trademark (see Figure 8.1).

Today, the “Svatomartinské” brand is owned by the Wine Fund of the Czech Republic and is offered for use by all winemakers whose young wines meet the set conditions. The fund supports and promotes the brand within the marketing communication activities. As a “Svatomartinské”, only the following variety of wines may be sold: white wine Müller-Thurgau and Veltlin red early; rose wine Blue Portugal and St. Lawrence; red wine Blue Portugal and St. Lawrence.

Bottles marked as St. Martin’s must be marked with a label bearing the common logo of St. Martin’s wine in the form of Martin on horseback (see Figure 8.1), and each bottle must have a cork wine stopper with this logo as well. The producers of

stoppers can issue only as many stoppers to individual producers of St. Martin's wines as they actually produced of this wine.



**Figure 8.1. Basic graphic design (logo) of the brand “Svatomartinske”**

Source: (Vinařský fond České republiky, 2020).

Krška (2005) describes the way in which winemakers can obtain the “St. Martin’s” brand. An application must be submitted to the wine fund stating the exact specification of the producer and the individual samples. Along with the application, the winemaker also supplies samples of wine that he wants to sell under the St. Martin’s wine brand. The sample evaluation is performed by an independent commission. The fee for winemakers for the assessment of one sample of wine is CZK 500 (approximately 20 EUR). The members of the Commission are appointed by the Wine Fund. The five-member independent Commission consists of wine experts, sommelier, and renowned tasters. The two-round assessment of samples is anonymous. The Commission knows only the type and variety of wine. The evaluation takes place on a 100-point scale. The minimum score for wines that can be marketed is 75 points. Wines that did not reach the limit of 75 points can try to get the St. Martin’s mark in the second round. Subsequently, a list of wines that can be marketed as St. Martin’s wine is published.

Every year, the wine fund conducts a brand awareness survey entitled *Brands from the wine fund’s portfolio from the perspective of the population for 18+ years*. According to this research, “Svatomartinske” brand awareness grows every year. Respondents most often saw advertising on the television screen, followed by advertising in magazines and billboards. The advertising of the brand is increasingly



transmitted directly to the main Czech retail chains (e.g., Albert, Billa, Globus, Interspar, Makro, Penny Market, and Tesco). The sales support activities consist of wine tastings, the use of “Svatomartinske” stickers and leaflets, and in-store radio. The consequences of brand awareness are also reflected in the overall production of wine, which is a response to consumer demand. The increasing trend in manufacturing is shown in Table 8.1.

**Table 8.1. Production of St. Martin’s wines**

Year	Bottles	Wineries
2005	125 000	31
2006	350 000	59
2007	526 000	67
2008	700 000	86
2009	1 100 000	97
2010	1 600 000	100
2011	1 980 000	125
2012	2 193 000	122
2013	2 019 000	116
2014	1 900 000	107
2015	2 300 000	113
2016	2 340 000	111
2017	2 200 000	105
2018	2 200 000	110

Source: (Vinařský fond České republiky, 2020).

## 8.5. Conclusion

In 2005, the St. Martin’s wine brand was purchased by the Wine Fund, which systematically began to build its position on the market. Since 2008, the PR agency Omnimedia has started cooperating on the campaign. Since 2009, under its leadership, the media coverage of the topic has skyrocketed, and today the brand’s knowledge is practically 100%. Today, the public not only recognizes the St. Martin’s wine brand but is also more informed about what this brand represents. Consumers thus associate St. Martin’s wines with autumn. They know that these are fresh young wines of the new year, they perceive their connection with gastronomy and traditions and, finally, St. Martin’s wines are associated with dozens and hundreds of events throughout the country.

## Questions / tasks

Recommended method of working on case study: teamwork; group of 2–4 students.

1. Where do you see further potential brand innovation possibilities for “Svatomartinské” brand?
2. Can you suggest any other way how to deal with the described situation on the Czech wine market? In other words—was the innovation through the brand the only possible way to improve the sales of young Czech wine?
3. Do you know any other verbally transmitted brand? Would it be possible to transform it into a graphic form with related requisites of a registered trademark? What steps would you need to take to do this?

### Student’s support

Brand – “a set of assets (or liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service...” (Aaker, 1991).

Branding – “endowing products and services with the power of a brand” (Kotler & Keller, 2015).

Innovation – “creating fundamental or radical changes, including the transformation of a new idea or technological invention into market product or process” (Schumpeter, 1982).

Brand-led innovation – Established brands can be another resource for innovation of a product or a company. Therefore, the brand should be considered as an equal partner to the strategic management of resources and intuitive market orientation.

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