

Article

Sustainability as “Value of Cooperatives”—Can (Wine) Cooperatives Use Sustainability as a Driver for a Brand Concept?

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Abstract: Similar to the number of agricultural cooperatives in the European Union, the number of German wine cooperatives is decreasing. The main purpose of the wine cooperatives is to support the member businesses with the highest possible payouts for their grapes. Wine cooperatives can fulfil this purpose by implementing a differentiation strategy. On the one hand, brands can be used for differentiation. On the other hand, cooperatives can use particular values in the communication with customers that correspond to the target group’s values. Based on the definition of the International Co-operative Alliance, cooperatives are a sustainable form of enterprise. Therefore, the question arises whether it is possible to use sustainability as a value that corresponds to cooperatives as a form of enterprise as well as to a strong societal value that gains importance. Which role does social capital play in the context of social sustainability? The aim of this paper is to shed light on the understanding of brands, to show which cooperative-specific characteristics might pose a challenge to cooperatives in terms of brand management and to examine the understanding of the sustainability construct as well as sustainable management practices applied by wine cooperatives to date. Two exploratory, qualitative studies have been conducted.

Keywords: competitive strategy; differentiation; brands; cooperative values; sustainability; social capital; wine cooperatives; Germany



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1. Introduction

In Europe, cooperatives have a rich tradition and are very common in the agri-food sector [1]. Furthermore, in the wine sector, cooperatives are of great importance: in some EU countries (e.g., Spain and Italy), they are responsible for more than half of wine production [1,2]. Similar to the number of cooperatives in the agricultural sector in the European Union, the number of German wine cooperatives is also steadily decreasing.

Where there were still around 264 cooperatives in 2000, there are now only around 160 cooperatives in 2018 [3,4]. There has been a corresponding decline in the number of members from 61,000 to 36,900 in the respective years, and the area under vines cultivated by cooperatives has been gradually decreasing for many years (in 2018, there were only 25,200 hectares) [3,4]. Yet, they still represent around a quarter of the German wine production [5,6].

Wine cooperatives are, according to their statutes, self-help organisations of grape producers. Specific characteristics of cooperatives include the fact that members are both owners and users, that the principle of “one member—one vote” applies and that there are no barriers to entry [7]. Moreover, the legally defined purpose of the cooperative enterprise can be considered as a further characteristic [7]. As stated in the German cooperative law (GenG §1) [8], the main objective is to contribute to the improvement of the economic situation of the cooperative member businesses by increasing their profitability

and sustainability [9,10]. In other terms, this means supporting the member enterprises with maximum high payouts.

One option for wine cooperatives to fulfil the purpose of promoting member businesses is to implement a differentiation strategy successfully. Brands are one of the strongest forms of differentiation from competitors. Brands are images in the consumers' minds that assume an identification and differentiation function and shape consumers' choice behaviour [11] (p. 21). Thus, in the decision process during purchase, brands are intended to provide orientation and communicate specific values. For companies, brands offer the opportunity to differentiate themselves from competitors and thus gain pricing leeway. Cooperatives, however, seem to face certain challenges in brand management [12]. In particular, the internal structures in cooperatives often hinder long-term investments, which are necessary for the establishment of a brand.

Another possibility to differentiate from competitors is using certain values in the communication with customers that also stand for the target groups' values. Cooperatives can also associate cooperative values more closely with brands. Breuning and Doluschitz [13] have shown that social values are reflected in cooperatives. The International Co-operative Alliance states that cooperatives are owned, controlled and run by their members. Based on values such as fairness, equality and social justice, cooperatives allow people to work together in voluntarily formed collaborations to create sustainable enterprises that create long-lasting jobs and welfare [14]. From this definition, one can derive that cooperatives represent a sustainable form of enterprise. Thus, putting the emphasis on sustainability might be one alternative to differentiate from competitors that do not belong to the group of cooperatives as a form of enterprise.

Thus, this paper aims to shed light on the understanding of brands, to show which cooperative-specific characteristics might pose a challenge to cooperatives in terms of brand management and to examine the understanding of the sustainability construct as well as sustainable management practices applied by wine cooperatives to date.

Only limited knowledge is available on this topic so far, so a qualitative approach seems to be appropriate. Two exploratory studies have been conducted. The study from 2019 focused on the analysis of the competitiveness of the wine sector and brand understanding and management of wine cooperatives. Interviews were carried out with the managers of wine cooperatives ($n = 15$). In July–August 2020, interviews were conducted with the same interview partners on the topic of sustainability and sustainable management practices. The data gained from the interviews were content analysed.

Following Section 2 “Wine cooperatives in Germany—principles and overview”, we will outline the setting of the empirical studies and present the results of the above-mentioned studies (Section 3). In Section 4, the main results are discussed, and in the last section, a future outlook is provided.

2. Wine Cooperatives in Germany—Principles and Overview

2.1. Character and Basic Principles of Cooperatives

According to the German cooperative law, cooperatives are defined as “associations of a non-closed number of members whose purpose is to promote their members' income and business or their social or cultural interests through joint business operations” (GenG §1) [8]. In Germany, the following actors can become members of a cooperative: physical persons, commercial partnerships (in German: Personengesellschaften des Handelsrechts), legal entities under private and public law. Cooperatives represent a horizontal cooperation among producers.

The International Co-operative Alliance (ICA) describes a cooperative as an “autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.” [15]. Moreover, it is specified that “[c]ooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness,

social responsibility and caring for others.” [15]. Based on principles such as fairness, equality and social justice, cooperatives allow people to work together in voluntarily formed collaborations to create sustainable enterprises that create long-lasting jobs and welfare [14]. The ICA also highlights what the cooperative model means in the context of the seventeen Sustainable Development Goals (SDGs) as part of the *2030 Agenda for Sustainable Development* in 2015, which was approved by world leaders during the United Nations General Assembly. One example is “Combating climate change: Co-operative enterprises have a unique member-owned model that allows them to make long-term commitments to fighting against climate change and its impacts. Co-operatives put people at the heart of their action, which fosters the buy-in for the personal sacrifices that climate change will require. This results in sustainable natural resource management and active engagement in sustainable energy options.” [16]. This shows that cooperatives are also associated with the value sustainability.

Moreover, Ringle [17] (p. 28) explains sustainability as “value of cooperatives” and defines sustainability in cooperatives with the following characteristics:

- (1) Association for the long term (long-term form of cooperation; long-term survival of many cooperatives; integration in a vertical network).
- (2) Permanence in the internal structure (dual nature: association of persons and joint enterprise; democratic character; permanently available equity capital shares).
- (3) Long-term membership (cooperative cannot be constituted without membership; embodiment of a stable partnership between member and cooperative).
- (4) Permanent task to promote the members’ businesses (legally manifested business goal; time-independent corporate purpose and collective promotion mandate).
- (5) Stable value framework (largely consistent value system based on the general cooperative basic idea; essential principles as “cultural core” and at the same time “organisational regulations”).

Based on this, it can be derived that cooperatives represent a sustainable form of enterprise. In case this corresponds to the self-conception of cooperatives, it would have a tremendous significance and cooperatives would have to put sustainability at the top of their daily agenda.

It can be deduced from these findings that cooperatives are a sustainable form of enterprise and are also seen as such by society. If this is in line with the self-perception of cooperatives, it would have an enormous significance. Cooperatives would then have to engage in activities in all three pillars of sustainability and see this as one of their top priorities.

Two structural design schools have developed in the cooperative literature, which represent two different views of the cooperative enterprise. The first one is based on Robotka (1947) [18] and Phillips (1953) [19], who understand a cooperative as a group of profit-maximising economic enterprises performing economic activities using common means of production. From their point of view, a cooperative can be perceived as an *extension of the farm* [20]. The second structural design school is based on the thoughts of Helmberger and Hoos [21]. In their work, the cooperative is identified as an economic enterprise composed of a production function, aiming to maximise efficiency and distributing the economic surplus to the suppliers of resources. These authors see the *cooperative as a firm* [20]. It is very likely that the cooperative management and the cooperative members view the cooperative differently. There may also be opposing views within the members. This may lead to conflicting expectations about the purpose of the cooperative and thus to further tensions. The management often sees a cooperative as an independent enterprise (*cooperative as a firm*). This refers primarily to the enterprise that operates in the market. Managers often take decisions based on their view of the *cooperative as a firm*. Furthermore, the differing views between some members and the management of cooperatives, which are closely related to different expectations regarding the purpose of the cooperative, may lead to tensions among these actors.

Cooperative enterprises face cooperative-specific challenges. One of them is the double principal–agent problem, which arises from the internal structure of the cooperative. There is a double distribution of roles: Cooperative members and members of the boards are principals and agents at the same time [22–24]. This is also important when it comes to distribution rights. Five cooperative specific problems identified by Cook [25] are: (1) the free-rider problem (based on information asymmetries); (2) the horizon problem (this means that cooperative members often have a high interest in rather short-term objectives [25]. This is especially true for older members who feel that they will no longer benefit from the planned investment because the return on investment takes so long and will only occur in a few years when they may no longer be alive [25]. Age differences among members strongly contribute to this problem [26,27]); (3) the portfolio problem; (4) the control problem (adverse selection, opportunistic behaviour, high agency costs); and (5) the influence cost problem (due to different members interests). Ringle [28] identified two further problems: (6) the transaction cost problems and (7) the identification problem. Members and the management often have manifold interests and follow different approaches to realise cooperatives' goals. This may lead to conflicts [9]. Member heterogeneity even increases all above-mentioned problems [10].

2.2. Overview on Wine Cooperatives in Germany

Wine cooperatives have a rich tradition. In Germany, the very first one was founded in 1868 in the Ahr wine region, and in the following years, further cooperatives were formed in various wine-growing regions [29]. Originally, this form of enterprise was a way for the small and smallest grape producers to join their forces in order to process grapes and market wine together. This is still valid today. Cooperatives are highly important for most small-scale grape producers, as wine production and marketing would not be possible without pooling resources and sharing costs [30]. Cooperatives play an important role in rural areas with regard to social aspects and contribute to agricultural (rural) value creation. They are not only an opportunity to secure income for small producers, but also provide employment for people from the surrounding area. Small producers are the ones most affected by structural change [31]. Thus, cooperatives are still important for the small and smallest producers in order to be able to survive in this competitive market.

In recent decades, there has been a decline in the total number of wine cooperatives, cooperative members and the area under vines cultivated by cooperatives. For example, the number of cooperatives in Germany has fallen from about 264 in 2000 to 160 cooperatives in 2018 [3,4]. Mergers occur frequently as cooperatives try to improve their economic situation by creating synergies and reducing costs. In 2018, the German cooperative sector was divided into 71 dry and 89 wet cooperatives, including two 'central', secondary cooperatives (so-called 'dry' cooperatives do not possess their own vinification facilities, whereas others ('wet') own vinification facilities and are able to process their own grapes to produce wine) [4]. Nowadays, there are approximately 36,900 grape growers which are cooperative members [5]. The area under vines cultivated decreased from more than one third of the German vineyard area (about 37,000 hectares in 1990/1991) to approximately a quarter (25,200 hectares in 2018) [3–6]. Despite the decline and overall decreasing tendency, wine cooperatives are still an important player in the German wine industry. Most cooperatives are located in Baden, Württemberg and Palatinate [3].

Wine cooperatives are, according to their statutes, self-help organisations for grape producers. As stated in the German cooperative law (GenG §1) [8], the main objective is to contribute to the improvement of the economic situation of the cooperative member businesses. The profitability and sustainability of the members should be enhanced by providing them with maximum high payouts [9,10].

The principles of (wine) cooperatives, as well as the internal structure and resulting problems, often lead to a strong member orientation [32]. Furthermore, cooperative members are of different sizes, some are full-time, others are part-time grape growers; moreover, the business aim of the members can differ widely [27]. Furthermore, in regard to their

planning horizons and risk preferences, members often differ from each other [30]. The organisational form and member heterogeneity contribute to a slow decision-making process, as it can be challenging to combine the different members' preferences [30]. However, the main objective of all grape growers is to market their grapes successfully [27].

Cooperatives have to decide whether to apply the cost leadership, differentiation or niche strategy. For wine cooperatives, it is difficult to achieve a competitive advantage by applying the cost leadership strategy as wineries produce low-cost wines of German and international origin [31]. Wine cooperatives can fulfil the purpose of promoting member businesses by successfully implementing a differentiation strategy. Brands are one of the strongest forms of differentiation from competitors and allow companies to ask for a price premium that consumers will be willing to pay for if the brand delivers additional value to them. Brands not only provide a guarantee of product quality, but also build an emotional connection with consumers. The consumer's identification with the brand influences consumer behaviour at the point of sale [11]. Brands also stand for specific values. As cooperatives are a sustainable form of business, the following research question arises: Can (wine) cooperatives use sustainability in the communication with customers as a value proposition? Or in other words: Can (wine) cooperatives use sustainability as a driver for a brand concept?

In the following section, the empirical studies that contribute to the response of this question are presented.

3. Empirical Study

3.1. Study Design and Conduct

To answer the research question, a qualitative approach was considered adequate. Two exploratory studies have been conducted which build upon each other.

(1) The study from 2019 focused on the analysis of the competitiveness of the wine sector and brand understanding and management of wine cooperatives. In-depth interviews were carried out in July–September 2019 with the (wine) cooperative managers ($n = 15$), including managing directors and chairmen of the board. Managing directors were chosen because the topic affects both operational and strategic management decisions. The chairmen of the board also represent the members. Therefore, both perspectives, the *cooperative as a firm* and the *cooperative as extension of the farm*, are represented in the results.

(2) In July–August 2020, in-depth interviews were conducted with the same interview partners on the topic of sustainability and sustainable management practices.

The interview partners are numbered consecutively (P01–P15). This corresponds to the numbering of the interview partners from 2019; only 13 out of 15 were available for another interview in 2020 (P06 and P14 are missing).

A semi-structured interview guideline was used in both studies. The one from 2019 covers the understanding of the brand construct as well as different aspects regarding possible obstacles or challenges in brand management for wine cooperatives. The guideline from 2020 contains thematic blocks regarding the understanding of the sustainability construct (in general, but also from the managers' and members' perspective), the importance of this construct for the managers of wine cooperatives, the importance of sustainability in the context of business relationships with buyers and suppliers, the measures implemented so far in the economic, ecological and social pillar and potential challenges with regard to sustainability and sustainable management practices.

For the analysis of the data gained from the interviews of the above-mentioned studies, a content analysis following the approach of Mayring [33] was used.

3.2. Main Results of the First Study—Competitiveness of the Sector and Brand Understanding

An intensity of competition and high price pressure on the German wine market was confirmed by 12 out of 15 managing directors. For example, person P07 said "Overall, of course, many producers from all over the world are pushing into the German market, which of course does not make it easy, i.e., the competition is very tough, and the pressure on the

price, of course, too". Person P01 stated, "The wine market is slightly stagnant and very competitive". These statements illustrate the market saturation and competitive intensity, which emphasises the need for brand management as a tool for product differentiation.

3.2.1. Brand Understanding

The term brand is presented differently by the interview partners. Basically, brands are understood as an orientation tool for consumers and brand loyalty plays a role in the purchase decision (P09). Here, "the image and the charisma of the brand" play an important role (P02). As the results from 2019 show, brands are divided into regional and national brands on the one hand. Cooperatives often use so-called "brands of origin" (P01). Such brands are associated with a high distribution reach, liquidity, high communication pressure and advertising effort. According to P01, there are rather brands of origin, as well as concept brands, than brands that lead to an emotional connection between the product and the consumer or to the establishment of consumer loyalty. Examples of concept brands are brands of large wineries that can market their products throughout Germany via food retailers. Concept brands are introduced to the market through a certain reach, which leads to consumers recognising the product when they see it on the shelf. Strong competitor brands also show trends and can provide orientation for brand development (P07). Here, however, one has to weigh up which trend one wants to "go with". One respondent also mentioned the use of different brand concepts to market the wines in different distribution channels (P07). One cooperative has its own homepage per brand (P14).

3.2.2. Challenges of Brand Management in Wine Cooperatives

A tendency towards *high average age* and *ambiguity in succession* can influence brand management. More than two-thirds of the 2019 interviewees confirmed that the average age of cooperative members tends to be high (e.g., P13). In addition, generational succession is a challenge for many cooperatives (P02, P06, P10, P11, P12). The reason given was that doing other jobs is often more attractive to the younger generation than working in the vineyard (P10, P11). According to person P11, succession depends, among other things, on the form of employment. In the case of full-time grape producers, there is sometimes succession, but in the case of part-time producers there is not so much stability, because other jobs are more attractive. It is the task of cooperative members to make their own profession attractive for young people (P02). The results from the 2019 survey show that the high average age, as well as the unregulated succession, contribute to the horizon problem, as the older members will probably no longer be able to share in the success of the investment decisions. Through these issues, the time dimension necessary for brand management becomes visible.

The *decision-making process* often takes quite long in the cooperatives, as usually a high number of actors are involved in the decision-making process. Depending on the height of the investment and/or the importance of the decision for the strategic orientation of the cooperative, the decision is made in the different bodies. Sometimes the managing director can decide on his or her own, or in other cases the executive board has to decide on it or even obtain approval from the supervisory board. Depending on the situation, an intensive consultation is necessary. In the case of major decisions (e.g., new construction, demolition or sale of buildings), it is even necessary to convene the general assembly and to have all members vote. However, the distribution of competencies between management, board of directors, supervisory board and general assembly differs in the cooperatives. Most interviewees stated that the managing director and/or executive board have a strong responsibility for brand development and management. The results show that individual budget limits differ between the cooperatives, which is often related to the size of the cooperative. Summed up, operational decisions related to branding are mostly made by the managing director or executive board. However, budget limits are common and determine the extent to which the individual bodies are integrated into the decision-making process.

Decisions to invest in intangible assets are handled differently in the wine cooperatives depending on the individual bodies' budget limits and decision-making competencies. In general, respondents stated that tangible investments are often easier to implement than investments in intangible goods (P04, P06–P13, P15). Members (grape producers) often find it easier to track investments in items that can be seen. However, it became clear that there are differences in this among individual members in their attitudes towards intangible investments depending on other occupational activities, the size of the member economy and the understanding of the importance of marketing-related aspects (P13). It is essential to make members understand "that investments will always pay off in the long run" (P05). Members' understanding of investments in intangible assets facilitates investment decisions and processes. In summary, members' attitudes and understanding of tangible investments tend to favour tangible investments.

In conclusion, the following challenges in brand management could be identified: a tendency towards a high average age of the members and the often-unregulated succession, the graduated decision-making under the participation of different committees and the tendency towards investments in tangible assets. These challenges can lead to the absence or delay of long-term investments, especially in intangible assets.

3.3. Main Results of the Second Study—Sustainability and Sustainable Management Practices

3.3.1. How Do Managers and Members Comprehend the Sustainability Construct?

The majority of the interviewees highlighted the interaction of the three pillars of sustainability (environment, economy and social). Some interview partners did not mention the social pillar. The interview partners perceive sustainability in that way that it addresses issues from all three pillars in the long run. It was stated that the present generation should be able to meet its needs without endangering the ability of upcoming generations to meet their needs (P02). Managers of rather small cooperatives emphasised the ecological pillar to be of high significance for the cooperative (P12, P13). Most interviewees agreed that solely the holistic consideration of all three pillars can lead to the sustainable success of a cooperative (P03, P04, P09, P13, P15). Nine interviewees feel that there is a different perception of the construct between the management and the members: Due to their daily work in the vineyards, members focus on the ecological aspects, while managers perceive the economic and ecological pillars as similarly important. Four respondents state that in their opinion there is no difference in perceiving sustainability (P04, P11, P12, P14).

3.3.2. How Important Is Sustainability for Wine Cooperatives?

As the vineyards serve as the production base, the interviewees state that they have always tried to work in a sustainable way (P01, P07, P11). As viticulture corresponds to monoculture, rotational farming is not possible (P01).

Regarding sustainability as a value in society, the interviewed managers and experts perceive an increased awareness on behalf of the consumers, which also puts pressure on cooperatives. They state that cooperatives must apply sustainable management practices, increase transparency and communicate such aspects in the communication with the customers and end consumers (P02, P08, P15). The age structure of members in many and the 'traditional' form of business sometimes hinder changes towards more sustainability (P10). P10 feels that there is a greater need though to implement further sustainable management practices in the cooperative. Sometimes it is difficult and challenging to convince members to implement particular measures, techniques or to plant new grape varieties, for instance (P10, P15). The underlying problem is member heterogeneity and the property rights structure. Members are independent firms which can make their own decisions for their vineyards. The management can apply incentives or sanctions to foster certain decisions. Due to the varying age of members, the horizon problem also applies (P10). Those measures that are only going to pay off in the long run are very difficult to implement, as short-term goals are often more important to members (P10). The managers

agree that ecological and economic sustainability are important to the long-term success and existence of the cooperative.

Overall, most of the interviewees strongly feel that sustainability has become more important as a societal value (P04, P08). This aspect should be used as a selling proposition in the communication with end consumers (P02, P03, P05, P07, P08, P09, P15). Consumers ask for more information on the origin of products, and the production methods, ethical norms and sustainability are important for many. This also applies to wine: Knowing that a certain wine has been produced sustainably will help consumers to feel good when they buy the product, also increasing the willingness to pay (P09).

3.3.3. How Important Are the Three Pillars with Regard to Suppliers and Buyers?

The interviewees should assess the importance of the three pillars with regard to their relationship with suppliers and buyers. The interview partners named the economic pillar as the most important. Environmental and social aspects are rather seen as a basic requirement; certified producers often also demand certification of suppliers. Buyers, e.g., large retailers, also often require certificates (like IFS or organic certification). Three respondents mention that close and stable relationships with suppliers and buyers are very important (P03, P04, P07). Some seem to consider regionality as the decisive criterion when choosing suppliers (P08, P12, P13).

3.3.4. Which Measures Have Been Implemented So Far within the Environmental Pillar?

The measures implemented so far on the ecological level, which were mentioned by the interview partners, are very diverse. Most examples were given for the area of primary production (vineyard work, grape production). For most members/winegrowers, the ecological pillar is also the most important, as it affects their daily business. However, this pillar is also important for the management of the cooperative, as it affects the entire production process from grape production to marketing.

The cooperative can give recommendations on viticultural aspects, make regulations and create incentives to drive winegrowers to take certain measures. Most interviewees see the need for resource-saving viticulture and more environmentally friendly production methods. In some cooperatives, advice is offered on the appropriate use of irrigation measures in the vineyards, the choice of grape varieties to plant, the use of herbicides, etc. Since there is an ongoing discussion about the use of glyphosate in viticulture, most of the cooperatives advocate a reduced use of herbicides. In one cooperative, the use of insecticides is abandoned and instead pheromones are applied extensively (P07).

In addition, the organic cultivation of vineyard areas was also mentioned. However, it was emphasised that it is also possible to work sustainably and in an ecologically sound manner in conventional viticulture. The decision for or against organic viticulture is up to the individual member businesses. The cooperative can only provide incentives by setting up premium programmes in which higher payouts are granted for grapes from organic viticulture.

Inter-row cultivation with greening of the vineyards is also an important measure that contributes, for example, to the increase of biodiversity in the vineyards (P11, P12, P13, P15). Most cooperatives promote greened inter-rows.

The use of fungus-resistant grape varieties (so-called PIWIs) was mentioned by several interview partners (P04, P05, P07, P08, P09, P10, P12, P13). Such varieties are becoming increasingly important, according to the interview partners. The main advantage of these varieties is that less spraying against powdery mildew and downy mildew is required. Some of the new varieties also cope better with 'new' climatic conditions, which means that especially in view of climate change they could gain further importance (P08, P10). In some cooperatives there are probably also working groups for collegial exchange on the cultivation of such grape varieties (P05). The 'new' grape varieties are also seen as essential for the future cultivation of the vine in steep slopes (P05, P07, P09). Some cooperatives

offer advice on this subject. One cooperative (P04) even has a vine nursery and maintains close contacts with research institutes dealing with vine breeding.

In addition to the measures taken in the context of grape production, the cooperatives take action at different levels of the supply chain. In wine production and marketing, efforts are made to reduce resource consumption and to reuse resources such as water and energy. Examples include cooling the wine during fermentation, but also processes such as cleaning equipment and facilities used in wine production, etc. Some cooperatives use renewable energy such as self-generated solar energy. Downstream, packaging (materials used) and logistics (joint distribution) are taken into account.

Some cooperatives already work with certificates (IFS certification, FAIR'N GREEN certification, etc.) to use them in communication with consumers (P03, P07, P08, P15). Sometimes certificates (like IFS) are even requested by the retailers.

Overall, the wine cooperatives show a clear interest in continuing to promote sustainable production and management in the future.

3.3.5. Which Measures Have Been Implemented So Far within the Economic Pillar?

Respondents pointed out the importance of strategic planning (P02, P11, P15), control and investments (P02, P15). It was mentioned that it is crucial to strike a good balance between the level of payments to grape producers (members) and investments (P03). Economic sustainability for some managers means reducing costs or maintaining a lean cost structure (P07, P12, P13). P01 pointed out that product innovation is hugely important. For P11, it is important to build long-term relationships with customers and consumers (P11). One could not answer the question and made it clear that the cooperative is having difficulties with the ecological–economic situation (P10). The results show that the actions taken in relation to economic sustainability vary widely among the cooperatives involved in this study.

3.3.6. Which Measures Have Been Implemented So Far within the Social Pillar?

The respondents have a differentiated view of what social sustainability actually means. This can be seen in the examples given: some considered social sustainability more in terms of employees, some focused more on member businesses. One respondent took the perspective of management. (1) With regard to employees, the appropriate remuneration of employees (salary corresponding to the industry and market with several additional benefits) was mentioned several times (P01, P07, P11). In addition, jobs for the long term were mentioned as a feature of social sustainability (P01, P12, P13). Two mentioned that the cooperative is a training company (P01, P15), offering training and further education opportunities for employees (P15). One respondent talked about the company pension scheme (P01). One respondent stated that the social dimension is not a high priority in terms of employees (P10). For example, some staff had to be dismissed due to the financial circumstances caused by the pandemic. (2) Regarding members, two respondents pointed out that the main objective of the cooperative is to guarantee income stability for member businesses (P03, P05). Social measures that help to maintain a good relationship with members include communication and organising periodic information sessions (P02, P09, P12). This helps to create and sustain a sense of belonging to the cooperative (P09). (3) At the management level, it was mentioned that there is social involvement/volunteering in non-profit associations. The interviewee stated that the management volunteers in a number of associations (P15).

3.3.7. Which Challenges Do Cooperatives See with Regard to Sustainability and Sustainable Management Practices?

Very different challenges were mentioned with regard to sustainability.

- Survive in the market in the long term (P01, P07).
- Increase or stabilise the payouts for the grape producers (P04).
- Market the wines successfully (P05, P07, P11, P12), to create room for manoeuvre (P11).

- Convince the members of the high importance of implementing sustainable measures in all areas (P02, P03, P13).
- Heterogeneity of members and resulting difficulty in convincing members to implement certain measures (P09, P10, P15).
- Monitoring and control of activities of members with respect to sustainable measures implemented so far (P09).
- Difficulties in successfully marketing wines from fungus-resistant grape varieties (PIWI wines) (P07, P08, P09, P12)—consumers' knowledge about these grape varieties is still too low; moreover, the grape varieties have names that are not favourable for marketing and are still unknown.

4. Discussion

As mentioned earlier, cooperatives are nowadays still very important for most small-scale grape producers, as the production and marketing of wine would not be possible without the joint processing and marketing. Moreover, this form of enterprise is an important player in rural areas with regard to social aspects: cooperatives contribute to agricultural (rural) value creation, allow small producers to secure their income and provide employment for people from the surrounding area. Small grape producers are the ones most affected by structural change, which can be observed when taking a closer look at the size of the average vineyard area of grape producers in Germany. Cooperatives, as horizontal cooperation of producers, have the main task to support the members economically. Similar to the number of cooperatives in the agricultural sector in the European Union, the number of German wine cooperatives is also steadily decreasing. This reflects how challenging it is to survive in such a competitive market and support the members in the long run.

Because it is difficult (or even impossible) for wine cooperatives in Germany to pursue the cost leadership strategy to gain a competitive advantage, the differentiation strategy or niche strategy must be applied.

Brands support consumers in the orientation and shape consumers' choice behaviour; they stand for a certain quality level and, in particular, for certain values, that consumers can identify with. Brands allow the building of an emotional connection with consumers and trigger certain images in the minds of consumers. They play a central role in the marketing of wine as a tool for differentiation. Whereas only a small number of the cooperatives implement brand management successfully, the majority of cooperatives have difficulties in brand management. Successful brand management is a challenge for wine cooperatives. It requires market orientation and target group-specific brand development, a sufficient budget for investment in brand management, a long-term time horizon and continuity. Cooperative-specific challenges that can be derived from the 2019 study are tendency of high average age and unregulated succession (horizon problem), graduated decision-making with the participation of different bodies (property rights, heterogeneity of members) and tendency to invest in tangible assets (property rights, heterogeneity of members). This means that in many cases the management has a difficulty in making long-term investments in brand management.

Cooperatives are defined as a sustainable form of enterprise. The ICA furthermore clearly shows the relevance of cooperatives in the context of the SDGs. Thus, another possibility to differentiate from competitors is putting the emphasis on sustainability as a value that corresponds to cooperatives as a form of enterprise as well as to a strong societal value that gains importance.

In the 2020 study, the understanding of sustainability and applied management practices were covered. The results show a wide range in the implementation of measures within the framework of sustainable management. It is striking that the majority of interviewees do not have much to contribute to the topic of social sustainability. One reason for this could be that this pillar is taken most for granted, and in contrast the greatest need for action is seen in the areas of economic and ecological sustainability.

Overall, it can be stated that the need to differentiate from other wine producers through cooperative-specific values is recognised. Some cooperatives already use elements reflecting the “sustainable form of enterprise” in the communication with customers (e.g., sustainability labels). However, it remains open to what extent sustainability can be used as a value for differentiation.

Based on the limited existing knowledge and the research carried out, the results presented in this paper are rather preliminary in nature.

5. Future Outlook

Since it has not yet been investigated to what extent sustainability can be used by wine cooperatives as a value for differentiation, initial conversations were carried out in January 2021 with the management of nine cooperatives (IVP1–IVP9) (this was part of a students’ research project). These focused on values that are represented by wine cooperatives and their members and whether these can be used for differentiation. The cooperatives were located in seven German wine-growing regions: Hessische Bergstrasse, Saale-Unstrut, Württemberg, Rheinhessen, Pfalz, Franken and Mosel. The main results, which are “pilot” in nature, are presented in the following sections.

The statements of the managing directors regarding the *image of the cooperatives* go in the same direction. Even though cooperatives had a very old-fashioned image until a few years ago, this has improved in recent years. However, some cooperatives still struggle with the old-fashioned image and continually have to work on this image. One manager said that the values of the cooperative are recognised again by the public (IVP1). The “strengths of the cooperative” are being communicated more. The interview partners agreed that cooperatives stand for community and solidarity, regionality and sustainability.

Furthermore, the *identification as a cooperative* was covered. This section dealt with whether the cooperative also identifies itself as a cooperative to the outside or whether it rather tries to hide the fact that the producer behind the product (wine) is a cooperative. Some of the cooperatives have the cooperative in their name, others do not. If they are not called “cooperative”, the cooperatives often rather bear the name “... Winery” or “... Manufaktur”. The latter, for example, in German stands for a small-scale manufacturing business in which (highly specialised) products are (essentially or partially) handmade, resulting in high quality.

The initial conversations also covered the question “*Which values characterise cooperatives?*”. In the first step, the cooperative stands for a business idea or form of enterprise that represents the cooperative values. The cooperative values are, above all, the principles of democracy and solidarity, but also participation and equal treatment. The one-member-one-vote principle applies. Furthermore, values such as authenticity, reliability, mutual trust and mutual respect play an important role.

The surveyed cooperatives have a long tradition and have existed for many decades. They represent long-term businesses that have withstood times of crisis, such as the glycol wine scandal or financial crises. Therefore, the characteristic of longevity also is a characteristic of cooperatives.

Most cooperatives see themselves as “sustainable” enterprises because they have existed in the market for a long time. For some years now, the concept of sustainability has also been playing an increasingly important role in society and businesses, including cooperatives, have to be actively involved in the areas of social, ecological and economic sustainability. With regard to the consumers, one interviewee states “More and more people are developing an awareness of the value of food . . . The sustainable use of resources is becoming more important” (IVP4).

It was also discussed whether it is possible *to communicate cooperative values in marketing*. According to some of the interview partners, it would be possible to use the cooperative values as a selling proposition. It is important to emphasise the values in communication that show the greatest intersection between the cooperative and societal values of the target group (IVP5). For instance, if one includes sustainable and ecological aspects in

the communication, one could benefit from a higher willingness to pay of a certain target group (IVP6). One interviewee stressed that the image as a “strong community” can be communicated to customers and consumers as a positive image.

There is no consensus on the impact of the COVID-19 pandemic on consumer values. The interviewees have very different opinions. Some say it would not change much. Others, however, claim that individual values and the focus on the individual could increase much more again. Yet others assess the development in a way that consumers could even increasingly feel the need for community and belonging, which would again be in line with cooperative values.

Intersections between cooperative and social values identified in this survey are mainly sustainability and a sense of community and solidarity.

In conclusion, the results from the initial conversations held in January 2021 show that the cooperative management sees a possibility in using cooperative values such as sustainability or the sense of community and solidarity in the communication with customers.

The values and principles that originated in cooperatives in the 19th century still apply today. The cooperative corporate culture features a variety of social values [13,17]. The principles and characteristics of cooperatives show at least a certain intersection with the values that are also currently reflected in society (e.g., sustainability/Fridays For Future movement).

If the cooperative values are used to develop the cooperative itself towards modern, member-led enterprises, this “intersection” can be used in the communication with the target group. This line of argumentation also corresponds to that of Ringle [34], according to which cooperative values and principles (e.g., solidarity or democracy) should be brought much more to the fore when communicating with consumers. Recent studies show that these are values that are mirrored in society [35,36].

Thus, in order to successfully use cooperative values to address customers, it is necessary to “translate” the cooperative values from the 19th century into modern times. According to Ringle, cooperatives move in an area of tension between continuity and change, value tradition and progress [17]. Progress is important for cooperatives to continue to bind members to the cooperative and to survive successfully in the market.

Further research in this field is necessary. The statements made in the first discussions are not sufficient to make a clear statement on the extent to which sustainability can be used for long-term differentiation.

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