

**Cluster strength and structure: How does this impact on  
the complementarity of a region's wine and tourism  
industries?**

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## **Introduction**

The wine industry and tourism industry within a region share many commonalities such as geographic co-location and economic, social and resource assets. These are reflected in the emphasis regional development initiatives place on the complementarity these two industries exhibit through wine tourism. This complementarity, in terms of its nature and economic significance, varies considerably from one region to another.

The primary aim of my doctoral research is to develop a model of complementarity in regional wine and tourism clusters that describes how and to what extent cluster overlap influences inter and intra cluster strength and structure. This paper identifies the particular dimensions of a the Ballarat regions wine and tourism clusters and discusses how the extent and nature of this cluster overlap can assist in the inception of new opportunities in wine tourism.

## **Clusters in wine and tourism industries**

The phenomenon of regional clusters (Feser & Bergman, 2000) has been adopted as the means to explore the complementarity in locally based wine and tourism industries in this research. The use of clusters in the current international arena however, seems to focus increasingly on innovation or major industry sectors. In this context, clusters are commonly used as an economic development driver and policy vehicle. One outcome of this application is that localised rural regions and fragmented industries are seemingly being left by the wayside. In many instances rural sectors such as agriculture, and fragmented industries such as tourism (Leiper, 1995), are seen as residual cluster sectors with limited growth potential (Rosenfeld, 2001b). As a consequence, to define these rural/regional industry types as clusters

requires a broader approach to cluster identification. To be able to identify these types of clusters, there is a need to recognise unusual and smaller scale forms of interdependencies and, perhaps to use a broader set of commonalities (Rosenfeld, 2001b) than those used in identifying clusters via more traditional sectorial based means.

Because this research applies cluster theory to small rural/regional industry groups, a non-traditional approach is used. This approach assumes the cluster exists at some level (Rosenfeld, 2001a) and, as such, focuses on the cluster process rather than the cluster definition. In this context a cluster is ‘...simply used to represent concentrations of firms that are able to produce synergy because of their geographic proximity and interdependence, even though their scale of employment may not be pronounced or prominent’ (Rosenfeld, 1997). In adopting this approach, clusters of activity that may not, in their own right, have the economic significance or industry focus to be captured in more standard cluster definitions can be identified. This approach also recognises that a region may achieve economic advantages particular to that region through joint industry activity or cluster complementarity.

There are several factors that make cluster theory particularly relevant to understanding the relationship between the wine and tourism industries. These factors are based around an understanding of clusters that shows: co-location can be as important as physical resources; economic activity is often embedded in ongoing social relationships (Harrison, 1992; Porter, 1998b; Rosenfeld, 1997); and the intersection of clusters can be particularly vibrant (Porter, 1998). These factors reflect the spatial, economic and perceptual complementarity between regional wine and tourism clusters.

Clustering in the Australian wine industry has been acknowledged by Michael Porter in a recent article in *The Business Review Weekly* (James, 2002) and has been well documented

(Anderson, 2001a; Marceau, 1997; Marsh & Shaw, 1999). Examples of tourism industry clusters are not as clearly identified due largely to the fragmented structure of this essentially service based industry (Porter, 1998). However, using a broader means of cluster definition, tourism clusters have been identified (Enright & Roberts, 2001). The economic importance of both the wine tourism industries in regional Australia vary from region to region and there is a drive from both industries and governments to foster greater complementarity between these two industries by the promotion of a wine tourism product (Cambourne & Macionis, 2000; Dowling, 1998; Hall et al., 2000a; Macionis & Cambourne, 2000; Sutton, 1998). The significance of looking at wine and tourism industries as clusters provides an opportunity to gain a better understanding of the synergies between the two industries.

## **Method**

Clusters can be described as ‘a system of interconnected firms and institutions whose value as a whole is greater than the sum of the part’ (Porter, 1998b), and to gain a better understanding of a complex system requires the identification of key elements (Van Gigch, 1974). When comparing the diversity of cluster definitions and approaches throughout the literature, three common elements emerge: geographic elements, economic integration elements, and social elements. Through the literature, these elements are further divided into a number of dimensions (Bryant & Wells, 1998; Enright, 2000; Harrison, 1992; Jacobs & De Man, 1996; Rosenfeld, 1997, 2001, 2001a; Verbeek, 1999), such as geographic localisation, vertical and horizontal aggregation, innovation, critical mass, and social networks. Monitor high wastewater flow businesses and negotiate adjusted wastewater charges to reflect treatment costs

The framework developed for this study is the result of an understanding of clusters and complex systems. Firstly, the framework describes the wine and tourism clusters by determining the strength and structure of each of the elements and dimensions (Bryant & Wells, 1998; Enright, 2000; Harrison, 1992; Jacobs & De Man, 1996; Rosenfeld, 1997, 2001, 2001a; Verbeek, 1999). The second stage identifies and describes the structure and strengths of the complementarity between a region's wine and tourism clusters. Finally, the framework develops strategies that strengthen the identified complementarities. Using a case study approach, the study compiles secondary data, interviewing key industry representatives and surveying industry participants, to identify the extent to which the strength and structure of wine and tourism clusters effect wine tourism business development.

## **Results**

This case study is centred on the major regional city of Ballarat, which has a significant tourism industry focused around an icon attraction and a small, fledgling wine industry. Critical to this research is the identification, of those elements and dimensions of the wine and tourism clusters that advantage each other.

The research identifies all three cluster elements are important in the Ballarat tourism cluster. Within the geographic element location, localisation, existence of key player and infrastructure are important dimensions. Key economic dimensions identified include critical mass, locally supplied goods and services, a broad industry base, and innovation. Lifestyle and regional history are the main social dimensions. Evidence of limited interaction and information flows however restricts some cluster benefits. In cluster terminology, this would be described as a 'latent cluster' because it has critical mass and geographic concentration but active clustering processes are not well developed (Rosenfeld, 1996a).

Conversely, the Ballarat wine cluster is geographically dependent on natural resources, is regionally dispersed and of limited economic significance. It exhibits strong social dimensions particularly lifestyle, general social infrastructure and a strong regional association. This cluster could be describe as a ‘wannabe cluster’ or ‘potential cluster’(Rosenfeld, 1996a) because it lacks too many vital attributes to benefit from the cluster.

### **Discussion**

The case study suggests the implications of cluster overlap relate to the processes active between these two clusters. Both clusters share similar social dimensions with lifestyle, in particular, a major reason for business establishment. Whereas the comparative economic strength of the tourism cluster means the wine cluster regards it as more significant for business development than vice versa. This is reflected in the high number of wine businesses (73%) that indicated an active tourism industry was important for their business growth and almost half undertook some tourism related activities. This is compared to only one third of the tourism businesses viewing the wine industry as important for their business growth and was not a major influence on their location decision.

The economic strength and focused structure of the tourism cluster in this case study appears to result in limited interaction with the wine cluster. Whereas the wine cluster, which is less developed and more dependent on other regional businesses for growth, has forged a stronger relationships with the tourism cluster. This reflects the development of wine tourism in the regions in the following ways: the wine cluster predominantly drives wine tourism and there is limited wine tourism activity generated from tourism businesses.

## Implications

The impact of this limited or 'wine- sided' complementarity on the strength and structure of the wine or tourism clusters is uncertain. However it is clear that for future growth of wine tourism in this region, the wine businesses need to link themselves more critically to tourism business success. They need to become part of the main attraction and not operate in isolation if they want to maximise the development of wine tourism opportunities.

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