Identity creation and cluster construction: the case of the Paso Robles wine region

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Abstract

Through a study of a newly recognized wine production cluster in Paso Robles, CA, this article demonstrates that in addition to the commonly accepted features of an industrial cluster, such as suppliers, skilled labor and local knowledge sharing, a hitherto largely ignored feature is identity, which, while a socially emergent feature, has economic value. The wine industry is particularly suited as an ideal type because the cluster is legally strictly circumscribed. We demonstrate how cluster identity formation is the result of internal developments and external validation. In culture goods industries such as wine, identity performs a crucial role in the cluster’s development and success, but we suggest that this can be extended to other industrial clusters that have successfully created an identity.

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1. Introduction

Certain spatial agglomerations of related firms have a distinct identity that, while intimately related to the economic benefits of agglomeration and local knowledge sharing, is not reducible to these attributes. While the management literature has a relatively long interest in identity issues for firms (Albert and Whetten, 1985; Corley and Gioia, 2004), industries/markets (e.g. McKendrick et al., 2003; Kennedy, 2008) and regions (Romanelli and Khessina, 2005), geographers have only recently begun to explore identity in reference to industrial clusters (see Paasi, 2003; Staber, 2010; Staber and Stautter, 2010). This is remarkable given that regions such as Silicon Valley, Champagne, Bordeaux, Wall Street, Route 128, the City of London, Hollywood and Bollywood resonate with meaning. These names say a great deal not only about what is produced in such places and the firms that operate within them but also about locationally specific values and norms. In this article, the formation of cluster identity and its economic value is examined using a case study of the wine industry cluster in Paso Robles, CA.

Identities, regional and otherwise, are complex and dynamic social constructions created by actors and their audiences (Romanelli and Khessina, 2005). Moreover, as a result of social interaction, they evolve over time (Staber, 2007). In identity formation, two processes can be observed. There is an internal process, through which local actors
become aware of their shared interests and institute collective action (see, for example, Staber, 2010; Staber and Stautter, 2010). The establishment and maintenance of some measure of internal cohesion is vital for communicating with the other arbiter of regional identity: key extra-regional actors. The second process is recognition by external audiences of the legitimacy of the proposed identity, thereby validating its social and/or economic value (Brubaker and Cooper, 2000; Kennedy, 2008). External perception can be understood as building a reputation, which requires enrolling and, in some cases, overcoming the individual interests of the organizations within the cluster. If not integrated, then these individual interests can act as a centrifugal force (Patchell, 2008). Regional identity in the wine industry is so powerful that it can serve as an ideal type for understanding the identity creation process and its value. While identity might operate in less direct ways in regions well known for particular industries, we suggest that regions with strong identities derive value above and beyond that usually discussed in the agglomeration and cluster literatures.

Using a wine cluster as a case study to examine the role of identity in cluster formation has two advantages. First, the wine industry allows exploration of the issues of identity creation, cultivation and protection within a legally circumscribed geographical area. In the wine industry, possibly more than in any other industry, location is socially accepted as a legitimate and necessary identifying attribute. The concept of terroir is central to understanding the basis of a wine-growing region’s identity and, though evocative of natural phenomenon, it is the political, economic and social construction of a boundary (Patchell, 2008). Boundaries, as sociologists have observed, are important because they enable the creation of communities, identities and meaning systems (White, 1992; Gould, 1995).

A second advantage to a study of the wine industry is that the identity of a wine cluster can be appreciated and measured in a way other clusters cannot. We show that identity formation was explicitly pursued by local actors, particularly through their local trade association now known as the Paso Robles Wine Country Alliance (PRWCA). Because wine clusters are explicitly defined by the federal government’s designation of an American Viticultural Area (AVA), the availability of wine ratings allows measurement of the cluster’s visibility and reputation over time. In this article, the development of this external identity is measured through Wine Spectator ratings of Paso Robles wines.

The object of our study, the Paso Robles wine cluster, is a recognized California wine region that only emerged since the 1970s. The brevity of this history allows us to examine the evolution of this region from its origins in general agriculture to its current status. Further, in contrast to older regions in USA and particularly in Europe, it is an intentional creation and not the result of a process of historical accretion intimately linked to distinct cultural attributes. Being able to trace the cluster’s entire history is important, because it provides unique insight into the evolutionary process (Feldman and Braunerhjelm, 2006). The Paso Robles wine cluster evolved from a region

1 For a discussion of the establishment of legal regimes of appellations, see Simpson (2005, 557). In the case of Champagne, this became a political battle over what constituted the ‘natural region’ to be granted the appellation.

2 Terroir refers to the distinct and unique characteristics of a vineyard, including its altitude, soil, drainage, climate as well as its history. It is believed in the terroir system that wines produced from vineyards within the terroir quite literally embody these characteristics and are defined by them (Zhao, 2008, 168).
producing grapes as an identity-less commodity whose juice was blended with that of other regions, into a recognized AVA whose wine is well known to many connoisseurs. We demonstrate that the establishment of an identity for Paso Robles was essential to this transformation and that this process proceeded internally in shaping the behavior of actors within the cluster and externally as the quality of Paso Robles wine became known to key opinion-makers and then the wine-consuming public.

The article proceeds as follows. In the next section, the theoretical literature on regions and identity is discussed with reference to the wine industry. This is followed by a section which explicitly discusses identity in the context of the wine industry, including the methodology used in this study. The next sections discuss the evolution of the Paso Robles wine cluster and the more traditional regional indicators such as the development of suppliers, networks, knowledge sharing and buzz, labor mobility and support institutions. This is followed by an examination of the identity formation process and in particular the PRWCA, which began as an industry association and later evolved into a multi-industry association. Identity formation is not always uncontested. In the next section, we examine how an internal schism emerged threatening the regional identity and the schism’s resolution. The discussion and conclusion extend our argument about the value of regional identity formation to other spatially agglomerated industries.

2. Theoretical discussion

Since the writing of Alfred Marshall in the 1890s, the linkage between location, specific economic activities and social institutions has been widely recognized in economic geography and has been studied under the moniker of industrial districts (Becattini, 1990), clusters (Porter, 1998) or regional agglomerations (Krugman, 1991). Such regions can be limited to firms in a particular segment of the value chain (horizontal) or can include their affiliated suppliers and customers (vertical). Building upon Marshall’s observations, economists (David, 1985; Krugman, 1991) and geographers (Scott, 1988; Amin and Thrift, 1992; Markusen, 1996; Storper, 1997) observed the importance of increasing economies of scale and scope due to the industry-specific agglomeration of labor and intermediary inputs as explaining these firm concentrations.

While agreeing with the importance of the direct economic benefits of agglomerations of similar firms, other scholars have emphasized the significance of spatially anchored knowledge creation and exchange as providing unique advantages to clustered firms (e.g. Maskell, 2001; Pinch et al., 2003; Bathelt et al., 2004). This knowledge is part of the ‘buzz’ of inter-individual communication that creates and circulates information more rapidly within the cluster than to those firms outside the cluster (Storper and Venables, 2004). In these explanations, personal relationships facilitate access to specialized and actionable information and this can help to determine the strength of the spatial fix in a particular industry (Maskell, 2001).

The emphasis on knowledge goes further than simply access, but includes the idea that proximity allows not only the sharing of information but also a space of intense interaction within which new ideas can emerge (Brown and Duguid, 2000; Cooke, 2001). Such locations can become learning regions (Florida, 1995; Morgan, 1997).
certain respects, one of the defining characteristics of a region is the emergence of relatively coherent ‘rules of the game’ or ‘recipes for behavior’, i.e. a sense for what is legitimate and what is not (Gertler, 2003; Tallman et al., 2004). This knowledge is expressed in norms and mores that are of great importance in creating a collective identity (Cooke et al., 1998; Gertler, 2003).

The role of public goods and institutions is now accepted as significant for the growth and development of a cluster (Porter, 1998). In the wine industry, the role of public institutions in providing skilled personnel and actionable knowledge has been exhaustively documented (Schmitz, 2000; McDermott, 2007; Giuliani and Arza, 2009). Despite this work, the causality in terms of whether the public goods and institutions are vital to the creation of an industrial cluster or vice versa is not settled. In our case, the Central Coast wine industry, of which Paso Robles is a part, transformed one part of a local university, California Polytechnic State University at San Luis Obispo, to meet its needs.

The observation that human beings develop identities based upon their spatial location is well known (Sammarra and Biggiero, 2001; Molotch, 2002; Paasi, 2003; Staber, 2010), but less attention has been paid to the economic benefits that identities can provide (Romanelli and Khessina, 2005). For example, a high-technology startup might have greater investor credence due to the fact that it is located in Silicon Valley or an investment bank may be evaluated more highly because it has an address on Wall Street. It is difficult, however, to parse all of the benefits of participating in an industrial cluster to demonstrate the value of the identity. Because of its powerful linkage with physical location that is enforced by the legal authority of the State, the wine industry provides a controlled environment for studying the operational effects of regional identity. This is important because boundaries are necessary to delineate membership (Lamont and Molnár, 2002).

The identity creation process is one in which group members seek to convince or induce other members to adhere to a code of conduct (Patchell, 2008). Often, there are internal processes for encouraging adherence, and this may be reinforced by the actions of external actors. In some cases, this adherence can come through the actions of state actors that inspect and certify regional products, as is the case in many French wine districts. However, far more often adherence is voluntary. As sociologists point out, however, defection from local norms can lead to censure (Negro et al., 2011). The most obvious censure mechanism is the market, which can sanction an individual organization or an entire class of organizations sharing the relevant characteristic. In many markets, there are important intermediaries that act as gatekeepers whose evaluations affect the positive strength of an identity. For example, as in some other industries (Hirsch, 1977; Zuckerman, 1999; Hsu and Podolny, 2005), wine critics play a gatekeeper function in establishing the legitimacy of a winemaker. This legitimacy, while specific to an individual, extends to the region, thereby creating a ‘halo effect’ benefiting all the firms in the region. Interestingly enough, while in most cases halo effects benefit only lesser status individuals or organizations (Stuart et al., 1999), in the case of wine regions, improvement by the lesser status organizations also has a positive effect on the higher status organizations, as the overall regional identity is improved.

Identity construction is a multifaceted process. For example, geographers and sociologists have long recognized that industry associations play a role in creating legitimacy and identity in both industry (Carroll and Swaminathan, 1992; Aldrich and Fiol, 1994) and regional cluster formation (Pyke and Sengenberger, 1992; Dei Ottati,
Sammarra and Biggiero (2001, 72) observe that identity need not emerge only from horizontal similarities but also vertical complementarities. Identity entails adhering to and identifying with a particular population or community. And yet, even after being formed identity can be contested. Though there can be powerful social, economic and political barriers, individual defection is possible. When an individual defects, they must almost always secure another source of identity. In our case, defection can be as simple as not mentioning the source of the grapes. However, defection by an individual member, even if it is an elite member, will in nearly all cases not seriously affect the community and its identity.

The far greater threat to identity is a schism, a process whereby a sub-group defects en masse (Rao and Kenney, 2009). In cases where there has been significant investment in identity building, such a schism often becomes a serious challenge to the established identity and typically generates passionate responses. The responses are particularly extreme when the schism advocates are likely to be direct competitors, thereby challenging the existing identity. In the Paso Robles wine cluster, which faced such a schism threat, a compromise was fashioned when a number of centrally located defectors, in network terms, renounced the schism and supported a compromise based on creating sub-identities that were integrated under the overall Paso Robles identity.

Identity cannot be reduced to external narratives of ‘reputation’ or ‘branding’. As Staber (2010) shows, identity creation does not presuppose mutual aid, though this is often the case, but rather a sharing of certain common and self-recognized attributes. In addition to possible voluntary sharing of resources and/or risk, there is also unconscious or even involuntary sharing (Sammarra and Biggiero, 2001). This unconscious sharing is partially due to internal aspects, but is also imposed by external audiences. The wine industry differs from many industries in that identity is inextricably linked to a spatially determined location. The organizations in the region will, as Rao et al. (2000) suggests, in another context, not only ‘acquire a social identity from membership in formal and informal groups but also strive to maintain a positive identity’. The importance of maintaining a positive identity influences many decisions such as the willingness to assist competitors.

Champagne and Bordeaux, France; Chianti and Tuscany, Italy and, more recently, Napa Valley, CA, like more prosaic regions such as Silicon Valley or Wall Street, have identities based on mental conceptions of the region related to a complex of specialized economic activities. While not denying or devaluing the importance of natural endowments, in this article we illustrate how local actors creating a location for economic activity also establish an identity for their region (Paasi, 1991; Raagmaa, 2002). Particularly in culture goods industries like wine, identity performs a crucial role in a cluster’s emergence as a recognized and recognizable place (Adorno, 1991).

4 For much cultural production and, by extension, regions, ‘authenticity’ is a significant component of identity (Bourdieu, 1984; Glynn and Lounsbury, 2005). For wine, in USA, authenticity has a prosaic meaning, namely, that 85% of the grapes used in the wine must be from the AVA. This is not the usual meaning of authenticity in cultural goods, which rather refers to how something that is fabricated is seen to be authentic (Peterson, 1997). The role of critics and other opinion makers is significant. The role of wine critics in certifying Paso Robles wines as high quality was part of identity formation. In this case, the authenticity is congruent with the identity formation of the wines as being of high quality. The social construction processes seen in music and the visual arts appear to be less complex in the creation of the identity of a wine region, though not in the construction of opinions about the quality of a wine (e.g. Hope and Patoine, 2009).
creation of regional identity is especially important because wine has two manifestations: as a commodity (fermented grape juice) and as a premium product. In the second manifestation, wine is what Scott (2004) terms a ‘cultural product’. In such cases, place conveys more than just information, but also a mental picture, which cannot be reduced to the calculated production of a ‘brand’ (on wine branding, see Duguid, 2005).

3. Identity in a wine cluster

The academic literature recognizes that rural regions can be home to cultural production clusters (Ray, 1998; Scott, 2010). Cultural economies are based on ‘a tight interweaving of place and production system’ (Gade, 2004; Scott, 2004, 468). For example, European wine regions with appellations can be considered institutionalized cultural districts (Santagata, 2002; Lazzaretti, 2003). Santagata (2002, 21) found the act of implementing appellation control was necessary for the emergence of a tourist industry of hotels and restaurants serving regional cooking. The community property right assignment of being a unique wine production region was critical in motivating a movement to cooperative behavior and the recognition by regional firms of their common interests. Finally, for the premium wine industry, symbolic identity is of central importance for attracting consumers.

Considering wine-producing industrial districts as simply a location for the production of an exported product, as does Scott (2004), misses the dynamic of identity formation. At the commodity level this is an accurate representation, as the finished product of wine is itself exportable, purchasable and consumable anywhere. However, in the contemporary cultural consumption economy, there is another economic product, namely the experience of visiting the winery and experiencing a lifestyle (see, e.g. Brunori and Rossi, 2000). In fact, for many successful wine-producing industrial districts, winery tastings and tours, special events such as festivals and the hospitality trades, as well as the intangible scenic experience obtained by driving through wine country, are economic phenomena nearly as important as the wine exports, and they assist in establishing the identity. Thus, the identity of the wine region is 2-fold: (i) as producer of an alcoholic beverage and (ii) the location of a lived experience.

For the most part, winery districts and other crop-centric agricultural production areas have only occasionally been viewed as clusters. The most well-known exposition is Porter’s (1998, 78) analysis of the entire northern California wine region which he defined as a cluster comprised of ‘an extensive complement of industries supporting both wine making and grape growing’, ‘a host of local institutions…in wine, such as the world-renowned viticulture and enology program at the University of California at Davis’, and ‘weaker linkages to other California clusters in agriculture, food and restaurants, and wine-country tourism’. Becattini and Zorini (2003, 165) also view winery regions as a type of agricultural cluster comprised of ‘…interrelated combinations of commodities, services, values and institutions rooted in particular rural areas’.

This article builds upon the recent work on wine producing regions by Giuliani and Bell (2005) and Turner (2010). Both of these works focused on the networks of learning within wine clusters and found that the clustering of firms does not, by simple
proximity, produce learning within the cluster. Their results can be extended to identity formation, which results from interaction, and though purposeful, may not be consciously directed toward creating identity. Put differently, identity may be emergent almost as a by-product of repeated interaction. Like Paso Robles, the wine region of southern England is of recent origin. Turner’s case study, while focusing on informal and formal channels of learning within the cluster, has much to say about the cluster’s identity. In particular, he finds that a sense of cluster identity remains among the small wineries that founded the region and that the connections among these wineries constitute a communitarian network of informal ties.

A new wine region is very much like a new industry or organizational community. The region must create a collective identity, which, if accepted by external audiences, can reassure consumers of the legitimacy of its product. Successful establishment of an identity can attract yet more entrants whose arrival can have a positive impact on the value of the winery and its attendant vineyards. Social networks play an important role in building this identity (Powell, 1990). Thus, the development of a voluntary organization such as a trade association—in our case funded by local member contributions—can act both as a meeting place and as a host for information exchange, as well as contributing to the more generic task of building a regional ‘brand’.

The widespread use of wine ratings allows for measurement of a wine cluster’s reputation. This reputation is loosely referred to as a ‘brand’. Economists have recognized that regional affiliation may have market value in what they term the value of reputation. For example, Tirole (1996) introduced a model in which individual group members are judged by both their own past reputation, but also on the reputation of the group to which they belong, due to imperfect information on each individual member. Collective reputation has been applied to the study of the wine industry (Gergaud and Livat, 2010) and other agricultural regions (Winfree and McCluskey, 2005). Unlike the case of a single firm engaging in brand extension, though, each product in the group is produced by independent firms, so the group’s reputation resembles a common property resource for all members of the group (see also Patchell, 2008). The strength of the ‘reputation’ perspective is that it captures how important external actors impute value to the region; however, it does not capture the internal dynamics of identity creation.

Wine regions are defined by the source of their primary output—grapes to be transformed into wine. This gives rise to production externalities among the wineries within the cluster, which is legally defined as a viticulture area or AVA. 5 AVA regulations, enforced by the US Treasury Alcohol and Tobacco Tax and Trade Bureau (TTB), require that any bottle of wine with the name of the AVA on its label must contain at least 85% wine made of grapes grown in the AVA. This ensures that the identity that a region builds is protected.

The fact that being in an AVA has value is well established in the literature. Benjamin and Podolny (1999, 569), in their study of the California wine industry, found that wineries receive a quality premium from consumers by being included in a well-regarded AVA. Controlling for past quality ratings, they found that high-status affiliations have

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5 Although similar to the French system of Appellation d’origine controlee, and corresponding systems in other European countries, the AVA system differs in that it provides wineries with wide freedom in terms of the types of grapes grown and the wines than can be produced [see Simpson (2005) for the creation of the French system; see Barham (2003); Maher (2001); Moran (1993) for the AVA system].
a positive effect on price and that this effect is more pronounced for highly rated wineries. These findings receive further support in Zhao’s (2008) comparison of the California and French wine industries’ use of classification systems. Controlling for the rated quality of a given wine, Zhao showed that the price of the wine was positively influenced by being affiliated with an AVA or, in France, an appellation d’origine contrôlée. This effect was greater for French than California wines, but in both cases, the effect was statistically significant. In California, the value of an affiliation with an AVA was greater than being affiliated with the less exclusive county appellation, which in turn was more valuable than the state appellation—California.

Consumers believe that the quality of the wines made by wineries within the AVA is primarily a function of the soil and climate of a specific location. The perception of quality attaches to the wine district as a whole and thus applies to each winery within the cluster. This collective good of perceived quality is the result of a process of spatially determined identity construction. As a result, while wineries in a cluster are rivals, in many respects, one region’s wineries compete with other winery regions in the marketplace. In an interview, Lohr (2010) of J. Lohr Winery described this phenomenon in his approach to building his winery’s reputation and the importance of building the region’s identity:

When you have a young area, it’s more important to push the area rather than your brand. In order for the long term health for your brand, you need to have an identity. If your brand is in an area or AVA that is not known, it does not help your brand. [The best strategy is to] help others in the area grow better grapes and make better wines so you strengthen the whole area.

The success of one winery in strengthening its reputation benefits all wineries within the cluster—and the greater the number of high-status wineries, the greater the ‘halo’ effect for all (Patchell, 2008). This encourages the belief among the population of wineries and the ancillary hospitality industry firms in the AVA that they have a common stake and powerful incentives to promote their identity as a quality wine-producing region.

4. Data and methodology

This study draws upon four sources of data. The first source was popular and industry press articles mentioning Paso Robles and wine. Approximately 150 articles were downloaded and read. The second source of information are the quite lengthy filings with the Department of Treasury, Bureau of Alcohol, Tobacco and Firearms (later renamed as the Alcohol and Tobacco Tax and Trade Bureau) for the establishment of the AVA in 1983, in 1996 for an enlargement of the Paso Robles AVA and in 2007 regarding the division of the AVA were examined (Federal Register, 1983, 1996, 2007). Not only were the filings examined, but in each case, all of the comments by concerned individuals were read. For example, for the 2007 proposal to divide the Paso Robles AVA, there were 205 comments. Each of these was examined and classified in terms of opinion and the letter writer’s occupation where available. The PRWCA provided us their membership directory for the 6 years ending 2010, but unfortunately could not provide earlier records. In sum, these materials identified important individuals, provided insights and contributed to our understanding of the historical background on the development of the region.
A third source of information was 11 separate interviews with 10 individuals (Herman Schwartz because of his importance to the history was interviewed twice) in the local wine industry (see Appendix A for the names and positions of all interviewees). The interviews were of an ‘unscripted discursive’ nature, with notes written up afterward. They were not formally taped, transcribed, coded and analyzed in a conventional qualitative manner. The interviews were largely used to understand the context. These individuals were selected for their positions such as San Luis Obispo county planner or local extension agents, as they could provide overview perspectives or because of their importance to the industry. To illustrate, for certain interviewees, such as Professor Keith Patterson of the California Polytechnical University, specific questions were prepared. For example, in his case, the questions were about the history and growth of the wine and viticulture major at Cal Poly. A similar strategy was used for Stacie Jacob of the WCA. For the interviews with key winemakers that dealt with the history, culture and evolution of the Paso Robles AVA, an unscripted discursive interview technique was employed. The interviews were conducted by Chelsea Jarvis or Craig Beebe and detailed notes were taken and then reviewed and expanded immediately following the interview. Each interview lasted from between 15 min and 1 and 1.5 h. Finally, three team members spent 2 days in Paso Robles visiting wineries and engaging in unstructured conversations with winery personnel.

The final source of data was the construction of a comprehensive database of every winery in the Paso Robles AVA. Nearly 200 were identified, but it is likely that some of the smaller entities were not found. Most but not all of these were initially identified through the PRWCA and its website. However, we also searched for and found wineries that were not members of the WCA. From each entity’s website, data on its name, location, founding date, ownership and type of establishment was obtained. Nearly all of these had a website which allowed for the collection of information on their history, including its founders and the biographical background of the founders and winemakers. From the Wine Spectator database of reviews, we downloaded scores for every Paso Robles winery and then each rated wine was examined to ensure that the wine was from Paso Robles as some winemakers, such as J. Lohr, have vineyards outside the Paso Robles region. Those wines were excluded from this study.

5. Wine production in Paso Robles

Paso Robles emerged as an important wine-producing region only within the last 30 years, though its history producing wine can be traced back to 1797 with the establishment of Mission San Miguel by Spanish Franciscan missionaries (Ausmus, 2008). In the late 19th century, European immigrants carved large ranches out of Spanish land grants and began planting other Vitis vinifera varieties such as Zinfandel and Muscat (Rice and Cervellone, 2007). A number of commercial wineries were established and continued to operate until 1920 when, with the onset of Prohibition, they either closed or converted to selling non-fermented grape juice or sacramental wine. The later emergence of Paso Robles as a premium wine-producing region can be roughly divided into four phases that are reflected in the establishment of new wineries (see Figure 1).
5.1. Phase one—1970–1985

In this period, the modern Paso Robles wine industry was initiated by a few pioneers moving to the region. For example, Dr Stanley Hoffman purchased a large ranch west of the city of Paso Robles and enlisted the help of Dr Harold Olmo of the University of California, Davis (UC Davis), and famed enologist Andre Tchelistcheff, of the Napa Valley, to help decide which vines to plant on his land. This vineyard, known today as Hoffman Mountain Ranch, continues to produce. Around this time, Robert Young was the first to plant a large commercial vineyard east of the city of Paso Robles. A few others, such as Gary Eberle and Cliff Giacobine, planted their first vineyards from 1973 to 1977. At the time, most grapes planted in the Paso Robles area were sold for wine production to other regions, such as Napa and Sonoma counties or the Central Valley, where they were blended into the local wines. The purchase of their grapes by vintners from these regions indicated to Paso Robles growers that they had the potential to produce their own wines. This recognition gave rise to the idea that Paso Robles could develop its own identity as a quality grape- and wine-producing region. At this time the majority of operations were vineyards and there were few wineries. Led by long-time residents and growers such as Herman Schwartz and Tom Martin, starting in the early 1970s the growers organized themselves into an informal group to explore ways to increase the value of their production.

The early grower meetings centered on exchanging information on grape growing. In the process of these meetings, growers who were intimately familiar with the increasingly successful Napa Valley realized that they needed to bring ‘name value’ to Paso Robles in order to secure a higher price for their grapes. For them, the primary difficulty was that the quality of their grapes was only known to their external winery customers, who blended the juice of their grapes and then gave the resulting product a Napa or Sonoma appellation. Their grapes had no identity; they were only a
high-quality commodity. The first step to creating identity, then, was to create their own federally recognized AVA designation.

In the early 1980s, according to Schwartz (2010), then a grape grower in the Paso Robles area, he worked closely with Thomas Martin, who with his brother had shifted from dairy to grape growing, to help develop the AVA geographic boundaries. The growers realized the value of having ‘Paso Robles’ listed as an AVA on a label. Their decision was partially a response to the federal government’s new requirement that wineries without a designated AVA must list the county on the label (which in this case would have been San Luis Obispo). Absent an AVA designation, fulfilling this requirement would undermine the concept of Paso Robles as a region. As opposed to France, in USA there is never any official indication regarding the quality of wines produced within an AVA, though some wines having an AVA affiliation have been shown to command a price premium (Guthey, 2008; Zhao, 2008). To achieve their goal, Martin and Schwartz hired a surveyor and drew the boundaries based on the inclusion of every vineyard in the region—thus, the AVA was a socio-political creation, not specifically based on an attribute of nature or scientific analysis (Overton and Heitger, 2008). Although the area in the original AVA proposal was quite large, Schwartz and Martin, along with Gary Eberle, believed that in the future, smaller sub-AVAs might be created based on legitimate viticulture and scientific methods (Federal Register, 2009, 19918; Schwartz, 2010).

The Paso Robles AVA proposal was submitted to the federal government in 1982 (Federal Register, 2009, 19918). In 1983, the Paso Robles AVA was approved with 14 wineries (and another winery under construction) and 62 vineyards comprising over 5000 acres planted out of the 614,000 acres within the AVA boundaries (Federal Register, 1983, 45240). According to Eberle (2010), the large size of this AVA was due to a desire to include everyone in the region and because it was unknown at the time in which specific areas wine grapes would thrive.

In addition to securing an AVA, the growers explored various marketing strategies to increase their visibility. The result was a decision to organize a wine festival to showcase the region. The first Paso Robles Wine Festival in 1983 was very successful and would become the catalyst for growers to join with the region’s few existing wineries to discuss the establishment of a formal organization.

These first-wave wineries typically were relatively large and founded by people from outside of the region with education in viticulture and/or enology. These early pioneers laid the foundation of the Paso Robles wine cluster as they secured the Paso Robles AVA in 1982, launched the Paso Robles Wine Festival in 1983 and were later founders of the Vintners and Growers Association (VGA) (Chroman, 1983). They shared a vision of Paso Robles becoming a successful region and understood the importance of collective improvement. They created a climate of sharing knowledge and assisting newcomers as they willingly trained and mentored future winemakers.

6 Although most of the wineries in our database do not cite a specific connection to any particular winery on their website, many winemaker and/or founder biographies found in these websites cite one of these early wineries or their owners, especially Estrella River Winery (1973), Eberle Winery (1983), Wild Horse Winery (1983) and Adelaida Cellars (1981), for the assistance they received from them when establishing their own winery.
5.2. The second phase—1986–1993

In the second phase, 18 new wineries began operation as the pace of winery establishments accelerated from approximately one per year in the previous period, to slightly over two per year on average. During these years, Paso Robles attracted individuals from outside the region that already had wine industry experience. An example is Charles Ortman, who was a successful winemaker in Napa prior to purchasing Meridian Vineyards in 1988. Also in 1988, J. Lohr, a large Monterey County winery, expanded into Paso Robles and soon became the largest producer of Paso Robles AVA wines. J. Lohr did not operate just a branch operation, however, as Steven Lohr became active in Paso Robles and later served as chairman of the Paso Robles Wine Country Alliance (2009). There were also entrants from other industries, including those that previously operated other agricultural enterprises, as well as retirees from other occupations. This influx suggests that among wine industry cognoscenti, Paso Robles was developing a reputation for good wines. The other attractant was that land was still affordable for modestly wealthy new entrants.

Organizationally, during this period, there was a formal decision to establish the VGA. This was the first clear recognition by these two separate value chain components that they shared a common interest. The VGA, which was formally established in 1992, is the progenitor to what is today the PRWCA. Interestingly, the original VGA charter states the organization’s purpose is educational and meant to inform its members about new production techniques developed for the industry. Such prosaic interactions are the stuff of internal identity formation.

5.3. The third phase—1994–2001

From 1994 to 2001, winery openings greatly accelerated and at least 88 new ones were established—an average of 11 winery openings per year. In 2000, for the first time wine grapes surpassed vegetables as the chief agricultural crop of San Luis Obispo County (Paso Robles Wine Country Alliance, 2007, 1). The backgrounds of the new entrants were quite diverse and included lawyers, architects, engineers, restaurateurs, real estate developers, as well as an inventor of home security devices, an oilman and others from a variety of industries. This group was quite eclectic and many had previously produced wine only as a hobby. The trend of individuals with a background in agriculture turning to grape growing also continued. Further, several wineries were opened by individuals who had served as winemakers or in another capacity at other area wineries. International recognition, though still limited, also grew. For example, in 1997, L’Aventure Winery was founded by Stephan Asseo, a well-known French winemaker and he helped attract the attention of the preeminent US wine critic Robert Parker (Karim, 2006).

During this period, there were expansions of the AVA boundaries. This is interesting, because in Europe the boundaries are fixed legally and quite difficult to change, due to

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7 B&E Vineyards was founded in 1989 by a grape-growing family and Sylvester Vineyards was founded in 1990 by a local cattle rancher.

the strong cultural component. However, these spatial boundaries, though defended by appeals to science and tradition, are in reality political creations and mutable. For example, in July 1993 Justin Baldwin, of Justin Winery, petitioned TTB for an AVA expansion. In December 1994, Julia Ackerman, then Executive Director of the VGA, seconded his proposal and in 1996 the expansion was approved and the western boundary of the Paso Robles AVA was extended to include seven vineyards planted after the establishment of the original AVA boundaries (Federal Register, 1996, 29953). Interestingly enough, the wineries in the expansion area produced highly rated wines, so there was a benefit to be had by including them. As is the case with other industrial clusters, the geographical definition of an AVA is plastic; if the existing AVA members agree to an expansion. Paradoxically, as we shall see later, these new entrants would, during the fourth phase, become important supporters for dividing the Paso Robles AVA.

5.4. The fourth phase—2002–2008
From 2002 through 2008, substantial growth in the number of wineries continued, as approximately seven new wineries were opened per year. The increase in the number of second-career winery founders continued and included several high-tech executives, a retired NFL player and the producers of a reality television show. Given their inexperience, a number of these new wineries hired local consultants or winemakers to produce the wine. One former head winemaker from Justin Winery, Steve Glossner, established a consulting business in 2005 and appears as winemaker or consultant for a number of Paso Robles wineries. The period was paradoxical, because not only was there institutional ‘thickening’ underway (Scott, 1988), but there was also an attempt by the wineries on the west side of Highway 101 to create an entirely new AVA, Paso Robles Westside, thereby dividing the region. This direct threat to overall identity is important because it deepens our understanding of the regional identity formation process.

6. The role of local suppliers and educational institutions in cluster development
Prior to examining the identity formation process, it is useful to consider the development of the more traditional dimensions of cluster formation, including the emergence of various upstream suppliers and downstream users, the development of public goods provided by governments. We show that while these dimensions have come into existence, they are not sufficient to explain the cluster’s development, but are contributors to the successful establishment of an identity. Importantly, while the supplier base and public goods providers are not as significant, the formation of a local hospitality industry (i.e. downstream users) leveraging the wineries has been vitally important for developing the Paso Robles identity.

6.1. The local supplier base
The academic literature on clusters emphasizes the role of collocated suppliers (Marshall, 1890; Porter, 1998). In comparison to many industrial products, the direct inputs to wine production are relatively few and quite basic, consisting of grapes,
bottles, bottle closures of some sort, foil and labels. The most technologically sophisticated inputs are the machinery used in the vineyards and winery. The growth of these directly wine-related subsidiary trades in Paso Robles is not significant. While the literature has placed emphasis upon the development of a supplier base for the emergence of a cluster, as Table 1 demonstrates there is only a relatively thin supplier base in the Paso Robles region. In part this is because Paso Robles is located in California, which is home to the larger and more famous American wine regions of Napa and Sonoma, so many suppliers servicing Paso Robles’ wineries are located in the San Francisco Bay Area (see Table 1).

Paso Robles is unlikely to become as large and complex as the supplier base in the older and larger Napa-Sonoma region. However, a number of vineyard-related industries, including operations specialists, management companies, supply stores, irrigation consultants, nursery suppliers, farming equipment vendors and GIS service providers can be found in San Luis Obispo County or just over the Coastal Range in the Bakersfield area. Specialized equipment to be used for wine production is either manufactured or imported through San Francisco Bay Area (Napa-Sonoma) suppliers. Capital goods manufactured in Northern California include mechanical crushers/de-stemmers, grape sorters, presses and valves, barrels and fining agents. Imported foreign inputs include pumps, mixing equipment, racks, laboratory supplies, bottles and corks. Often these inputs are sold through winery supply stores located in Paso Robles.

For Paso Robles, the growth in complementary economic activities and, in particular, the hospitality industries, such as hotels and restaurants, has been of greater importance than the development of the supplier base. The appearance beginning in the 1990s of a hospitality industry, particularly high-end restaurants emphasizing fine dining and lodging facilities and catering to individuals interested in wine-related tourism has been relatively recent, but the industry is becoming more important (Peters, 2007). This was accompanied by the reformation of the VGA and renaming it the WCA, a change that allowed the hospitality industry to join as full members.

The development of complementary industries is now well underway in Paso Robles. The genesis of these industries is from serving tourists attracted by the wineries. This has sparked a virtuous circle in which having the appropriate hospitality industry attracted more tourists, encouraged them to remain in the area longer and increased highly profitable in-person winery sales paying the retail price of the wine. Further, some visitors join the wineries’ wine clubs, creating another direct marketing channel. The hospitality trades are absolutely dependent upon regional identity for attracting customers, so they have a powerful interest in increasing the visibility of the region and strengthening regional identity to external audiences.

In summation, Paso Robles’ upstream supplier base is relatively small and formed late, so significant further thickening is unlikely due to the Bay Area’s influence. The downstream complementary industries are of such significance, however, that the VGA opted to rename itself as the WCA, evoking a new identity with a greater emphasis on ‘lifestyle’. This broader identity is predicated upon the synergies of the wine production infrastructure with a cultural entertainment superstructure.

9 For an excellent discussion of similar evolutionary processes, see Chiles et al. (2004).
Institutions providing public goods are invariably identified as having importance in development and sustenance of a cluster cannot be provided by firms due to individual firm cost/benefit calculations (Becattini, 1990; Porter, 1998). These public goods range from creating new knowledge or serving as forums for information sharing and consensus building, to recruiting and training future workers. In the wine industry, the role of public institutions supplying public goods has not only been recognized, but is often given a prominent role (Porter, 1998; Giuliani, 2007; McDermott, 2007; Giuliani et al., 2010). In many clusters, the local institutions for providing public goods already existed or were created specifically to provide them. For Paso Robles, the reality is the opposite; the local wine industry was critical to building the viticulture and enology programs at California Polytechnic State University, San Luis Obispo (Cal Poly).

When the Paso Robles wine cluster was forming in the early 1980s, Cal Poly did not have a viticulture and enology program, though it taught a few classes addressing wine production. These classes were dispersed among a number of departments including food science, fruit science and business. As the Central Coast wine industry became an increasingly important employer of graduates, two professors, Keith Patterson and Phillip Doub, organized a minor in viticulture and enology in 1999. The minor was an immediate success, attracting 400 applicants.

With this validation, they undertook an effort to institutionalize a Viticulture and Enology major that would provide interdisciplinary training, with an aim of preparing graduates for positions in the small wineries characteristic of the Central Coast and Paso Robles. Because all new California public university majors must be approved by an arm of the state government, the proposing institution must organize support, while ensuring that similar programs at other university do not object to strenuously. To garner support for the proposed major, Cal Poly organized town hall meetings with

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6.2. Providing public goods—California Polytechnic State University, San Luis Obispo

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winery leaders throughout the state, and received support and donations of money and equipment from the E&J Gallo Winery and the Bronco Wine Company, the two largest Central Valley producers. A number of the Napa Valley producers, such as Mondavi, already had Central Coast production and gave their support as well. The wine and viticulture major was approved and officially began in 2004 and was immediately in great demand (Patterson, 2010).

While the Cal Poly program supported the entire Central Coast, its linkages with Paso Robles were strong. As an example, the first program development director had been the head of the Paso Robles VGA (Switzer, 2007a). Though Paso Robles wineries were supportive of the venture, they were too small to donate substantial amounts of money or equipment. Instead, many Paso Robles wineries provided internships and post-graduation employment opportunities (Patterson, 2010). Kenneth Volk (2010), a Paso Robles pioneer, was a Cal Poly graduate and served on the major’s Advisory Council. He also purchases grapes from the student vineyard, making the wine and donating the proceeds to the university.

As a training-oriented program, Cal Poly’s major product is graduates capable of working in smaller wineries characteristic of the region. It was the increasing significance of the Central Coast wine industry, and particularly Paso Robles, that created the receptive environment for the institutional entrepreneurs, Patterson and Doub, to build the new major. Conversely, having the major at Cal Poly contributed to yet greater institutional thickening. Finally, having a regional institution enhanced the recognition of the region, both internally and externally.10

7. Building an identity—the PRWCA

The PRWCA, with its predecessor the VGA, has been a critical actor in the establishment and evolution of Paso Robles’ identity. The genesis of the VGA was the committee that worked with the Chamber of Commerce to establish the annual wine event that started in 1983 (Jacob, 2010). This committee interacted regularly, but its purpose was to organize the festival rather than consider the overall wellbeing of the region. Key organizers were local grape growers including Herman Schwartz, Howard Steinbeck and Thomas Martin, all of whom emerged as regional leaders as Paso Robles matured. Schwartz and Martin were especially important because they organized the petition to create the Paso Robles AVA. The VGA created a venue for those who normally interacted only sporadically to meet for educational sessions held in vineyards or potlucks to develop camaraderie, but its crucial function was to raise regional consciousness (Cline, 2007; Jacob, 2010; Schwartz, 2010).11
In 2005, the VGA was rechristened the PRWCA to emphasize the connection between the wine industry and wine-related tourism ventures (Switzer, 2007b). The WCA is open to everyone related to the Paso Robles wine and tourism industry. This openness is particularly significant because of the constant flow of new entrants that must be appropriately socialized regarding the regional identity.

The important role of the VGA/WCA has been to market Paso Robles as a brand in an effort to increase recognition of the region as a producer of quality wines and wine-related tourism destination. WCA has a budget second in size only to the Napa Valley wine marketing group and is the ‘largest voluntary wine promotion group in the state’ (Cline, 2007). According to the WCA director, members usually pay significantly more money to the organization than is required, to allow the organization to host more events and trade shows (Jacob, 2010). While identity cannot be reduced to marketing and branding, this is a part of the creation process and the WCA actively pursues brand recognition.

External validation is vital to internal identity formation (Romanelli and Khessina, 2005). One of the main functions of the WCA is marketing and encouraging the belief that the Paso Robles region produces premier wines. It utilizes a variety of marketing tools to promote the Paso Robles wine region, including hosting wine and food writers, trade media groups (including international groups) and entering into partnerships with lifestyle magazines, notably *Food & Wine* and *Sunset*. The WCA hosts several annual wine events in the region, as well as a national ‘Grand Tasting’ tour that brings Paso Robles wines to cities nationwide (Switzer, 2007b). In one trade journal article, a prominent local grape grower and businessman credited the WCA with creating Paso Robles as a wine destination (Cline, 2007).

The WCA encourages the continuing addition of ‘new brands’ to the region, particularly boutique wineries, because they often receive higher ratings from the critics, thereby increasing the reputation effects and external validation. Though identity cannot be reduced to branding, the WCA pursues an aggressive ‘Brand Paso’ place-based marketing strategy (Thode and Maskulka, 1998; Switzer, 2007b). An anecdotal indicator of growing external legitimacy is evidenced in the decision by the US Public Broadcasting System to film its reality TV show ‘The Wine Makers’ in Paso Robles. The WCA works to create a collective sense of the ‘character’ of Paso Robles, as a laid-back but serious wine destination.

Initially, the VGA was formed to serve the needs of the growers. Although they understood the importance of the creation of wineries both to consume their grapes and to increase the visibility and value of their grapes, wineries only became important members later. When the VGA was formed, the critical outside judges were wineries outside the region that purchased their grapes. With the formation of new wineries, a critical new outside constituency for identity validation were the wine critics. As winemaking quality and the visibility of Paso Robles advanced, wine critics became key arbiters of Paso Robles’ identity. The evolution of the VGA into the WCA demonstrates that the internal and external constituencies for identity formation co-evolve.

8. Building a reputation—Paso Robles’ external identity

Paso Robles’ development as an identifiable wine region is evidenced by the recognition its wines receive from external sources and intermediaries. In the wine industry the
ability to get one’s wines rated in Wine Spectator is similar to the role of critics in evaluating works of art (Hsu and Podolny, 2005). To examine this recognition, data were collected on all Wine Spectator ratings of Paso Robles wines from the very first vintage year rated, 1978, through the 2006 vintage. Figure 2 is the count of all wines from Paso Robles that were rated by Wine Spectator by vintage year, regardless of rating score. Figure 3 shows the mean score of all Paso Robles wines for each vintage year from 1978 through 2006.

Over the entire time period, the number of Paso Robles wines receiving a rating increased at about five wines per vintage year. The greatest growth in wines being rated occurred from 1988 through 1995, which corresponds closely with the second phase of Paso Robles development. This period is when Paso Robles achieved its first recognition as an important wine region. As Figure 3 indicates, even as the number of wines being rated by vintage year was quite variable, the mean ranking showed a slight, but remarkably consistent improvement from 1986 to 2006.

Recognition of the wine cluster by media outside the wine industry is another important element in identity creation. While much of the reporting in the late 1970s and early 1980s was by relatively local sources (i.e. from Southern California, including the Los Angeles Times and the San Luis Obispo Tribune) coverage expanded over time to prominent national publications. Thus, from the almost incredulous tone of a 1977 Los Angeles Times article covering the growth of wine on the entire central California coast (Cannon, 1977), the reporting was increasingly positive as Paso Robles’ identity matured. ‘San Luis Obispo County vineyards are coming into their own’, was the headline for a May 1983 Los Angeles Times article highlighting the first Paso Robles Wine Festival (Chroman, 1983). By 1985, a Boston Globe article recounted the ‘unlikely’ story of Gary Eberle, one of the Paso Robles wine pioneers (Spinazzola, 1985). In 1993, a Chicago Tribune wine reviewer urged his readers to consider the ‘impressive wines’ emerging from the region (Rice, 1993). Throughout this time period, the Los Angeles Times frequently published stories about the Paso Robles Wine Festival and chronicled the growth in vineyard acreage and the increasing prominence of its wineries.

A 2003 article in Forbes had an especially significant impact on the expansion of the Paso Robles wine cluster, as well as on its self-image (Farnham, 2003). The article used the phrase ‘the next Napa’ to describe Paso Robles, describing the area as much more laid-back than the premier northern California wine region, but of almost the same caliber. Wine critic Robert Parker’s 92 rating of a 1999 L’Aventure vintage and Wine Spectator’s rating of the 2000 Isoceles wine, from Justin Winery, as one of the world’s top 10, are cited as evidence of the region’s rising star, a trend that Farnham (2003) dates to the arrival of ‘a new breed of vintner’ in the 1980s. The Forbes author noted that ‘great wine alone won’t boost the region into Napa’s league’, but added that several luxury hotels, two of which were located at wineries and ‘five or six Napa-class eateries’

12 Wine Spectator rates only submitted wines. From these, it presumably chooses the best ones for rating. For obvious reasons, wineries only submit wines that they believe will receive high ratings. In this sense, just being ranked is an achievement for a winery and the region in which it is located.
13 The data were collected in April 2010. Ratings for vintages after 2006 were not considered as wineries normally release their best wines 3–5 years after harvest.
had been established in Paso Robles. This signals that a regional collective identity was evolving to include the downstream hospitality industry.14

Equating Paso Robles with Napa struck a chord with the local and national press, and numerous stories of a similar vein followed. The local San Luis Obispo Tribune published several articles gauging local reaction, which interestingly was dismissive as

Paso Robles was claiming to have its own identity (Jarman, 2003a, 2003b). The local attitude, however, did not diminish a broader enthusiasm among wine and travel writers for referring to the area as ‘the next Napa’ or a variant thereof. For example, a 2004 Los Angeles Times article, specifically citing the burgeoning upscale food scene in Paso Robles, described it as ‘a Napa waiting to happen’ (Brown, 2004). Similarly, a 2007 New York Times article heaped considerable praise on ‘the next great wine region’, a title remarkably similar to that of a Sunset article the same year (Fish and Schneider, 2007; Tutelian, 2007). These articles emphasized the region’s food and hospitality options as well as its notable wineries.

This growing interest in the region on the part of the press is a signal of external validation of the identity of the Paso Robles wine cluster. The rising tide of news stories about the region and the increasing number of wineries and related businesses provides evidence for the connection between identity formation and economic success. By repeating similar themes and narratives about the status of the Paso Robles cluster, media sources reinforced an image of a rising star in the wine world, driving further expansion and identity construction.

9. Identity and schism: the Westside AVA controversy

For clusters in general, and cultural clusters in particular, spatial location is central to identity formation and presentation (Santagata, 2002). Yet identity is neither given nor immutable; it can become contested. If some in the community conclude that the identity does not represent their interests, there is potential for the defection of members or even a schism (Rao and Kenney, 2009).

The VGA was an inclusive organization. However, during the 1990s the number of new wineries established in the region grew dramatically. As Lohr (2010) related, ‘There is usually a seamless integration of new people into the AVA. People recognize the strength of the WCA and they want to be a part of the Alliance. If their winery is going to go somewhere, they realize they need to join and the Alliance gladly welcomes whoever wants to join’. In our interview, Eberle (2010) echoed this sentiment but also believed that, more recently, ‘some people are moving into the area and not really participating. When we were a smaller group, there was a lot more interacting between people’. The point is that both of these key regional leaders were committed to integrating new entrants. However, some new entrants were not as committed to the extant regional identity. Many of these new entrants were located on the west side of Highway 101 and included some of the wineries that had been the beneficiaries of the AVA expansion in the mid-1990s. These proved to be good candidates to join an attempted schism.

9.1. Advocating a schism

In 2005, a sub-group of Paso Robles wineries located on the western side of US Highway 101, which runs north–south through the Paso Robles AVA, petitioned for the creation of a new and separate AVA, to be named ‘Paso Robles Westside’. This

15 Some of these were fed to the media by the Paso Robles Wine Country Alliance. See Switzer (2007b) for evidence of the Alliance’s creation of ‘Brand Paso’.
defection is particularly interesting because the defectors proposed to retain the ‘Paso Robles’ name, rather than adopt an entirely new name. In effect, they intended to retain the strength of the Paso Robles identity. As in many schisms, the proposal for a separate AVA met strenuous opposition. One of the most powerful arguments of those in the opposition was that the proposed Westside AVA had no foundation in science, but rather was a marketing ploy advanced by wineries on the Westside to bolster their own sales. According to Eberle (2010), the opposition was based on the fact that the Westside ‘has the hottest, coldest, wettest, driest, highest, lowest, vineyards in the entire AVA with totally different soil throughout the region’, thus implying that there was no geographic consistency upon which the Westside secessionists could base their claim of a specific and distinct AVA.

Support for a separate Westside AVA among vintners on the west side of Highway 101 was based both on a perceived uniqueness to the west side of the Paso Robles AVA and the fact that some of the most highly rated wines in the Paso Robles AVA were being produced on the Westside. For example, in 1997, the Westside Justin Winery won the *Pichon Longueville Comtesse de Lalande* Trophy during the International Wine & Spirit Competition, held in London, for its 1994 Isosceles blended red, and, as mentioned earlier, in 2000 *Wine Spectator* ranked the 1997 Isosceles as one of the world’s top 10 wines (Farnham, 2003).

The belief among Westside winemakers that they were producing better wines and thus that a separate identity would be in their interest can be tested by dividing the *Wine Spectator* ratings in Figures 2 and 3 into the two newly proposed regions within the Paso Robles AVA: the Westside comprised of wineries west of Highway 101 and the Eastside comprised of wineries in downtown Paso Robles and those to the east of Highway 101. The results for the years 1988 through 2008 are shown in Figures 4 and 5.

Ninety-nine producers received a *Wine Spectator* rating for at least one of their wine vintages from 1978 through 2006. Twenty-three of the wineries account for 75% of the total reviews and the top 10 wineries account for 47% of all reviews. Of the top 10 wineries, 6 are on the Westside. A similar imbalance is seen when we look at the top 10 wineries based on their overall mean ratings. Of these, eight are on the Westside. This split between the Westside and the rest of the AVA is observed in the overall ratings as well. In both, the Westside can clearly be seen to dominate in terms of quality and prominence. While the Westside is much smaller in terms of acreage and number of wineries, it accounts for 61% of the total number of reviewed wines. This demonstrates that whatever ideological or personal motivations may have instigated the proposed schism, there was also an economic motivation for Westside advocates. However, the Westside advocates understood the external value of the brand identity that had already been built for Paso Robles as a whole and they intended to retain that value by retaining ‘Paso Robles’ in the name of their new AVA.

### 9.2. Schism resolution

In response to the petition, the Paso Robles AVA Committee (PRAVAC) was established, composed of 39 of the leading vintners and growers, including Westside AVA advocates and opponents. Justin Baldwin, a key player because of his highly rated wines, initially supported but then withdrew his support for the Westside petition and assumed the position of the vice chairperson of PRAVAC, whose eventual compromise was to propose 11 smaller sub-AVAs under the umbrella of the Paso Robles AVA.
In describing the compromise, Stacie Jacob, the WCA spokesperson, stated that they conducted ‘the largest collaborative effort that TTB has ever seen for additional appellations and that this resulted in a meaningful division of a large and diverse area into separate districts’ (Wine Communications Group, 2007). Most important, the compromise required that all wine labels carry the phrase ‘Paso Robles’ (Lohr, 2010).

Figure 4. Number of Paso Robles wine spectator reviews vintage years: 1986 through 2006.

Figure 5. Mean rating of Paso Robles wine spectator reviews vintage years: 1986 through 2006.

(Karim, 2007).
The compromise in 2007 prompted the WCA to encourage Sam Blakeslee, the Republican in the California State Assembly representing San Luis Obispo County area, to introduce legislation for conjunctive labeling requiring that all wines with at least 85% of the grapes sourced from Paso Robles AVA use the larger appellation’s name along with any future sub-appellation. After its passage, Paso Robles became the nation’s second wine region, after Napa, to have a unified labeling law. Through this codification of the settlement into state law, the attempted schism actually reinforced the Paso Robles wine cluster identity (Wine Communications Group, 2007). This law effectively ended challenges to the collective identity.

10. Discussion

The legally sanctioned place-based production system of the premium wine industry makes it both a special case and an ideal type capable of providing insight into the economic value of spatially anchored identity. When studying the creation and value of identity, the clarity of the cluster boundaries is particularly helpful. If, as we have argued, identity is something in addition to the other attributes of cluster, it was necessary for us to describe those aspects of the Paso Robles cluster that are commonly considered cluster attributes and only indirectly related to identity.

Commonly, one of the first attributes examined in a cluster is whether vertical and horizontal linkages are present. Paso Robles has some local suppliers of relatively simple inputs, but with a few exceptions, sources most inputs from the much larger wine industry complex centered in the Napa-Sonoma region. However, the wineries became the base for downstream complementary hospitality firms. This is important because, as Santagata (2002) noted, these firms are dependent upon regional identity. Effectively, as Paso Robles became more externally validated as a producer of premium wines, it became the home not only of more wineries, but of other organizations able to benefit from the heightened identity. Most important, due to their dependence on this identity, these affiliated organizations have a powerful motivation for enhancing the identity internally and externally.

Much of the previous research on the wine industry (Porter, 1998; McDermott, 2007; Giuliani and Arza, 2009; Turner, 2010), and on many other clusters, has identified local universities or public research institutions as critical for the development of a particular cluster (e.g. in biotechnology, see Zucker et al., 1998; Owen-Smith and Powell, 2004). Our case study yields another significant result; namely, it was the growth of the Central Coast wine industry, and particularly Paso Robles, that created the conditions for Cal Poly to expand and formalize its Wine and Viticulture major. Though this is a single case, it draws attention to Feldman et al.’s (2005) contention that entrepreneurs can create the cluster while building their firms, but more than that, can encourage government and other actors to begin building the complementary assets necessary for further cluster development. Said differently, the direction of causality from university research to local industrial development can be in either or both directions.

The role of industry associations in clusters has received significant attention. In Paso Robles, the VGA was established with the purpose of bolstering the reputation of the local grapes, thus resulting in a higher price paid to local growers. The association held meetings at which information was exchanged and new entrants were socialized into the regional norms, which is the stuff of internal identity formation. The VGA also
undertook typical branding exercises with external audiences. These efforts began with the Paso Robles Wine Festival. More important, though, was the recognition that identity creation required wineries, i.e. another step in the value chain. As the region developed, the VGA recognized that the hospitality industries were also a key contributor to the evolution of its identity and, as a result, renamed itself the WCA with a more inclusive membership. Many have remarked upon the significance of industry and/or regional associations (e.g. Howells, 2002), but fewer have shown that their role can be dynamic and evolving.

Returning to the work of Romanelli and Khessina (2005), we demonstrated how Paso Robles actors advanced their identity-building project both internally and externally. Internally, these efforts were as prosaic as organizing meetings at which information was traded, but also where the more experienced vintners and growers mentored the newcomers. While undoubtedly conveying economically important information, these meetings also socialized new entrants, thereby reinforcing internal identity.

The process by which external audience arbiters played a role in identity formation was also examined. Paso Robles’ success is suggested by the consistent increase in the number of wines and the average rating in *Wine Spectator*. These ratings are vital because they provide consumers with an ‘unbiased’ source of information and good ratings validate the identity of a region. The ratings also create and validate cluster leaders. Moreover, improved ratings for any wine produced in the AVA have a positive impact on the entire region. While this may create a ‘freeriding’ problem as the identity of the AVA is a common property resource of the cluster, such issues are mitigated by the peer pressure for all to improve and by the active culture of information sharing.

While identity is important and valuable, it can be contested. Such contestations can be traumatic. The proposed establishment of a new AVA, Paso Robles Westside, threatened the unified identity. There were concrete economic reasons for the defections as the Westside had a significant superiority in terms of ratings. The response to the challenge was to form a committee to search for a compromise, which resulted in the creation of sub-AVAs or, effectively, sub-identities. Following the compromise, the region turned to the government to seal the agreement, thereby dramatically raising barriers to future schisms.

11. Conclusion

If our findings were only relevant to wine, agricultural, or indeed, cultural clusters, then the results would be interesting but of limited generalizability. Our results are of greater significance and generalizability, however. While most industrial clusters have less clear boundaries than the one discussed in this article and such boundaries are not legally sanctioned, there can be significant value in regional identities. For example, by virtue of its location, an electronics, internet or semiconductor firm located in Silicon Valley can increase its credibility to venture capitalists and even to public investors, thereby giving it greater value and facilitating the raising of further capital. A similar case is likely to exist for an investment bank located on Wall Street or a movie producer or actor located in Hollywood. There has been little research attempting to value locational identity. In most sociological and economic studies, hot spots such as Silicon Valley are analyzed via a ‘dummy’ variable, which is simply used as a control, though it
is very often statistically significant. For example, in a study of the biotechnology industry initial public stock offerings, Deeds et al. (1997, 42) found that ‘a firm that relocated from outside of one of the [seven other] geographic concentrations to Silicon Valley would increase the amount of capital it could raise through its initial public stock offering by $5.6 million’. Since the average amount of capital raised at an IPO was $20.4 million, being located in Silicon Valley increased the amount of capital raised by $5.6 million. Gulati and Higgins (2003), in studying biotechnology firm IPOs, also found location (in the top three locations for biotechnology firm IPOs) significant as a control variable. Admittedly, these results are imperfect measurements, but they suggest that the value of locational identity exists and is substantial.

The economic value of identity derived from spatial location has received little attention in economic geography. Using the case of a legally delimited spatial identity, we attempted to account for other valuable components of clustering and argued that identity had its own value beyond the well-known incorporeal attributes such as knowledge sharing. In future cluster studies, the value and significance of both the internal and particularly the external aspects of identity should be considered. Absent external validation, the identity might produce strong internal solidarity and knowledge sharing, but the economic value is unlikely to be great. Without internal cohesion, a putative cluster is likely to be rather incoherent and, possibly, not exist in a practical sense. Identity is receiving greater attention in sociology and management studies, but only recently has its significance in understanding the agglomeration of economic activities begun to be studied.

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References


Eberle, G. (2010) Phone interview by Chelsea Jarvis. 7 May 2010, 3:00 p.m.


Patterson, K. (Professor of Viticulture, California Polytechnical University, San Luis Obispo). *Telephone interview by Chelsea Jarvis*. 16 February 2010, 10:30 a.m.


Schwartz, H. Telephone interview by Chelsea Jarvis. 16 February 2010, 3:30 p.m.; 26 April 2010, 1:00 p.m.


Volk, K. (Proprietor, Kenneth Volk Winery). (2010) Phone interview by Chelsea Jarvis. 27 January 2010, 10:00 a.m.


Appendix

A. List of interviewees

Battany, Mark (University of California Cooperative Extension Agent for San Luis Obispo). By email with Craig Beebe, 21, 27, 28 January; 12 April 2010.

Callado, Susan (Public Information Officer, San Luis Obispo County Department of Planning). By phone with Craig Beebe, 28 January 2010, 2:00 p.m.

Eberle, Gary (Proprietor, Eberle Winery). By phone with Chelsea Jarvis, 7 May 2010, 3:00 p.m.

Jacob, Stacie (Director of Paso Robles Wine Country Alliance). By phone with Chelsea Jarvis, 4 February 2010, 4:30 p.m.

Lohr, Steven (Executive Vice President/Chief Operating Officer, J. Lohr Winery). By phone with Chelsea Jarvis, 2 March 2010, 2:00 p.m.

Nall, Karen (Planner, San Luis Obispo County Department of Planning). By phone with Craig Beebe, 29 January 2010, 1:00 p.m.

Patterson, Keith (Professor of Viticulture, California Polytechnical University, San Luis Obispo). By phone with Chelsea Jarvis, 16 February 2010, 10:30 a.m.

Schwartz, Herman (Former Grower in Paso Robles AVA). By phone with Chelsea Jarvis, 16 February 2010, 3:30 p.m.; 26 April 2010, 1:00 p.m.

Steinbeck-Newkirk, Cindy (Proprietor, Steinbeck Vineyard). By phone with Chelsea Jarvis, 21 April 2010, 3:00 p.m.

Volk, Kenneth (Proprietor, Kenneth Volk Winery). By phone with Chelsea Jarvis, 27 January 2010, 10:00 a.m.