

Management for Professionals

Pierre Mora

Wine Positioning

A Handbook with 30 Case Studies
of Wine Brands and Wine Regions
in the World

 Springer

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Pierre Mora
Marketing Department
KEDGE Business School
Talence
France

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What Do You Say with Your Wine?

I am from a region, Bordeaux, where each family was accustomed to having its doctor, notary, watchmaker, confessor. . . and its winemaker. I am from a country, France, where traditionally people drank two glasses of red wine every day, noon and night, and almost always the same kind of wine. Changing kinds would have been perceived as an infidelity. White wines from Val de Loire were drunk mostly on Sundays with oysters; Rosé de Provence on holidays with fresh salads; Easter lambs were associated with Burgundy; and Sauternes or Loupiac were served at Christmas. Habits were simple and volumes predictable. People used to “drink the cellar of their father and prepare the cellar of their children.”

Then I traveled through the wide world of wine. I discovered the wines of Somontano facing the sun of Aragon in Spain and those of Friouli in Italy refreshed by the Bora wind coming from the Alps. I was impressed by the courage of the winemakers at the foot of the Andes who attempted the adventure of export to the United States and Northern Europe.

I was excited by the Californian viticulture, land of entrepreneurs, powerful brands, innovative wine tourism, and commitment to Pinot Noir. I agreed with wine growers from Australia to South Africa, from New Zealand to Germany, who explain that the viticulture must be *green* or organic if it wants to transmit a peaceful and sustainable message to future generations.

I visited international fairs in London, Düsseldorf, Hong Kong, and Bordeaux, where I met wine merchants and retailers who bring all their value to an industry that entrusts them with the marketing of their products. I observed young consumers in India and Scandinavia meticulously learning the codes of tasting, something completely new for them.

Once back home, I wrote this book to share these stories of diversity, not of the elite but rather the everyday people. Two issues are of concern: terroirs and brands. At a time when production is higher than consumption in the wine world, all growers have one idea in mind: how can they express their uniqueness and be perceived as special?

What do you say with your wine?

Behind this recurring question hides another: what makes you different? The goal of this book is to help winegrowers answer this question.

I would like to warmly thank my students of the *Master Vins et Spiritueux* from KEDGE Business School who helped me analyze brands and *terroirs* positioning. This journey is dedicated to them.

Bonne route!

Bordeaux, France
September 2015

Pierre Mora

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Throughout time, the act of producing and selling wines has alternated between a passion and a struggle. It takes passion to elevate the excellent assets supplied by nature and then through techniques invented by humans protect the quality and ensure the quantity. But it is also been a struggle since ancient times for winemakers to fight for, identify, protect, and develop their wine-growing areas, especially to ensure outlets close to their vineyards and also at the other side of the world.

To accomplish this, some have organized themselves into complex sectors where everyone—most often in the form of small or family businesses—plays a part: producers, fruit growers, winemakers, brokers, traders, retailers, exporters, and so on. These actors expressed very early their need to be recognized and to defend their geographical, geological, and historical identities along with their specific expertise. They invented a system of appellations, based on highlighting terroir identities. This approach is often called *product-driven marketing*.

Others involved with wine have instead chosen short channels, producing massive quantities and integrating parts of the value chain into large, powerfully funded groups. Their goal was to be closer to end markets and adapt their wine to the expectations and behaviors of consumers. This is reflected in the actions of entrepreneurs who spontaneously have developed their business model on strong brands. This model first emerged after the industrial revolution in the nineteenth century with specific productions—Champagne and spirits, for example—then gradually developed in the twentieth century in the production of New World markets. Strong wine brands appeared. Indeed, it is known that most brands come from strong industrial bases. In this sector, brand orientation is often called *demand-driven marketing*.

Passion and struggle: since the Middle Ages many writings reflect this duality in France. Wine production has led to alliances, especially among France, England, and the ports of the North Sea, the first real international markets for these products. Later, the Spanish empire faced considerable tension when the first productions of the Andes in Argentina and Chile economically threatened the Spanish central regions of La Rioja, La Mancha, and Ribera de Duero: potentially an

overproduction could occur because of their imported wines. More recently, New World producers—the United States, Australia, South America, and South Africa—have again raised concern about how the wine market will be structured among the various actors.

Today, the struggle for territory is not only geographical. Indeed, in a context in which the majority of wines—up to 80 % of them—are sold in supermarkets or hypermarkets, the question of end-consumer access needs to be posed differently. Should we help and influence the consumer by continuing to use the traditional but sometimes complex codes of wine regions, that is, the appellation system? Should we instead give wine the most fleeting signs of trademarking, making the choices easier to read?

Finally, with the twenty-first century, e-business also has emerged in the wine industry and new rules require identifying, qualifying, and communicating directly with the end consumer. The Internet thus challenges traditional forms of marketing, but the question remains the same: how can winemakers create value and find their place in the globalized world?

1.1 Finding Wine's Place in the Context of Globalization

Today the wine industry is globalized. Many growers thought that their production would be consumed locally or nationally. But with globalization the producer must fulfill the needs of a consumer who does not often have the same cultural, gastronomic, and economic codes.

The way people drink wine has evolved. Since the 1950s the wine industry has had to change from providing for a local and daily consumption of large volumes (as an example, more than 80 liters per adult per year on average in France, Italy, and Spain 60 years ago) to a current international consumption in which occasional drinking is the main rule. Average personal consumption does not exceed 50 liters in most consuming countries and is often much less. This reflects a change from a volume orientation to a value orientation.

The following current production and consumption statistics prove that we are now in a global overproduction:

World production: 270 million hectoliters (HL) per year
World consumption: 240 million hectoliters (HL) per year
Source: MarketLine Advantage (2014).

The consequences of such overproduction are well known: price competition, concentration and integration of the actors, need for clarity in the offered product, high demands by makers and distributors to force their selections to be placed in front despite complexity of the selection criteria, and a jockeying of power between distributors and retailers who are closest to the end consumer.

Three regions of the world produce almost half of the global volume of wine production: France and Italy (45 million (M) HL each) and Spain (37 MHL). These leading countries are seeing their market shares gradually erode because of the arrival of new players every day. In addition, a decrease in consumption characterizes their domestic markets, pushing these countries to develop new strategies for export. This is particularly true for Spain. However, as these wine-making regions of the Old World are often fragmented into many small players, their key success factors are challenged regularly. In their wake, Germany and Portugal are developing similar models of development trying to avoid stagnant domestic markets.

By contrast, outsiders—Chile, Argentina, South Africa, New Zealand, East of Europe like Romania or Bulgaria, for instance, and tomorrow maybe China—who are often located on the outskirts of the world wine, have many advantages: lower production costs, fewer regulatory constraints, more flexible fiscal and social rules, uninhibited marketing approaches, and efficient supply chains, in particular. However, it will take these players many years to fix definitively a solid and permanent reputation and brand image in the minds of the international public. Thus presently most of these players are turning away from an elitist positioning, which is defined as providing wine mostly produced by old appellations, composed of complex blendings, distinguished in official rankings, and drunk by connoisseurs.

Between these two markets are the challengers—including the United States and Australia—controlled by powerful, integrated players who are capable of financing and conducting international advertising campaigns. These countries have the advantage of already benefiting from great recognition in international markets. Sometimes, however, lack of territorial anchoring seems to justify their failure to express the character of their production. Players then try to highlight the characteristics of their terroir.

Finally, as in many other economic areas, China has also progressed in the wine world. This country is now in the top ten for production. China has the potential to become a major player because its territories are vast, climates are diverse, and the workforce is cheap and available. Additionally, an internal market is now booming and is being more and more protected by the government.

Whether you are a leader, challenger, outsider, or newcomer to the wine world, the concern is the same: what is my place in the market? We will see throughout this book that the worst place to be is lacking clear positioning and stability. To address this issue, however, we need to define the strategic arena where these actors coexist. Indeed, the world of wine is really heterogeneous: some products belong to the world of luxury and elitism. Others are for daily use and dedicated to the mass market. Comparisons are not possible, so we first need to define our framework.

1.2 The Reality of Terroirs and Brands

The media coverage of the wine world dedicates a large place to some mythical or famous areas that embody excellence to the public. Copying the Old World, actors from new wine regions also tend to adopt this strategy, resulting in selling prices that have nothing to do with production costs. Often the European production regions have not chosen the lowest costs. Instead they set constraints, sometimes too much according to some, to ensure a homogeneous and high level of quality. Other dynamics are at work in the Old World: relying on particularly renowned terroirs, using famous winemakers, building connections with media and wine journalists, and investing in public relations and networks. The Old World wine business model is based on international rankings. As we know, this industry likes to benchmark and classify, permanently, their product, the most famous ranking being “le classement de 1855.”

This book will not discuss this aspect of the wine world. It is certainly emblematic of one sector, but it does not represent the reality and everyday life of the entire wine world, particularly in terms of volume produced. For instance, in the Bordeaux region Grand Crus represent about 5 % of the total volume of production.

The same can be found in wine branding: some wineries have chosen the world of luxury as their playground. Without defining strict borders, we shall not penetrate this area, which includes brands offered at more than US\$30–40 per bottle. These actors represent only a small segment of the producing and consuming world population.

We also exclude sparkling wines, such as Champagne, from our field of study. Indeed, in terms of positioning and marketing, it seems that this sector is closer to spirits and other luxury mechanisms than still wines. The comparisons would be too different.

Our framework is made up of brands and appellations that constitute the reality of everyday life for wineries in proximity to the consumer. An indicative price range therefore situates the discussion of products that cost between US\$5 and US\$20 for a 75 cl bottle, though this range is given for guidance only. Despite a significant price range, the marketing methods are likely similar. Comparisons among these wines can identify key success factors.

Brands and appellations represent the models compared in this book. *Origin* refers to the geographical location of a wine. *Terroir* personalizes geography, climate, geology, and even methods of working the vineyard. *Appellations* are possible through accreditation obtained after a review of production by a jury of peers or by an independent board of certification. The appellation is a kind of intellectual property and is protected legally.

Wine branding is itself a tool of a vineyard’s marketing policy. Larry Lockshin and colleagues¹ sees it as “a bunch of attributes that defines the identity of the wine to the buyer’s eyes.” The point of this definition is to consider the point of view of

¹ Larry Lockshin et al. (2000)

the buyer to understand demand. But the fragility of this definition is the term *identity*, which for some observers is difficult to define.

Other approaches of branding have been proposed by researchers such Catherine Viot and Juliette Passebois²: “standardized quality wine” with “low complexity” and “elaborated by merchants with wines coming from several vineyards,” but also “high product scale,” according to “strong marketing codes” [codes here mean packaging, label, communication, merchandising].

Observers of the wine industry often oppose marketing representing the terroirs and specific brands. The reality is probably more nuanced. However, some countries clearly have promoted one marketing model over another. France, for instance, with more than 450 appellations, promotes its wines unmistakably expressing their local identity. By contrast it is common in Australia or California to find wines that do not mention anything about their origin. This is not the most important characteristic of the wine and marketers prefer to communicate about the varietals and the matching of their wines with specific foods.

Is it necessary to extinguish the brand system to protect the appellation? Or is it efficient to forget the origin and promote the uses of a wine? Observers remember that in the 1950s, powerful everyday brands existed in Western Europe and then progressively disappeared. The reason comes from a will of the governance of the sector: protecting and promoting terroirs. The appellation system promoted territorial identities, which could have been the result of lobbying by the terroirs. But supermarkets are powerful enough to promote a model based on strong brands. These distributors argue that it is desirable to simplify the choices for consumers by leveraging readable brands.

The debate about how to position wine continues.

In this book we will enter into the discussion using an angle that does not promote controversy. We will base our conclusions on a series of case studies of brands and appellations. Our goal is simple: in a context of global overproduction, we will try in each case to identify the reasons that justify the wine’s position; we will point out possible weaknesses and see how a policy of differentiation could be profitable.

1.3 Global Market: Trends and Forces

Despite a global oversupply, we can consider that from now until 2018 wine will be characterized by a favorable trend in terms of growth. According to figures provided by the MarketLine Advantages database at the end of 2014, the total value of the global market in this sector should increase from US\$277 billion in 2013 to US\$343 billion in 2018. Growth is however disparate across the globe. Thus it is estimated at approximately 4 % for the Americas, 2 % for Europe, and 12 % in Asia Pacific. Indeed, these three areas concentrate presently most of the

² Viot and Passebois-Ducros (2006)

Table 1.1 Wine shares of the main world areas and trends

	Market share in value (2013) (%)	Expected growth (2013–2018) (%)
Europe	63	+2
North and South America	20	+4
Asia Pacific	16	+16

Source: MarketLine Advantages (2014)

world consumption: Europe remains, with 63 %, by far the largest market. The Americas represent 20 % and Asia-Pacific 16 % (see Table 1.1).

Today, supermarkets and hypermarkets have on average a 41 % market share. The two other major distribution channels are on-trade commerce with 27 % and specialty retailers with 20 %. The rest is fragmented into a multitude of actors.

At the producer level, an extreme fragmentation characterizes this industry worldwide. This is particularly the case in the Old World, where family businesses—châteaux, wineries, bodegas, fincas—dominate. Similarly, wine merchants are mostly limited to small- and medium-sized firms.

Wineries in the New World are mostly concentrated and vertically integrated structures. This is particularly the case for Australia and the United States. Four major companies alone capture more than 10 % of volume sold worldwide: E. & J. Gallo, Constellation Brands, The Wine Group, and Treasury Wine Estate. It should be noted that these four companies clearly display their brand orientation.

1.4 Meeting Consumer and Distributor Expectations

After measuring the size of the markets, the aim of marketing is to understand their behavior. We propose a few trends that seem to characterize consumer expectations for the 2015–2018 period:

1. Reducing consumption per capita
2. Consuming immediately
3. Expecting more understandable products
4. Expecting a wine education
5. Discovering innovations
6. Having more power through information available on the Internet
7. Looking for good, healthy, and fair wines: sustainable viticulture

For many years observers reported a decline in per capita wine consumption, particularly in Europe, which concentrates nearly two-thirds of global consumption. And in Latin countries this trend has progressed more significantly: 60 years ago people drank more than 100 l per person per year, but that has now been reduced in

half. Wine gradually has left the daily sphere and has moved toward being consumed occasionally. Wine's status is changing in the consumer's mind.

In the past, wine was a product that was stored for many months or years in the cellar. This was not the habit of the elite but rather a popular custom. From time to time some consumers used wines as a sort of savings or speculative tool, creating a lag between purchasing and consuming. Habits and habitat—the existence of a cellar—explain such behavior. Today the environment and lifestyles have transformed this behavior. Looking for a healthier product, a lowering of transferring customs between generations, and reduced budgets for drinks are some of the explanations for this change.

Moreover, a desire for simplification has developed. Consumers gradually have ceased to be inhibited by a product that was formerly deemed too complicated. Now consumers deliberately choose wine using criteria that are most important to them: the simple and repetitive messages of powerful brands; trust in awards, medals, and labels; loyalty to a precise varietal; clear expectation of the price. However, we will see that this apparent simplification results in new questions and problems.

However, there is another segment of the market that is waiting for better knowledge of the kinds of wines available. This market desires education and greater involvement in the purchasing act. In the Old World, these interested consumers drink more than on special occasions, mostly on weekends, and value that time. In the New World, new consumers want to acquire the appropriate vocabulary and understand the variations of wine and its hierarchy to compare the value for money and establish concrete benchmarks for themselves.

Reduction of loyalty is another trend. Indeed, in the past, geographical proximity in production, distribution, and consumption was the rule. Behavior change was relatively exceptional. Today, in the context of globalization, the consumer is led to make other choices. In addition, supply chains have moved products in all directions. The diversity of consumer approaches because of globalization complicates the work of marketers. This phenomenon is difficult to measure and understand. It is true that some of that infidelity is motivated by a desire for discovery and amazement at new product choices. But another segment of consumer wishes to find a kind of standardization of taste that could reliably give the same drinking experience each time. Here international brands play their role to meet this constant demand.

The advent of e-commerce has given more control to the consumer, which is expressed in many ways. First, there is a reduction in the imbalance of power between consumer and distributor because now, within a few hours, we can visit virtually a multitude of shops, boutiques, and retailers, make comparisons peacefully, and then purchase securely. Consumer power is expressed also in the opportunity to share discoveries, beliefs, judgments, and comments on production. This loss of control changes the situation for producers and distributors. The Internet makes it possible to have more direct and personal contact with consumers. By contrast it gives more efficiency to the actors of the chain when conducting business. Today CRM (customer relationship management) systems and tomorrow

Big Data management will set up models based on a better understanding of the links between the identity and behavior of consumers.

Finally, it is essential to be aware of consumer demands for sustainable products: purchasing healthy, good, and fair products is now the rule of conduct of a growing population. Many producers in the world have converted their operations to organic or sustainable viticulture, in which the goal is to reduce pesticides and a carbon footprint. Organic or sustainably grown wines are now estimated to comprise one-tenth of the market, but their place is growing steadily, especially in markets with a high purchasing power. For some, in fact, the expression of a terroir or a production can be real only if artificial treatment of the plants is minimal. Health authorities have found some highly carcinogenic compounds used in winemaking, and consumers have responded against this behavior.

Distributor expectations have also evolved. They now are looking to accomplish these changes:

1. Simplify their merchandising
2. Increase inventory rotation
3. Look for specific or exclusive offers
4. Promote leading brands
5. Innovate with intrinsic qualities or easy-to-memorize codes

When questioned, many retailers believe that the wine department is one of the most complex to manage in a store. Indeed, it is fragmented into a multitude of references: more than 900 in some locations. Wines have a low inventory turnover, the administrative chain is longer and more expensive, and margins are weaker than average because of the promotional character of this product.

Hypermarkets and supermarkets express specific wishes. It is necessary to understand their behavior when this channel represents more than 40 % of the wine trade in the world and up to 80 % in some countries.

The first desire of distributors is undoubtedly that of simplification: drastically reduce the number of products and have four or five major national or international distribution vehicles similar to the soda and beer markets: for these drinks, global brands play a real training role for the consumer: they give simple but precise codes. The idea is to promote more wines on the shelves without geographical indication and allow mixing of various terroirs. Faced with this proposal, the resistance of the appellations and terroirs is strong: they defend their specificity and diversity. Distributors, paradoxically, would like to have few powerful suppliers with huge production capacities and strong budgets to promote real national brands.

A second distributor expectation is to have a large stock rotation. A department store manager is defined primarily as a mere “shelf renter.” The manager’s goal is simple: focus on products for which renewal is the strongest because the store gets its margin when the product is in someone’s shopping cart.

To fight against the lack of product differentiation in hypermarkets, distributors have developed strong partnerships upstream in the industry. One of the most famous examples is that of the Australian brand Yellow Tail with the distributor Costco. Exclusivity has indeed a considerable advantage for the distributor: to retain consumers with its private label. This is why some of them have developed their own brand with wineries or merchants, whether or not their product refers to a particular territory. Sometimes these brands just say Wine of Spain, Wine of Argentina, or Vin de France.

Distributors would also like to participate in the promotion of leading brands. Large national and international brands usually have a real ripple effect for an entire industry. However, we know that this is not really the case in the wine industry: production in the Ancient World favors territorial fragmentation and New World brands are not able to penetrate Europe—the world’s largest market—except for Great Britain.

Finally, because innovation is one of the best tools to increase sales, distributors are expecting new ideas from their suppliers. However, their flexibility remains limited: component modifications, new blending of varietals, particular ranges or selections, organic orientation, screw cap or synthetic corks, flashy labels, and so on are some of the areas of recent innovation, but most of them are minor changes.

The Western economic climate of the mass market is unfavorable: hypermarkets and supermarkets are not really growing, and the share devoted to wine in the total household budget is decreasing. Distributors then react accordingly: they reduce the amount of shelving devoted to this type of product.

So, in this context, who will suffer the consequences of an increasingly limited selection? Brands or terroirs? Both? What is the most successful model of wine marketing?

1.5 The Central Question of Differentiation

When wine production occurred locally, it was up to the consumer to compare products and then pick a particular winemaker or wine merchant. People did not compare these experts, consultants, and suppliers with other actors coming from outside their region.

Loyalty was the rule. Looking for the best value for the money was not the focus of the winemaker-consumer relationship. Proximity was the norm, resulting in purchase negotiations. During this period, producers used to say, “At the end of the harvest, the trader’s truck came and carried my production. That is all!” The rest was not the concern of the producer. It was just a logistics task, a question of availability, and not really a question of marketing or differentiation.

Faced with these multiple changes, and in a context of global overproduction leading to a fight between territories, it is necessary that all actors in the wine industry have a clear idea of their position and know how to highlight their part. This is called *differentiation*.

This central concept of competitive strategy can be expressed as follows:³

Competitive differentiation consists of offering to the market different products and services than those of its competitors. The idea is to create a competitive advantage really expected by the market by playing on the characteristics of interest to some customers who do not fully find to their liking what is offered by other companies, or simply because these segments want to differentiate themselves from the mass of other consumers or users. It can sometimes be simple details or nuances that make these customers feel themselves to be different.

According to Michael Porter,⁴ differentiation is one of three generic strategies that a firm has to develop. The others are volume strategy and concentrated strategy. It should be noted in this definition that differentiation can occur at two levels: first, in the objectives of the producers seeking to bring to market a different product than their competitors; second, differentiation is an expectation, a desire of consumers who wish to receive benefits or special advantages. Throughout this book we will maintain these two levels of analysis.

Our goal is to help the reader with reflection using analytical tools and to stimulate creativity through presenting world case studies in the quest to answer the following basic questions:

What are the elements that really make up wine industry identity?
Is there a precise portrait of a typical wine consumer?
How can we define favorable market segments?
How can we fix the axes of differentiation for our brands or appellations?
What more can be done to choose a position and then protect it?
How should we consider diversifying to reposition our product?

1.6 The Method

Analyzing case studies is a good way to answer these questions. Indeed, the study of complex concepts such as identity, positioning, and competitive advantage is difficult to approach with only quantitative analysis. Multivariate analyses are certainly of some value, but they most often conclude with very complex models whose implementation is difficult. The goal is to be helpful to the reader in making good decisions.

³ Adapted from *Grand Dictionnaire Encyclopédique Larousse* (1982)

⁴ Porter (1985)

However, before turning to the series of case studies, the first part of this book provides a theoretical and methodological reflection on tool analysis in relation to market positioning. Our starting point will be the consumer: We first analyze the specific aspects of consumer behavior when buying wine (Chap. 2). This will reveal the great disparity of knowledge, emotion, and involvement in the buying process between the Old World and the New World wine markets.

In Chap. 3, we discuss central issues affecting the wine industry today: identity, segmentation, and positioning. We then link these concepts and considerations to consumer behavior when faced with a choice of wine in the defined category. Finally, we consider the impact of globalization and therefore that of positioning in the context of multiculturalism.

Then, we focus on the appellation system (wine regions, terroirs) to identify and consider its strengths and limitations. We show how key promises of this type of product can influence consumer behaviors in Chap. 4.

In a similar way, we then discuss wine brands in Chap. 5 by focusing particularly on this very integrated model from which most brands are traced.

E-business is becoming a new kind of behavior increasing each year in the wine world, so we focus in Chap. 6 on some digital trends related to wine purchasing but also discuss their limitations.

Finally, in order to standardize the analysis of each case studied, the use of a common analysis toolbox is necessary. We therefore establish in Chap. 7 a list that can be implemented. The following describes briefly each of these tools and their adaptation in the context of the wine industry:

- SWOT analysis
- Extended rivalry
- Strategic groups
- Competition diagnosis
- Key success factors
- Differentiation levels
- Diversification opportunities
- Communicating difference
- Coherence and consistency of distribution channels

Geographically we tried to gather cases from the five continents; however, we came to the conclusion that we did not have enough reliable data on Chinese or Indian appellations to draw an analysis. For the selection of regions we deliberately overrepresented the three leading countries—France, Italy, and Spain—which concentrate almost 50 % of global production. When we studied the brands, we overrepresented North American offerings: brands are indeed a more frequent business model in this region. A total of 30 cases are considered in the second part of the book.

To conduct this analysis, we decided to rely on the consumer's perception through various stimuli to avoid promoting strategic projects of wine managers for their brand or their terroir. Similarly, critics and any proposed amendments come from the panel we set up and the analysis of the author. However, these proposals are based on methods and honed analysis tools, whose components are explained in Part 1 of the book before describing the case studies. The last part of each case analysis is meant to be creative: here we asked the panel of possible consumers to imagine an evolution of the positioning for the brand or region studied. It is important to keep in mind that, more than just a strategic project, we prefer to focus on the proposals made by young adults. Indeed, this population will determine the success or failure of these productions in the coming years. The consumer panel had these characteristics:

- Size of the panel: 80 people
- Gender: equitable distribution
- Ages: 20–32 years old
- Regions of origin: 60 % European, 25 % Asian, 15 % American
- Consumers and non-consumers fairly represented
- Connoisseurs: 60 %; non-connoisseurs: 40 %

The marketing of brands and appellation is not based on the same business model; therefore, it is difficult to apply the same framework to study these two types of objects, so we consider them separately.

Our approach to analyzing appellations is shown in Fig. 1.1.

The framework for brand analysis is shown in Fig. 1.2.

The two analysis paths seem similar in many ways, but a brand belongs to a single economic entity—the company that owns it. In this book we will develop a

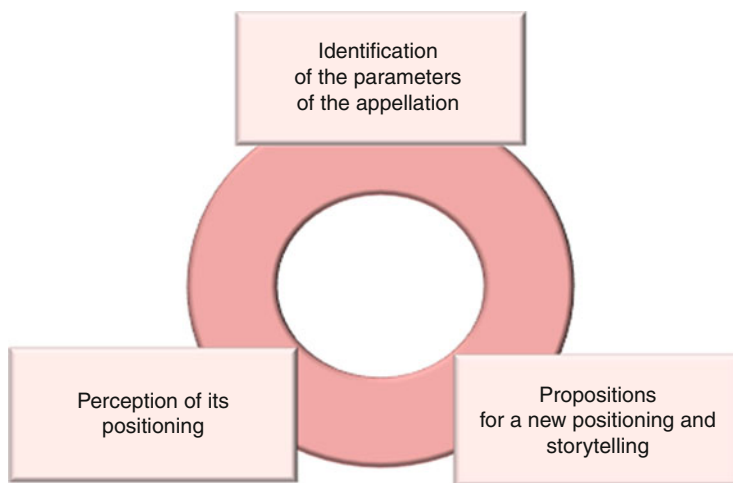


Fig. 1.1 Analysis of an appellation

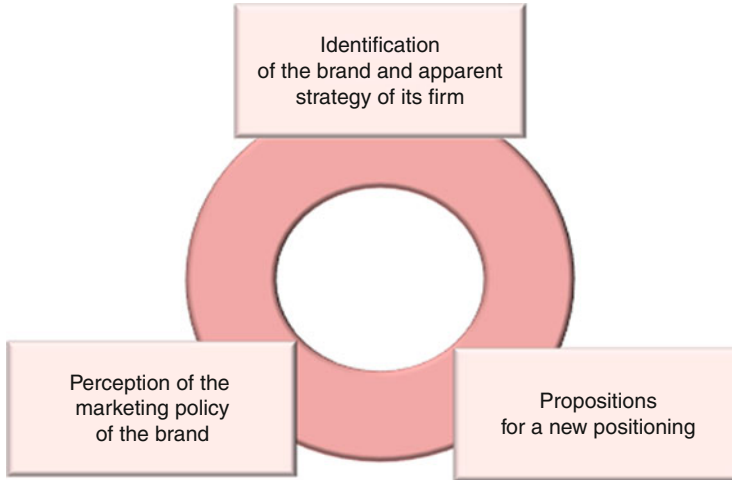


Fig. 1.2 Analysis of a wine brand

way to better understand the brand's position in the context of the apparent corporate strategy.

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Part I

How to Differentiate Wine? Trends, Questions, Debates, Tools, and Decisions

The aim of this chapter is to discover and understand the behavior of consumers and wine buyers. Once again, our aim is not to analyze all types of behaviors. Our framework is the mass market, located primarily below the symbolic level of US\$20 per bottle, the large majority of still wines produced in the world today.

Consumer behavior has long been stable in the still wine market. It used to be easy to anticipate consumer behavior because it reflected needs and not desires. Then, as discussed in the introduction, consumers started to approach wine with a different mentality. Consumers started to desire differentiation and with it appeared the sensitive issues of motivation for and inhibition against purchasing. Market surveys gradually began to show that the consumer's involvement with wine was variable. Heterogeneous buying situations had to be analyzed. In this context and given the anonymous purchasing caused by supermarket merchandising, a strategic issue appeared in the industry: with a product deemed to be complex, who now helps the consumer make a choice?

It therefore seems necessary to revisit the concepts that we thought were fixed in the field of consumer behavior. We will focus in particular on three topics: (1) a predictive model of behavior, (2) a return to the false "easy-to-drink" orientation, and (3) how globalization of markets limits the traditional sociological approach that was thought immutable to understanding why a consumer purchased wine.

2.1 At the Beginning All Seemed Easy, and Then...

Let us first place ourselves at the middle of the twentieth century. Understanding the consumer was then a relatively easy task in the wine industry. The consumer was characterized by two intangible facts: stable volumes and consumer loyalty. A daily consumption, mainly in Europe, characterized a product that was also located at the heart of the food industry. Buying wine then corresponded to a "need" along with bread, vegetables, and other commodities. So, daily brands were powerful. They were found in most retail outlets and at a low price. The producers or merchants

then were industrial masters of the game. The sector was governed by what happened upstream. Producers did not have to adapt their products to a changing demand. They just had to produce and broadcast what they produced. Consumers did not have any motivation to change their habits.

In traditional wine regions—south of France, north and center of Spain, Italy—proximity to places of production and consumption induced a specific behavior toward these regions: consumers had great fidelity to the winemakers they visited regularly. The logic of supply dominated. It was not really necessary to seek ways to differentiate. Export activity in this market was undeveloped. Opportunities were located primarily in the domestic markets.

In other regions of the world—Eastern Europe, North America, Asia, and Africa—wine had a very marginal position. It was used only on rare occasions. Consumer's product knowledge was weak or nonexistent.

It is important to understand that this stable state identifies and continues to identify many industry players in the world. Under this type of marketing approach, it is not the producer who needs to adapt to the expectations of the consumer but rather the opposite. The winemaker produces wine with its own characteristics, a given style, made using ancient traditions and relying on climatic or geological conditions. The producer does not wish to change any natural characteristics of the wine through artificial techniques.

A consequence of this orientation was a mode of governance in the wine industry that is still maintained: the system of appellations, which was structured to defend and promote territorial identities. Logically this system fragmented the supply—there are more than 450 appellations in France, for example—but the goal was not to standardize production and communicate about wine to a foreign consumer. The system assumes that consumers have the necessary level of knowledge and trust. The market does not need to be educated about its product and does not wish to change its habits (see Fig. 2.1).

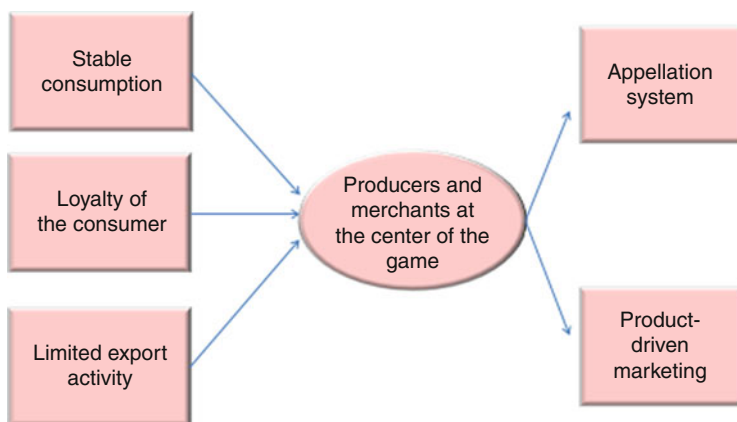


Fig. 2.1 The wine market in the mid-twentieth century: initial stability of the actors

Let us now place ourselves at the beginning of the twenty-first century. For 50 years, wine consumption in the main markets—Italy, France, and Spain—which are also the biggest producers and most marked by the system of terroirs and appellations, has declined. Per capita wine consumption in these areas has practically halved. Wine is less strictly a product used in conjunction with daily food and has become a product consumed only occasionally. This attitude change forced the wine industry to differentiate itself from its competitors. Loyalty to previous territories decreased. In addition, new competitors increasingly presented themselves, particularly in new markets that were characterized by a strong growth of demand, but also in the old markets, such as the United Kingdom, for example.

In such a context, which transmits the added value downstream, the distributor takes the place of producers and merchants at the center of the game. Hypermarkets and supermarkets concentrate alone 60–80 % of the mass market wine trade. A new tool becomes unavoidable: brands that consumers are searching for simplify the distributor's decision-making process. As marketing demand grows continually, producers adapt their products to distributors who are using a logic merchandising form of management.

During this period, regions where consumption increased the most—the United States and Asia—began to require streamlining codes. Previous inhibitions to change gradually disappeared and innovations became welcome: varietal wines, organic wines, new packaging, new labeling. Strategic distribution channels through hotels, restaurants, and wine tourism developed in these new territories, representing opportunities for discovery and education in wine, which is still perceived as a complex product.

Finally, international trade began to increase more rapidly than in the domestic markets. Figure 2.2 depicts the wine market at the end of the twentieth century.

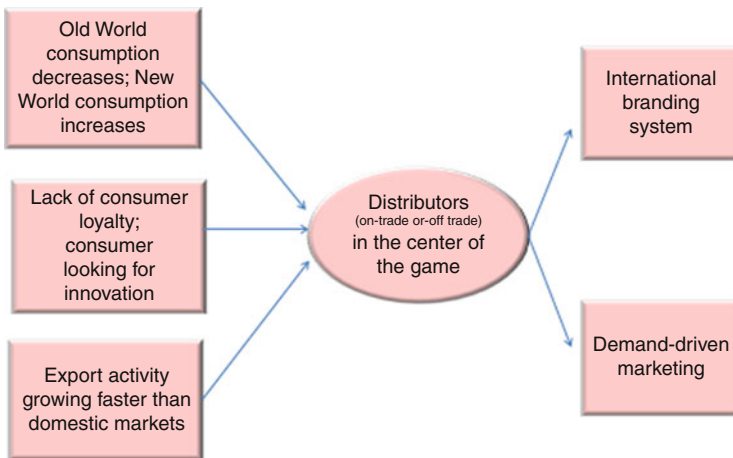


Fig. 2.2 The wine market at the end of the twentieth century: instability and the rise of the distributors

Let us now suppose that we are in the 2020s. The former traditional wine consumer—the daily drinker who had the highest per capita consumption, even more than 80 l—has gradually disappeared. Occasional use of particular wines and thoughtful purchases become the rule. The average consumption per capita has settled around 50 l per person per year. The differences fade between the various regions of the world. To choose wine—thanks to e-commerce—the consumer now can access more information than ever. The consumer has acquired more power and has become less and less faithful to particular wines. To counter this behavior, industry actors equip themselves with more sophisticated business management tools: customer relationship management (CRM) systems, analysis of on-site behavior, and developing loyalty programs.

The Internet further amends the game: through transparency it enables the consumer to have access to a lot of technical information. It provides new supply chains, calling into question the added value especially of merchants. Its mission could change in the future and reduce the length of previous supply chains by enabling direct contact between producers and consumers. In addition, hypermarket and supermarket business has stagnated, especially because consumers are less receptive than before the 2008 financial crisis to this kind of store. Local shops pick up the pace: in city centers and neighborhoods, specialized wine merchants and retailers have recovered some of the market share. See Fig. 2.3 for a depiction of the wine market of the future.

This presentation of the evolution of consumer behavior over a period of 70 years is a caricature. It aims to establish trends and to understand how the inertia of past behaviors affects the present and also how changes in the environment explain why nothing is immutable. It is important to remember this evolution when those in the industry tend to say that wine and its consumption are immutable rites.

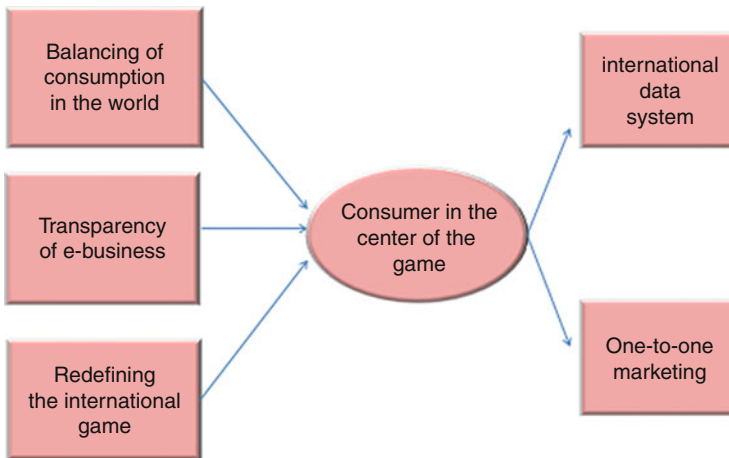


Fig. 2.3 The wine market of the future: new deals through E-business and the power of the consumer

2.2 How Much Is the Consumer Involved in the Purchasing Process?

What is the consumer’s degree of involvement when buying wine? By *involvement* we mean investment in time, interest, desire for knowledge, passion, wanting to attend meetings, reading documents, visiting websites—activities engaged in through the buying process. Recall again that we are concerned with assessing mass market consumption, not that of an elitist segment. For some, buying wine is of no interest: they do it out of necessity “because it is the tradition,” but the required research gives them no pleasure. Others do it routinely, especially for regular consumption. Still others attach a financial interest to the process: to make a good deal. They compare and calculate using more-or-less complex models. Others are willing to spend several minutes in the wine department of supermarkets or hypermarkets or specialized retailers to learn more about a fairly comprehensive item. E-shoppers behave similarly when they visit the websites of several online merchants.

During this process, another category of consumer looks to meet other consumers, sharing their views with advisors or experts. These consumers attend specialty shops and wine retailers. They go to events at wineries or tastings and exhibitions organized by the boards of appellations. They attend wine tourism activities. They read newsletters and enroll in loyalty programs and tasting clubs.

Figure 2.4 illustrates the consumer’s involvement and relationship with wine purchasing. Four categories can be delineated. We can first separate consumers vertically into two groups based on whether they are involved in the act of buying

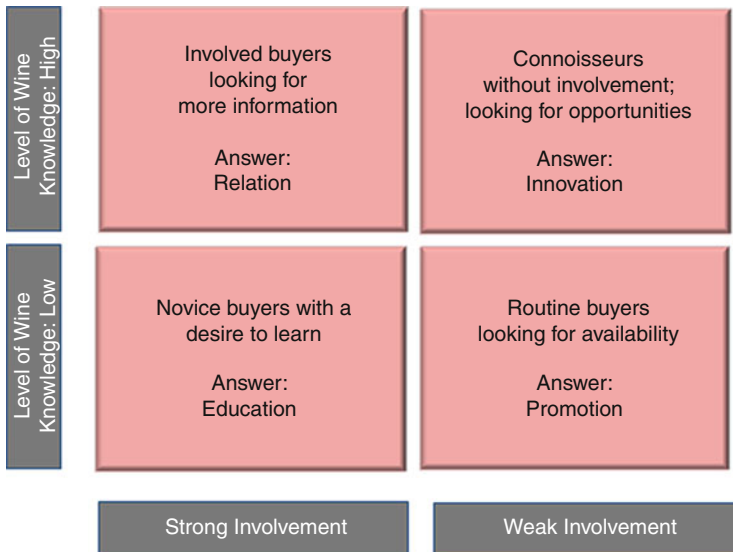


Fig. 2.4 Buying a wine: levels of involvement and differentiation

wine. A second horizontal grouping separates those who have a certain level of knowledge and a long relationship with this product from those who are in the discovery phase. As a result, four consumer profiles appear, according to the degree of their involvement.

How can winemakers differentiate their products for these four types of consumers? Figure 2.4 shows that the response to each consumer scenario is not the same. For involved buyers, relationship marketing—when producers, traders, distributors, or retailers focus efforts on real or virtual meetings with the consumer—is needed. The management of the sales force, even with reduced staff, is often the key to success.

Connoisseurs are attracted by innovation. They have a certain level of knowledge (vocabulary, prices, references, varieties, etc.), but do not wish to spend a lot of time selecting the product or be in a relationship with a company, terroir, or brand. In order to differentiate products, regular innovations or repositioning products or brands (through price, packaging, and distribution channels) may be effective for this rather opportunistic segment. This segment is above all looking for a good deal through comparing traditional quality and price.

The mission of educational marketing is to increase the awareness of a novice public motivated to learn about a product. This category is particularly important in regions gradually discovering a wine culture, as is the case in Asia. Through tasting schools and educational websites it is necessary to supply consumers with vocabulary, codes, grids, and tests so that they can set up their own hierarchies of products.

Finally, routine buyers require special marketing promotions. For them, wine is nothing special. They do not want to know anything about complexity or diversity. Promotional activity, particularly on supermarket shelves, will be sufficient to differentiate products for this consumer and to gain market share and attract new consumers.

2.3 Are There Any Predictive Models?

Many studies try to better understand the behavior of wine buyers and consumers. They try to apply principles of demand marketing, which says that it is up to the producer to adapt to consumer expectations, needs, and desires, increasingly changing and adopting diversified ways of life and codes. A wide variety of consumer behavior models have been adapted with more or less success in the wine industry (see Fig. 2.5 for one model).

Figure 2.5 requires several comments. First, we have seen that in the context of a globalized and multicultural market, expectations, needs, and desires of consumers are extremely diverse. Indeed, the status of the product is not stable. Commercial stimuli are not standardized. Additionally, because alcohol is prohibited by law in some countries, tolerated in other areas, and others apply no limits, the stimuli in the model must be questioned: what drives the consumer: price? brand? components? technique? taste? images evoked? storytelling? Again, diversity is the rule.

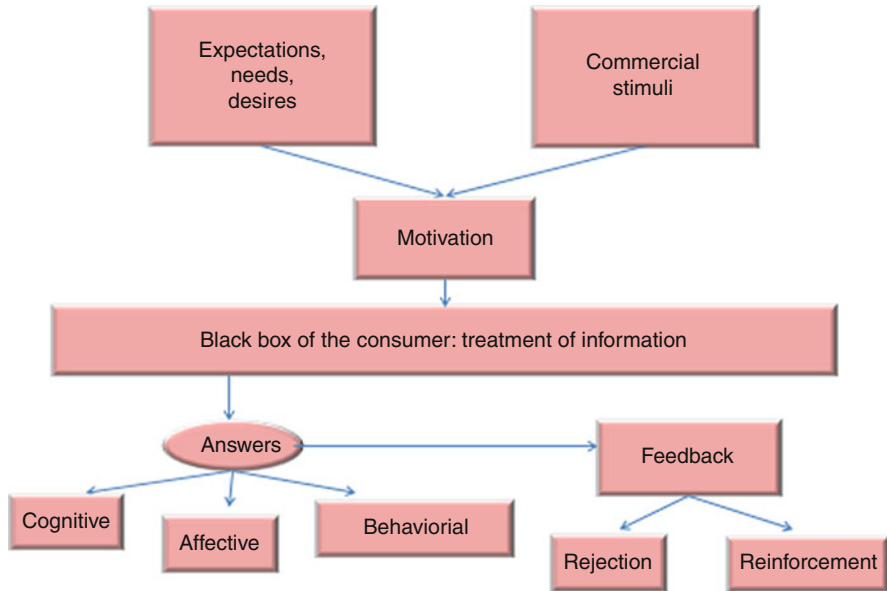


Fig. 2.5 An example of a consumer behavior model

As a result, it is very difficult to predict the nature of the answers that come out of the “black box of the consumer” when processing this varied information. Consumers respond in three ways: first learn, then prefer, and finally act. At each of these three stages of response, opportunities for differentiation exist.

Finally, the model is recursive, even if, in hypermarkets, the re-purchase of a specific wine is rare, compared with other categories. This recursive model is particularly true when the consumption experience is positive. A mechanism of loyalty to the product, brand, appellation, or marketer increases. By contrast, a final or temporary product rejection could also occur, resulting in an opportunity for market differentiation, such as through using CRM techniques.

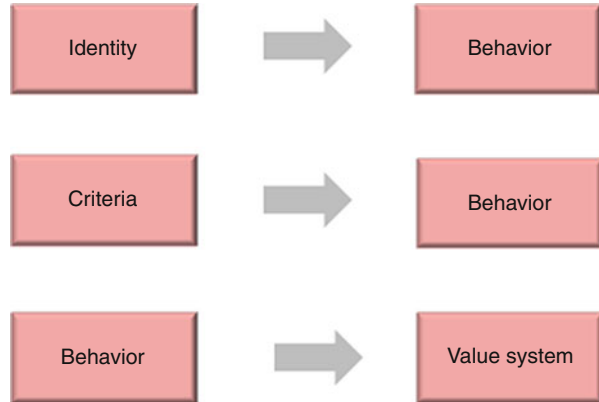
However, we must be more specific about the response mechanisms and see what opportunities they can represent for market segmentation and positioning. Figure 2.6 shows an adaptation of the results of cross-sectoral research.¹

The first model is the oldest and probably the most used to understand consumer behavior. It is a sociological model that assumes that elements of our identity explain our behavior. To apply this model, one would ask, “Tell me who you are, and I will tell you how you will consume.” Age, gender, nationality, income level, education level, type of housing, lifestyle, and socio-professional category are some of the parameters that help to build behavior models.

For instance, in the wine sector, the opportunity to differentiate depending on gender (in the case of sweet wines, for example) is regularly questioned. The

¹ Adapted from “Enquêtes et Analyse de données”. Jean Moscarola. Editions Vuibert.

Fig. 2.6 Three Predictive Models of Wine Consumers



income criterion is also very important: we can estimate that depending on the level of income, people do not employ the same behavior during the wine-purchasing process. For example, those who have disposable income often are willing to pay more for on-site consumption, such as in restaurants, which is often expensive. Another very monitored criterion is that of nationality because responses to differentiation of varietals, trademarks, or sustainable parameters are different worldwide.

The second model is a rational model, which is closest to *homo economicus*: it suggests that we are robots that constantly strive to optimize. Here the principle is, “Tell me how you think, and I will tell you how you will consume.” Also many types of rational criteria are applied: region, varietal, color, price, distribution channel, vine-growing techniques, winemaking choices, aging, medals and awards, various rankings, expert opinions, and so on.

According to this second model we can mobilize a multi-criteria approach for our product choices. Setting up a marketing strategy and differentiation policy on such a model consists of focusing on the connoisseur segment, using technical arguments to provide maximum information, mostly to an educated public really involved in the process. This model does not evoke images or create storytelling advertising. Rankings, benchmarks, search engines, comparators, and various classifications are the best weapons to augment differentiation in this model.

The third model is a historical type that postulates that the consumer has very traditional consumption habits, sometimes from previous generations, family rituals, and local or national claims, which makes the behavior an explanatory variable. Our consumption choices reflect our value system, our worldview, and a certain kind of philosophy. Through our consumption, we develop value judgments about the world.

This third model is very influential in the wine industry. It explains much of the attachment to local and national productions. The act of buying becomes almost militant, a defense of local values we hold. This is why there is such a low penetration of wines coming from the New World into the French, Italian, and

Spanish markets. Although New World wines are overrepresented in supermarkets they stagnate there and represent only about 5 %. For the same reasons, we can explain the growth of organic wines: there are no real sociological or economic explanations (in the sense of optimization). Rather, it is the fact that many consumers have always consumed organic wine and also many other organic food products. This reflects more of a general world vision.

2.4 “Easy to Drink” and “Happy to Choose”

Wine is said to be a “prescription product.”² This means that most consumers feel the need to find signs, criteria, and recommendations to ensure they have made the correct choice. Fear of making a wrong purchase is stronger for wine than for other products (especially beer). However, the distribution system today proposes stores where sales consultants are scarce or have disappeared altogether. The leading brand offers simple messages—clear, repetitive, and adapted to the public—that mainly refer to a name, component, price, or dish with which to associate.

One of the revolutions in wine-buying behavior was generated by some New World producers who popularized the “easy-to-drink” expression. It has even become a recognized abbreviation: ETD. The idea is attractive. It tells consumers, “Stop considering that wine is a complicated product. Just take it easy. You just have to look for the ‘facility’ that produces a wine that you like from the first sip because it is fruity, light, woody, or indicative of such varietal, and so on.”

Facilitating the act of purchase is of course the basic goal of any marketing manager. Simplifying decision making is a kind of lifestyle for many persons, especially in the United States. New entrants to the wine world, such as the South American and Australian producers, offer products that are or claim a form of complexity. They have allied themselves with mass market distributors to ensure a low price and marketing consistency of their product. The rise of powerful brands, based on standardized tastes, thanks to massive advertising campaigns, completed the package of this ETD approach. The result rapidly appeared: a strong increase in market share in territories that had protected their borders with qualitative certifications or import tax systems.

A contrasting model can be called “happy to choose” (HTC). This system promotes differentiation through quality productions and complexity (in the best sense of the term) of wines from different vintages, blends, winemaking processes, soil characteristics, winemaker’s styles, and so forth. The HTC system promotes diversity of terroirs, vintages, and consumer information and bets on consumer involvement. Here the key factor for success is the choice supplied by distribution channels, adding real value to the product.

Figure 2.7 provides an illustration of the two systems.

² According to Jean Louis Vallet, past director of PRODIS—France and wine buyer for Carrefour Group.

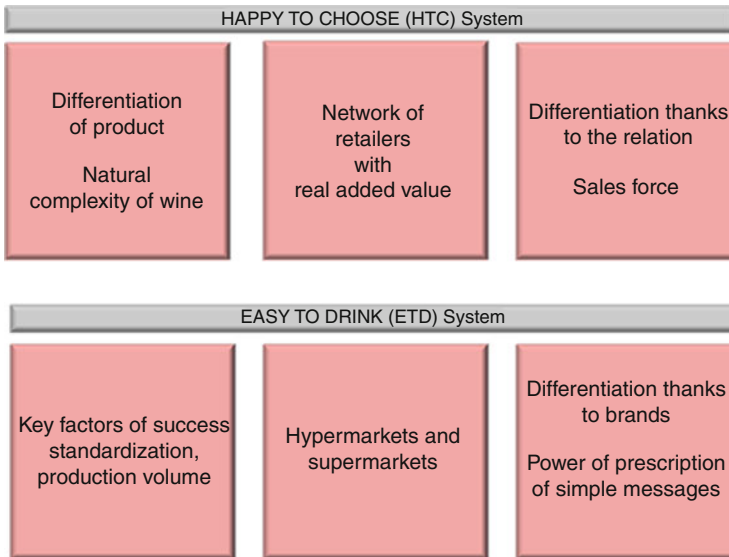


Fig. 2.7 Differentiation factors between the HTC and ETD systems

So there is no real debate between the two systems. They do not address the same consumer. The first model establishes business with consumers who want information and are willing to spend time learning about it to become part of their lifestyle. The second system comprises consumers who consider wine to be a consumable product of general ease. These consumers do not want to invest any effort in learning about wine. Brand awareness is sufficient to help this consumer make satisfactory purchase decisions.

2.5 The Contribution of Experiential Marketing to the Wine Industry

Experiential marketing reflects the postulate that when making a purchase we enter a process in which the different components result in a positive or negative experience. Rejecting the idea that our purchases summarize a simple one-time transaction, experiential marketing believes that we move step-by-step, from first introduction through information gathering, purchasing, and using the product to attain a complete experience. In terms of managerial implications, this approach therefore recommends focusing attention and adapting various services to every stage of the consumer's experience.

The adaptation of this principle in the context of wine purchasing can be considered in two ways, depending on whether it is focused on an appellation or a brand. When purchasing an appellation, the consumer already has a certain level of involvement through acquired knowledge about the characteristics of the

Fig. 2.8 Nested approach in the context of purchasing a wine appellation

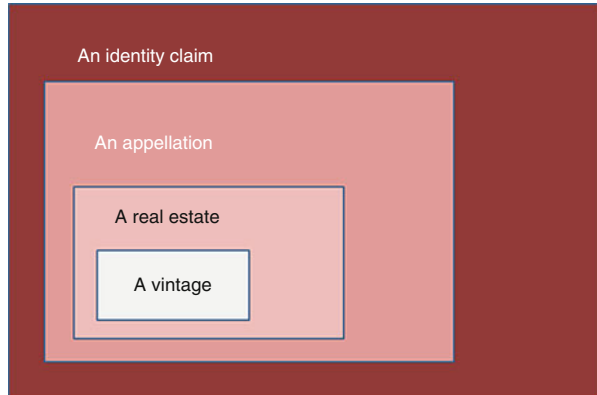
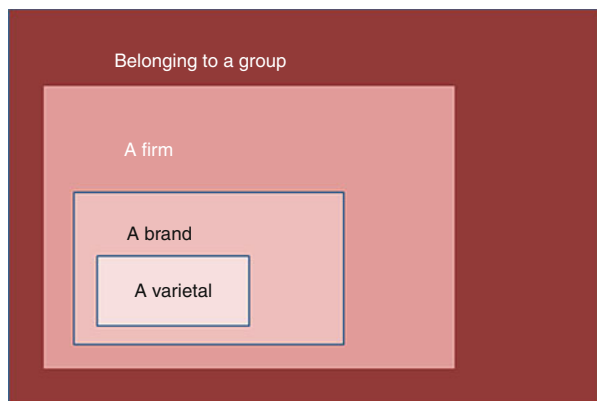


Fig. 2.9 Nested approach in the context of purchasing a wine brand



product. Figure 2.8 shows the key factors often used in the purchasing decision. At the center is the vintage. But beyond vintage a connoisseur also buys the concept of real estate (or a château, a winery, a bodega, a domain, a cooperative). This reference to the region is a link in the chain of purchasing an appellation. Finally, especially if production and consumption are geographically close, this approach reveals an identity claim: it is ultimately the entry ticket for a broader membership in a group that is recognized by the values held by the product, the producer, and the context in which it occurs.

Figure 2.9 shows the nested aspects of a brand orientation, in which the key input is the varietal. In fact, the concepts of brand and mono-varietal often go together, even if European brands traditionally leave room for blending. This intrinsic element has already developed a group of consumers, as found in the Pinot Noirs or Chardonnay enthusiasts in California. The second level is clearly the brand that encapsulates this wine. Here, business tools reflecting the brand orientation are used to add to the product. Then companies with a strong reputation (for example, E. and J. Gallo, Constellation Brands, and Concha y Toro) provide the solid guarantee of a

powerful group and also a coherency. So in the end the consumer adheres to a specific group symbolized by the varietal plus the brand plus the firm itself.

It is obvious that experiential marketing benefits are used in the context of wine tourism, tasting schools, and participation in the harvest or blending to make one's own wine. The marketing key lies in two results: drawing a positive conclusion from this experience and developing relationships with the various stakeholders.

2.6 Conclusion

We addressed consumer behavior and the process of buying wine from different perspectives. A simple message was given: that of the great diversity of identities, expectations, knowledge, opinions, and behaviors of buyers and end consumers of wine.

Worldwide mass market wine, the subject of this book, believes that standardization will become the norm, similar to most globalized sectors. However, facts contradict this idea. The appellation system still is in place and is desired by a fringe group of demanding consumers, who are disappointed by too many standardized offers. Diversity and perhaps complexity also could be key success factors in the future wine world.

Worldwide the terms *appellations* and *brands* are used. The idea is not to oppose either of the two systems but rather to identify the various market segments currently coexisting in the wine planet and see how each must play its role. Before detailing the concepts of appellations and brands, it is necessary to analyze the delicate concepts of identity and segmentation to see how they can be useful for producers in making concrete decisions. It is also important to talk about market segments.

Is the identity of a wine found in the bottle or in the minds of its consumers? Beyond all its specificities, a wine has an identity that consumers perceive, draw on, and disseminate.

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3.1 The Delicate Issue of a Wine's Identity

Finding its own position in a market will be easier if a firm clearly knows its identity and what its specific values are in its products. In this sense, no positioning is possible without knowing clearly the mission and the vision of the actor at the corporate level.

Differentiation has a prerequisite, namely, clearly defining the identity of the wine. The problem lies in the term *identity*, which has been defined as the “permanent and fundamental character of a person, a place, an artwork, or a production.” This definition proposes a complement and explains that “identity is based on the feeling of a geographic, linguistic, or cultural community and causing specific behaviors.”¹ The first part of the definition raises some questions:

- What is the utility of “permanence” when we know that tastes are changing, fashions are ephemeral, and cultural codes are very relative in the global context?
- What can we learn that is “fundamental” in wine production? Soil quality? Climate? Choice of a grape? Pesticide exemption?
- How can we make it clear to a producer that identity does not exist by itself but in a “feeling” that is shared by a community of consumers?

Today, industrial wine companies have kept the most important share in the mass market. For the consumer, most of the bottles are not the expression of a particular winemaker, but the result of blending wines from a huge variety of fields. The identity of a wine is based on the choices made by oenologists and winemakers to select and blend wines. But these blendings are now based on market surveys, sales force feedback, local trends, and anticipation of fashion. Neither the concepts

¹Grand Dictionnaire Encyclopédique Larousse

of permanence nor of fundamentals can in such circumstances be useful to the decision maker. Maybe we can just speak of a “style of this winery” or an “orientation of this wine merchant.” But here, too, these concepts are elusive because any business of a certain size must have a sufficiently large catalog to meet all types of applications with a variety of prices.

In management science the notions of “identity of a production” or “corporate identity” are sensitive issues. Indeed, for some, it is difficult to find and to express the reality of the identity of a company. In most cases it is better to talk about specifics, distinctive criteria or key success factors. The specificities of a wine are therefore more sought after than its identity, a too elusive concept and ultimately less useful because it is difficult to measure. The second element to keep in mind is that the identity of a product has to be conceived in relation to the environment more than the winemaker personally. Social identity is created with a group. Ultimately, for some, it is likely that the identity of a wine exists provided that the winemaker knows how to gather people.

So we can talk about concrete measures of tangible and collective demands but not about a fleeting and individual product. That is why defining terroir identity and identity of a brand are prerequisites for their positioning and differentiation.

3.2 Segmentation Through the Benefits Sought

Segmentation through benefits sought is a method that decomposes the market not according to criteria of identity, behavior, and opinion but in terms of actual product uses: the aim is to understand the usefulness of the product. Of course, for some this is a strange aim for wine, but wine use can be diverse: daily consumption, occasional use outside the home, as a gift, something to try, economic enhancement, and so on.

During the development of a strategic plan called “Le Plan Bordeaux Demain,” the Comité Interprofessionnel des Vins de Bordeaux has defined four types of expected wine uses by consumers (see Fig. 3.1).

This tool has the merit of revisiting the traditional breakdown of wines in hierarchical positions such as elitist appellations, generic appellations, Vins de pays, and wines without geographical indication. The question here is not to position a wine inside a ranking or a hierarchy of supplies but to break down the market according to a variety of needs and expectations. This new approach is innovative because the wine world is a rather conservative industry, accustomed to high rankings because of performance rather than that of consumer demand. As a consequence, this pyramid suggests some important changes in marketing wine, especially in terms of advertising, and we know that most of the actors in the wine industry are very prudent about any changes.

In Fig. 3.1, located in the “Old World,” the base of the pyramid consists of daily users. For them wine is almost a basic product permanently found at lunch and dinner. Vin de table (without geographic indication) or Vins de pays is the majority of wine consumed. This market primarily includes people 50 years and older and does not increase in terms of volume consumed.

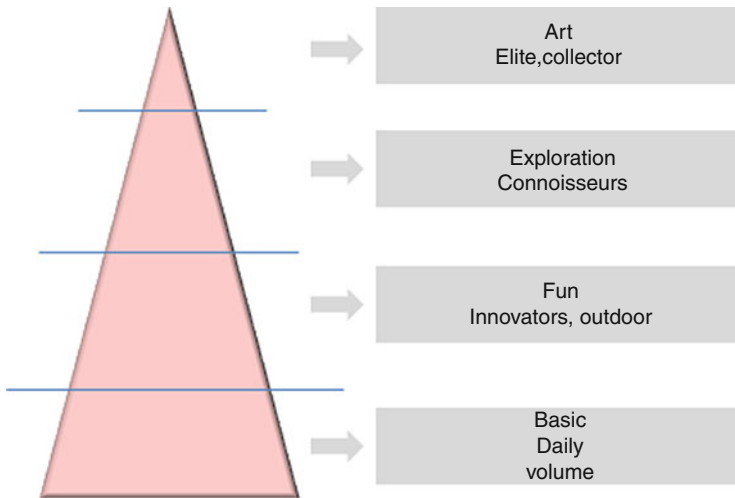


Fig. 3.1 Segmentation through the benefits sought (Comité Interprofessionnel des Vins de Bordeaux (C.I.V.B.)—2010 Plan Bordeaux Demain)

The “fun” segment is the youngest of the four groups. It includes casual consumers on weekends, moderately involved in the purchasing process. Their consumption is more often than other groups away from home. There are more women in this category than the other groups.

The “explorers” have real involvement in the process: connoisseurs, discoverers, and aesthetes who wish to diversify and increase their knowledge. They spend time and money on this product (*vins de garde*), which they often place in a cellar. Their habitat, income, and lifestyle allow this practice.

Finally the “art” group is intimate with the world of fine wines, even exceptional wines. Here, people are real collectors of certain vintages. Part of the buying process is for speculative reasons. This category often purchases future wines (*en primeur*). They rely on a professional network to find out about any opportunities.

As we can see from the categories defined in Fig. 3.1, the usefulness of a wine is different for varying groups of consumers and is not directly related to traditional rankings. It shows that it is necessary for wine marketers to consider segmentation through benefits sought in addition to a classical evaluation of appellations. A mix of both approaches has to be conducted. Indeed, this mixture of approaches raise questions that any winemaker must ask:

- What is the most appropriate target for the product I designed?
- Are there one or a few standardized portraits of those who are naturally attracted by the choices I make?
- What is their sensitivity to the choice of varieties and their blending, techniques of winemaking and aging, vineyard management and pesticide treatment of the vine, and also labels and distribution modes?

- In what context will the wine that I provide be consumed?
- And finally, what consumer experience does this wine support?

In the present world consumers do not really “need” most of the products they buy; they just have the “desire” to acquire them. Marketing logic must obey this expectation. The following section, although not complete, suggests ways to segment a market.

3.3 Segmentation Based on Behaviors

Marketers often wonder about ways to segment markets according to their behavior. Behavior is more objective than motivation. It can indeed be measured and thus leads to ways to gauge segmentation. Figure 3.2 offers five segmentation methods.

The term *buying opportunity* represents the context in which a wine is consumed. There has been a great evolution in recent years on this subject. Indeed, a long tradition of wine was consumed mainly during lunch and dinner. How to combine wine with food was important. Today, however, the status of wine has changed. It is often drunk outside the context of meals, as an aperitif or without any associated food.

We have illustrated in the previous section the term *segmentation through benefits sought*. Indeed, we observe that several advantages can be parlayed by

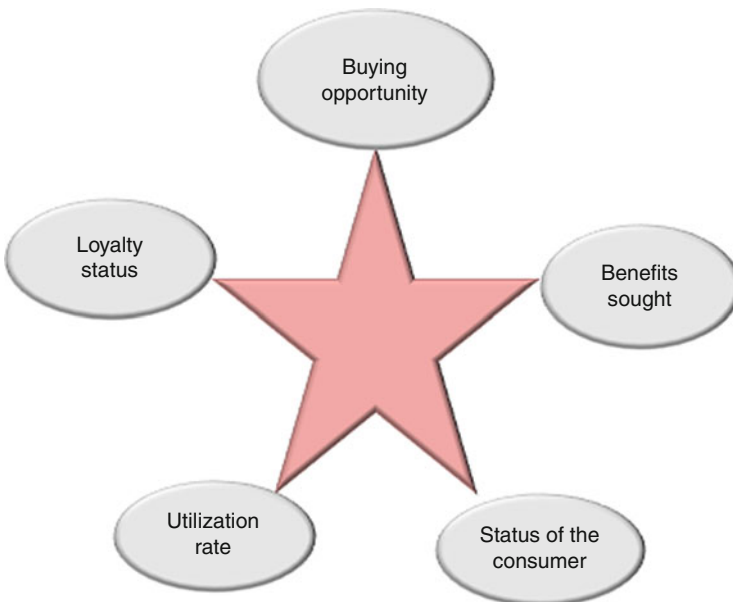


Fig. 3.2 Behavioral segmentation

the same wine: availability, price, association with a dish, a particular taste, identity claim, and so on.

The *status of the consumer* is particularly important for wine markets. As mentioned in the introduction, the proverb says that “we drink the cellar of our father and we prepare the cellar of our children.” This is, of course, only for consumers of the vins de garde category. The image of the father is extremely strong in this area. Associated topics include authority, tradition, initiation, education, transmission, coding, savings, and involvement.

It should be noted that today these notions are questioned for two main reasons. First, women have a much stronger role than in the past when choosing a wine because the majority of wines are present in large areas where women are overrepresented since women are present more frequently in retail shops. Then because of the changing nature of the family, modern consumers question the traditional father figure as being the only way to learn about wines.

The *utilization rate* is a classic segmentation criterion: high, medium, and low volumes of consumption do not involve the same representations of a wine. There is a clear distinction to be made between the Old World and the New World. In Western Europe, “large volumes” are primarily consumed by more people older than 50 with the highest purchasing power than the average but with the negative aspect that this market segment is not eternal and withers with time.

In the New World, it is the opposite: heavier consumers are younger: 30–45. The wines are drunk by a more elitist group to express a lifestyle. Seniors prefer their traditional drinks, including sodas, beers, and hard liquor. Here, wine occupies a lesser space.

Finally there is segmentation reflecting the loyalty status of the buyer. Today CRM (Customer Relationship Management) systems identify each client of a firm. Wine retailers can create files about end consumers. The parameters of the CRM are regularly linked to the consumer’s loyalty to the product, the brand, or the firm. A hierarchy is then defined to develop differentiated commercial actions (see Fig. 3.3).

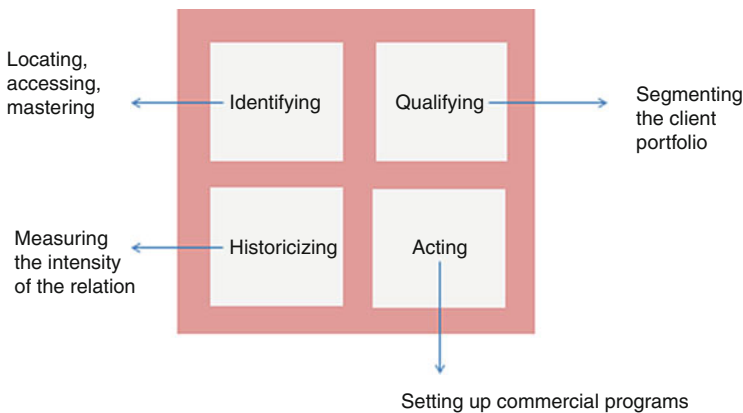


Fig. 3.3 Essential functions of a CRM system

3.4 Wine and the Family Lifestyle

Wine occupies a different place at different stages of the family life. We can try to paint a picture of this family sociology in its relationship to this product, particularly in Europe. The first stage is that of a single person, usually under 25 years. We know that after a first questionable experience with wine, two possibilities can happen: either a formal rejection of wine as a possible beverage or an uncovering of the desire to discover wines from various sources and through ephemeral and unplanned experiences. More than most other products wine embodies the typical characteristics of the countries of their origin. Young people travel more than in the past. However, at this stage, nothing is in place, few habits are set. The mission of wine actors at this stage remains simply to show the young consumer wine accessibility. Rosés and wines that are sweet and do not have much tannin are preferred by young people long accustomed to sodas and familiar with easy-to-drink fruit juice. It is also sometimes difficult to explain to the young consumer that this beverage is not made to meet the thirst, so it has no volume objective, unlike beer.

This is the reason why the happy hour system—a second free drink or reduced-priced drinks at certain times—which is so effective for beer, works less in the case of wine consumption in bars. Most wine consumption will take place outside the family. Often, hyper-targeted brands—for example, with slightly sparkling white wines and sweet for a female audience—are used to facilitate these initial contacts.

The second stage is that of a young couple if they have obtained good jobs and do not have any children yet. Their revenue is beginning to allow them to concentrate not just on necessary consumption (needs), similar to how it was 60 years ago in the Old World, but also to have fun. Weekends and after work are appropriate times for a drink with friends. Note that this consumption is most of time outside the home and also, from time to time, at home. Ephemeral experiences turn gradually into classification and prioritization.

If the couple's habitat allows a small cellar, things change. The couple also begins to investigate specialized retailers, restaurants with real wine lists, and wine shops. The second mission of the wine, in such a context, is to become part of the short list, sort of a top ten, for which the couple will pay. Sometimes this agreement is done on rational elements such as vine category, organic wine specificities, and medals or awards in a competition. Finally, because this segment spends the most time surfing on Internet, it is essential that the industry players know to talk to them via e-business shops or related sites to their lifestyle.

The third stage is the family with children. In line with the Western middle-upper class, education of children and savings are an important part in the life of the family. Intense social activity occurs in both professional and personal environments because this family invites and is invited to others' homes more often than in other stages of the family life cycle. The purchasing power on average is at its highest level. When the family is close to wine production areas, the members enjoy spending time visiting châteaux, bodegas, domains, or wineries. They represent an important share of the wine tourism market. They also seek, in a

more rational way, to optimize, compare, and carefully read guides for connoisseurs. They willingly frequent wine fairs organized each year by the major retailers. The wine must meet all these expectations without forgetting an essential thing for this type of family: a wine is mainly drunk all together, during a meal.

The fourth stage is the senior couple. The children have left home. Free time allows this family to have a good time. Their income has been decreasing since leaving professional occupations. They are retired and are available to spend time in various projects: travel, culture, music, festivals, groups of friends. Increased vigilance concerning health appears, especially in the diet. Excesses are less frequent. The search for healthy products is at its peak: “We consume less, but better” is often a sentence pronounced in this family. Other values are expressed mostly: providing, transmitting, collecting, maintaining.

During this fourth stage, the mission of the wine is highly symbolic. It is partly responsible for representing the values expressed by previous actions. This may involve more elaborate wines, sometimes more expensive. But these consumers can also show fidelity to a few benchmarks. They like the strength of appellations, terroirs, châteaux, and even winemakers with whom this senior couple maintain regular contact.

It is necessary to repeat that this family journey of four stages remains a caricature and that many examples contradict this model. Similarly, if we have noted the effectiveness of brands in stage 1 and appellations in stage 4, it would be wrong to conclude that the brand is for young people and terroirs are for seniors. Beyond these simplifications, this family model is useful for marketers. It helps to illustrate the relativity of the status of this product in the mind of every consumer throughout life (see Fig. 3.4).

	Context		Wine	
	Income	Priorities	Consumption	Motivation
Single	Low	Clothes, leisure	Party	Experimenting
Young couple	Growing	Equipment	Weekend	Learning
Couple with children	High	Savings, education	Reception	Sharing
Seniors	Stable	Travel, health, security	Dinner	Transmitting

Fig. 3.4 The status of wine according to the family life cycle

3.5 Standardization Versus Adaptation: The Troubling Effects of Globalization

Wine is one of the products we consume that does not respond to the logic of a need but that of a desire. It is therefore necessary to list the criteria taken into account in the decision to purchase. Here are some aspects:

- An innovative wine
- A wine with a specific flavor
- A fair and sustainable wine
- A healthy wine
- A wine that is the expression of the terroir
- A wine based on a well-known brand
- A non-daily wine
- A competitive wine
- A wine whose winemaker is well-known
- A wine whose owner is well-known
- A wine advised by a well-known retailer

Innovation in the wine field is not as simple. That is why most changes reflect minor innovations and mainly concern extrinsic elements of the product. Otherwise, vineyard management techniques and winemaking processes are constantly changing. Most of these innovations are very technical and are not perceptible to busy and not-involved consumers. Advertising these innovations has to be focused toward specialists. For instance, observers have noted many innovations in recent years in whites and rosés flavors. Search for particular taste is indeed one of the main criteria of differentiation.

More recently, two other expectations have appeared, common to many food products: although already tasting good, wines must be now healthy and grown fairly. Healthy refers to *green* viticulture and organic and biodynamic wines. This aspect is now increasing faster than any other. The conversion of plots to organic is accelerating in addition to their presence on the shelves. The concept of “fair product” refers to the how the wine is produced using natural resources—soil treatment, yields per hectare, planting density, rational use of irrigation, green manure—and also includes human factors of production and operating conditions in the vineyard, the winery, and transport.

Another criterion of differentiation is the expression of the terroir. Here, the specificity of the appellation is expected. Nearby consumers expect a certain experience of production or consumption. Their loyalty to their territories is strong. Geography and geology serve as their guide, but it also requires a certain level of knowledge; otherwise, this criterion is not really a differentiator.

Branded wines bring something different to the wine world: the story of the company, graphic codes, and texts or videos broadcast on websites and social networks. The desired effect is dramatization, an enchantment, sense of belonging to a group, remoteness from everyday life.

The Internet also offers the possibility of another criterion that does not correspond to the concept of need. Here differentiation comes from transparency. The Internet gives more power to the consumer: to compare prices and estimate a wine's real financial value. Indeed, more than other products, rankings are important for wine. The goal is always the same: classifying. The culture of hierarchy is everywhere: between and within appellations. It is the same between Grands Crus and Crus Bourgeois, elitist and generic appellations. Outside France, this hierarchy was simplified but still remains a selling point: for example, in Spain wines are classified into four categories: Joven, Crianza, Reserva, and Gran Reserva.

Finally note in this last category the presence of the real actors in the value chain, that is, people who produce the wine or market it: winery owners, winemakers, cellar masters, brokers, merchants, and retailers. For some, a specific know-how is required. For others it is their ability to select and prescribe. Some firms choose to broadcast this technical information and identifying specific actors. Signatures of the participating experts can appear on the label along with the appellation.

Let us escape for a few minutes to the world of Grand Crus. Figure 3.5 shows two labels from Château d' Yquem, the producer of maybe the most famous sweet wine in the world. It is important before analyzing these to recall that in la Place de Bordeaux, the business is clearly split between the châteaux, which produce the wine, and the merchants, who market it, especially for export. Traditionally, châteaux have no real expertise in selling their wine to the end market.

In the first label (Fig. 3.5a), the older one, the name of the chateau is of course in the center, but the name of the merchant of la Place de Bordeaux (Schroder and Schyller) is as important. That means that part of the commercialization of Yquem was being managed by this dealer, so it was expected to mention the name on the label. Economically speaking it is the recognition of the role played by the actor in the creation of value: marketing the wine worldwide. The mission of the merchant was at this time strategic to explaining to the end market this rare, expensive, and complex product.

In the second label, the more recent one, there is no mention of the merchant (Fig. 3.5b). The brand represented by the name Yquem seems good enough to speak to any potential clients. Some interpret this evolution by suggesting that the producer has captured more added value than before.

This example can be adapted easily to other regions. It illustrates the role played by the actors in the value chain and the sharing of the added value in the wine industry. But this example also expresses the complexity of the organization of this industry and how it is changing in the present context of globalization. Positioning a wine in a global context is a tricky business. Additionally, for some, a constant position would not make sense because of the vast cultural disparity in the world vis-à-vis this product.

With the globalization of the wine market, the difficulty is to know what will be the most effective criteria for marketing. Indeed, when we move away from production and traditional consumption, the concept of need loses more and more influence. The desire for differentiation is more pronounced in markets in which

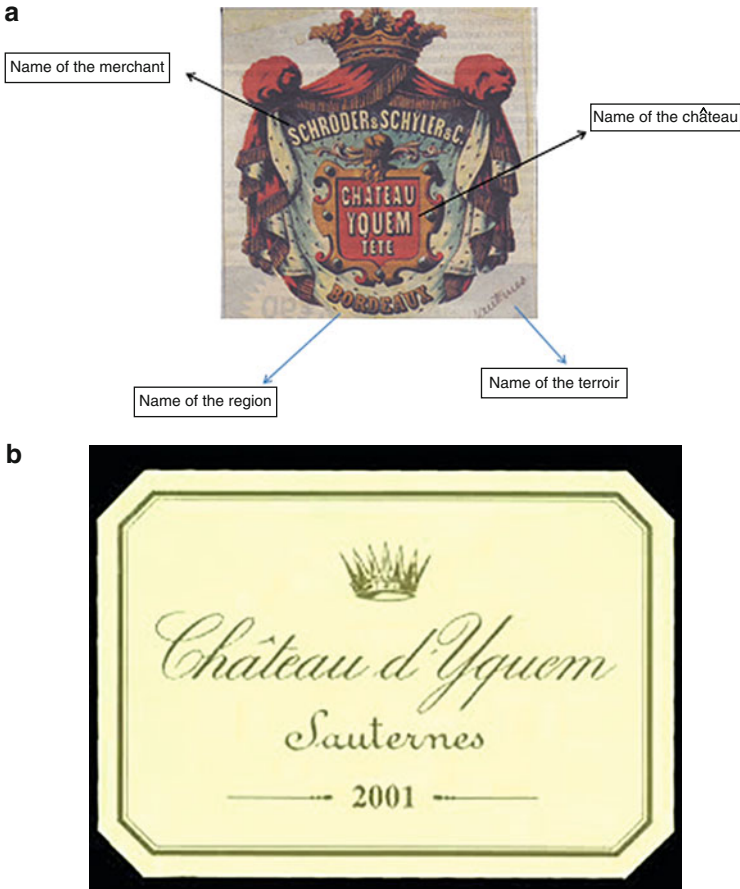


Fig. 3.5 (a) Older Yquem Label. (b) Newer Yquem Label

wine has the status of an alternative beverage to sodas, fruit juices, beers, teas, sake, and spirits.

This is why any company wanting to export wines cannot have a monolithic marketing policy but must adapt depending on the area. Likewise, a region or a terroir should modify its marketing policy according to the markets it addresses. This is easy to say, but not to do.

So we now have to study in more detail the two parallel forces as tools for wine differentiation and positioning: appellations and brands.

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Where are you from? This question of origin is fundamental and often follows with another question: who are you? There is often a close relationship between identity and geographical, geological, and climatic historical origin. This is why the term *terroir* is so important as a tracking element in the wine world.

The aim of this chapter is first to understand what a *terroir* is and what its components are. Then we see how the existence of a *terroir* is a prerequisite for differentiation of wines: it is the most legitimate way to justify such stratification. We then see how these natural elements have an impact on economic efficiency by investigating how and why being local can be a key success factor for promoting wine. Indeed, this is not always the case. Then we analyze the notion of appellation, which was grafted onto the base of many *terroirs*, and we discuss the necessity of telling the story of the *terroir*. Finally, in the current context, we see what the limits of the concept of *terroir* and appellation are in front of the central question of this book: how can one differentiate wine so that it is understandable by the consumer?

4.1 What Is a Terroir?

Although the notion of *terroir* is a reality, it is difficult to summarize the formula in a sentence. Experts estimate that this concept is difficult to explain because “many factors are involved: Vines, soil, climate, human factors and how they interact.” Therefore, more than in the analysis of these elements, these specialists do not hesitate to affirm that “*terroir* imposes itself by tasting.”¹

Discerning the specificities of a region therefore requires good skills in tasting wines. To talk about *terroir*, it is necessary that the origin of the production is clearly defined and that the peculiarities of the place are the guarantee of a minimum of typicality. But for a *terroir* to exist, it is necessary that the producers

¹ Van Leeuwen et al. (2014)

or merchants clearly highlight its identity in their communication when marketing their wines.

By contrast, a brand—that is to say a wine whose differentiation is based on the characteristics of a brand—does not always need to mention the origin. It owes its differentiation to winemaking techniques, such as wine blending from several parcels or different regions. Thus is the case of wines without geographical indication. However, some AOC (Appellation of Origin Controlled) produce branded wines: these wines come from the same region but are not really from a specific terroir. In this case the term *generic appellation* has to be used. A *terroir wine* indeed comes from clearly identified plots and is able to prove a certain constancy in the use of these plots.

Another difficulty is the multidisciplinary approach to the terroir. Indeed, the terroir is made of “a set of factors related to the natural environment—soil, topography, climate—plant material grown—variety, rootstock, age of the vines—and action of man.”² This is why the geologist does not express the identity of a terroir like a geographer, agronomist, or climate specialist.

We cannot talk about differentiation of soils from a single discipline but rather by the interactions and combinations that are found there. Climate gives the temperature levels and therefore has an impact on plant growth. The topography causes different soil types, variable exposures to the sun, more or less severe frosts, and so on. People, adapting to these parameters, give a style to the terroir by the know-how accumulated over time for managing the vine-planting density, type of grape varieties, pesticide treatment, type of pruning, green harvesting, and plowing methods. However, the application of these same techniques will not have the same effect depending on the nature of water underground and soil nitrogen content. Characterizing a terroir for some is knowing his or her “potential of precocity, its water regime and nitrogen availability.”³ We can conclude that a terroir is both a very real and complex concept (see Fig. 4.1).

Human influence is particularly shown in grafting vines. Indeed, here resides an important component of differentiation. Major diseases of the vine during the 19th century, including the phylloxera, caused growers to react. Before the disease, the soils were more or less resilient. Afterward, gravelly soils seemed more resilient than clay soils. To protect themselves wine growers could use a hybrid obtained by crossing their roots with the American species that made up these rootstocks. The range of these blendings, beyond protecting the vine, helped provide specificities to a terroir. Similarly, for vins de garde, some terroirs customarily choose rootstocks that will alleviate some natural defects of the soil: soil drainage, correction of the excessive acidity, and correction of mineral deficiencies.

Another essential element to characterizing soil is the conduct of the vine, such as its planting density, which is expressed by the number of strains per hectare. According to times and places, these planting densities vary. There was a time when

² van Leuwen et al. (2004)

³ van Leuwen and Seguin (2006)

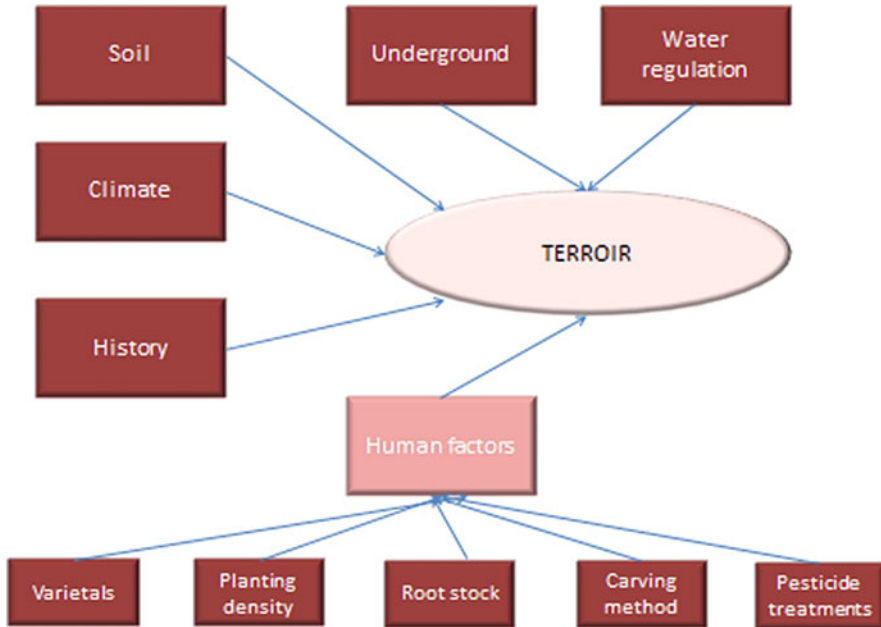


Fig. 4.1 Components of a terroir

rows of vines were spaced more than 1 or 3 ft apart. The density was low: less than 3000 vine feet per hectare. It followed that to keep a good yield per hectare required creating an overload of each plant in clusters, which was not good for balanced growth of the plant.

Today it is estimated that a qualitative appellation requires a high density per hectare: more than 5000 ft or even 7000 ft/ha in some elitist appellations of origin. This criterion enables the possibility of belonging to a particular appellation on the label. It therefore contributes to the personality of a terroir.

Finally, the forms of differentiation from the vine-carving techniques are sometimes mentioned and the use or not of vine suckering (removing the vine of young non-fruiting branches to change the leaf area by technical trimming and tying). Another aspect is the stripping of vines and a green harvest.

A sense of complexity can therefore highlight Fig. 4.1 and the combination of technical skills that lead to the identity of a terroir. But because the world of vineyards is fragmented into more than 3000 terroirs, it is essential to know how to express this typicality. Some countries, such as France, have nearly 450 appellations, and in the Bordeaux region, which can be summed up in a square of 100 km, there are 57 appellations that propose to provide a specificity that each taster is supposed to recognize!

Between taste perception and technical components, the expression of the identity of a terroir thus requires some expertise or, at least, a good concentration by the purchaser or consumer. “Too complex!,” conclude some, in a hurry. This

conclusion is incorrect. Indeed, what is proposed is not ease. This is an invitation to discover, understand, develop, and form one's own opinion. Provided with the identity of the terroir, this approach invites consumers to find their own way, hierarchy, choices in their value system, and ultimately to express a part of their identity through this course.

4.2 No Differentiation Without a Terroir

If the complexity of terroirs is a reality, it should not be considered a default or weakness. It would be too easy to erase all these characteristics and just supply the consumer with very simplified information. It is up to the consumer to decide whether to be informed or not. It is in any case essential to maintain this diversity. It is a question of the natural balance and also cultural richness. Here it is necessary to repeat that, far from seeking taste constancy, the wine lover looks first looking for diversity, astonishment, and surprise when opening a bottle and tasting a wine.

After becoming aware of this diversity, we need to see how the terroir can broadcast its specificities, particularly on the label, of course, keeping to national regulations (see Fig. 4.2). However, we can illustrate the origins or authenticate treatments.

Different countries have different rules for what information needs to be on the label. However, the six items identified in Fig. 4.2 are frequently considered to be mandatory information. They are objective differentiation criteria used to distinguish productions. In terms of appellation, a greater diversity of regulations exists.

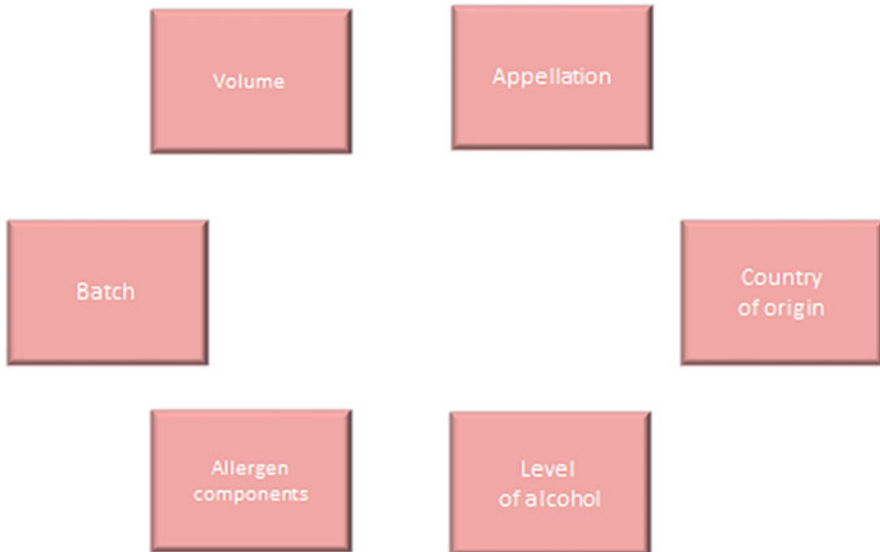


Fig. 4.2 Main compulsory information on the label

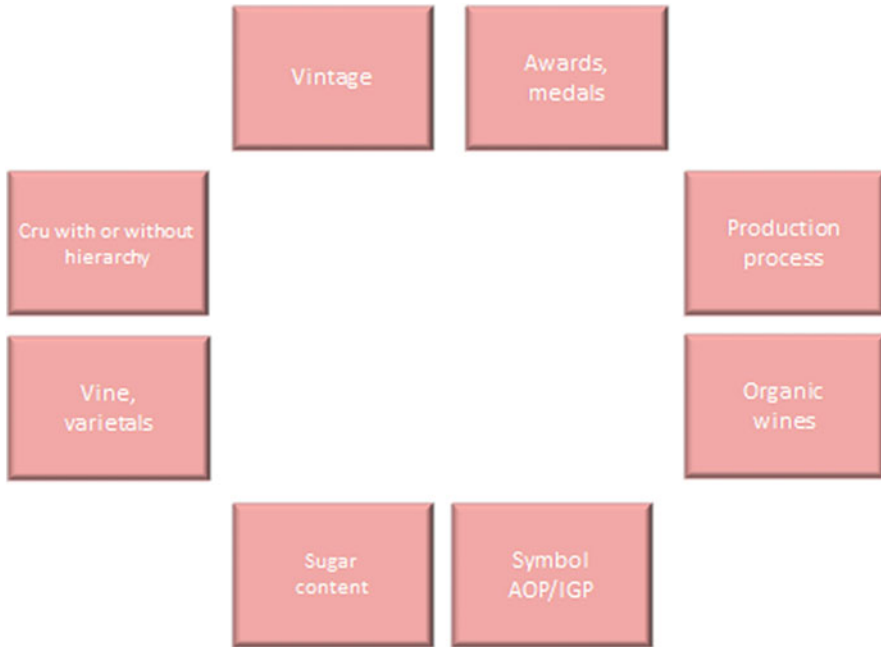


Fig. 4.3 Some optional information on the label

Thus, for French wines the expression *Vin de Pays* or *Appellation d'Origine Contrôlée* can replace the protected designations of origin or protected geographical indication found elsewhere in Europe.

Beyond these mandatory particulars, other optional components can be used to differentiate wines (see Fig. 4.3). Some of these references are expressions of the personality of the terroir. Others are more individual; this is the case for organic wines, for instance.

In the context of wines that claim a precise geographical origin, each producer has to validate an approved procedure. In France this approval is linked to the AOC. It is strictly controlled and is subject to evolving regulations. Until 2009, professional tasters were in charge of judging if the product was representative of the claimed area. In addition, samples from winemakers were subject to chemical analysis.

The idea was to ensure a continuum of taste similar to what brands try to promise without using a specific geographic region. So we can say that the consumer is faced with two kinds of promises, which necessitates a real expertise for tasting to distinguish the intrinsic characteristics of a wine. That is the reason why it is partly false to say that the brand promises consistency and the terroir diversity.

Since 2009, reform of the approval process requires not only the result measured by tasters but also an obligation: the winemaker must now prove compliance for all the steps of the approval procedure. Furthermore the scope of controls has widened. Some appellations no longer use peers—grape growers, winemakers, bottlers—

from the region, but external and independent certification firms. Finally, without going into more details, there is a movement that aims to streamline and standardize perceptions. It is therefore well suited to an industrial approach to control the processes for obtaining the desired results.

4.3 The Danger of the Terroir Standardization

Claude Bourguignon is an agronomist who agitates. For a long time he has alerted scientists, professionals, and politicians about the dangers of the intensive treatment of wine vines. For him, “the microorganisms play a major role in plant nutrition. Depending on the rock, each soil shelters some microflora mobilizing these elements.” However, feeding the vines of all soils with the same fertilizer tends toward “standardization of wine.” The scientist also believes that the intensive use of fertilizers “creates conditions that in turn require pesticides that destroy the micro-flora of the soil. . .which increases the standardization of wines.”⁴

This uniformity makes it easier for foreign competition to copy the winemaking techniques. As a consequence, the uniqueness claimed by certain terroirs has in fact begun to disappear. Claude Bourguignon was alarmed when he measured the catastrophic collapse of the organic activity in the soils of certain vineyards. Sometimes, he says, vineyard lands contain “less life than a handful of sand from the Sahara!”

How can we continue to talk about specific terroirs in such conditions?

In other areas, samples showed, according to Bourguignon, that many famous terroirs most often have a “very deep rooting” of the plants. In this case, he estimates that “the taste of terroir is stronger than the taste of the grape.”

For these reasons and others, it seems necessary to promote a healthy management of the vineyard, not only for sustainable and health reasons but also to keep alive the local identity and real wine differentiation.

4.4 Making a Homogeneous Appellation

Some appellations have been criticized in the past because they presented a too large disparity in production quality levels. Because an appellation covers a number of municipalities and tens of square miles, the very meaning of the terroir would be lost if too much diversity is found there. Thus large terroirs, for instance, La Mancha in Spain or Bordeaux vineyards, should ensure homogeneity. The challenge is great because the size of Bordeaux vineyards exceeds 110,000 ha and the annual volume of production is five million hectoliters!

To fight against the image of a too wide disparity in levels of quality, many appellations have engaged in a revolution for many years to improve quality management. Thus, the Bordeaux and Bordeaux Supérieur appellation, the largest

⁴ Bourguignon (1999)

of 57 appellations in the Bordeaux region, has externalized the control of the quality of production to an independent actor, an association called Quali-Bordeaux.⁵ Its objectives are the following:

- Quali-Bordeaux is an association created in June 15, 2007, which brings together all the players in the industry growers, traders, brokers, and wine experts. Quali-Bordeaux is entitled to operators as an independent third party organization authorized by the I.N.A.O. (Institut National de l'Origine et de la Qualité).
- Competence and independence are guaranteed by ISO 17020 accreditation issued by C.O.F.R.A.C. (French Accreditation Committee) since November 2009.
- Chosen by the defense and management organizations to conduct external control, Quali-Bordeaux checks on behalf of the INAO that all inspected operators comply with the conditions laid down in the production specifications of the AOC they want to produce and controlled marketed products meet the qualitative minimum required by the ODG (Organisme de Defense et de Gestion) for its AOC.
- The controls take place at several levels in both the vineyard conducting process and in the results. Particular attention is paid to the treatment of the vine and the setting of dates for the harvest. The goal here is to ensure on grape maturity.

4.5 Terroirs and Appellations: How to Tell the Story?

We have seen that the consumer has a large amount of information with which to form an opinion on a wine and differentiate it from its competitors. However, in most cases consumers do not. *Homo economicus* is not alone in making purchasing decisions and our choice is not usually the result of a process of planned decision making. Objectivity is not the master of the game when you are not really in a market of need but driven by the logic of desire and pleasure.

The study of consumer behavior in the context of the wine industry suggests that the process is as much about making connections, performing experiments, and finally entering into a story. It is then necessary to master the art of telling these stories. To do this it is necessary to move from a simple statement of facts in a consistent and immersive narrative, which will facilitate the consumer's task to begin an experiment, comparing, buying, consuming, and finally forming an opinion—positive or not—on the meeting with this terroir. For some, the storytelling is thus at most to “share knowledge and experiences through stories and anecdotes to communicate lessons, complex ideas and correlations between various stakeholders.”⁶

A survey on storytelling styles in the wine industry explains some of the most common components. This study⁷ focused on the stories created for 132 Grand

⁵ <http://www.qualibordeaux.org/>.

⁶ Sole and Gray (1999)

⁷ Mora and Livat (2013)

Fig. 4.4 Traditional components of storytelling in the wine industry

Environmental criteria

1. Geography
2. Geology
3. History
4. Family
5. Art, patrimony
6. Appellation

Technical criteria

7. Varietals
8. Winemaking
9. Wine aging
10. Description of the wines
11. Certifications, awards
12. Investments

13. Clients, consumers

Crus, a more targeted context but these elements also could be useful in more common contexts. Thirteen themes comprise most of these stories (see Fig. 4.4). They can be grouped into three categories: environmental, technical, and consumer.

The first category includes elements of the environment in the development of these wines. It talks about geography (location, relief, and climate) and geology (clays, limestone, stones, and silica). Immediately after these preliminaries, the actors take the stage: some people become characters: heroes, innovators, adventurers, aesthetes, nobles, scientists. Note, however, that most of the time these actors are not isolated but operate within families; clans; succeeding generations of ancestral knowledge; savvy owners; cautious, conservative, transmitters. Art or patrimony is often a basis of the expression of this saga of the terroirs. The habitat is rich in wine regions and provides an iconic symbol of the identity of the men and women who have lived there while producing their wines. Culture, music, theater, and tourism are more contemporary expressions of this trend: the aim is to share a lifestyle. There are countless festivals of summer-blend tastings and other aesthetic events. All events aggregate around the notion of giving a collective touch, full of souvenirs, connections, and companionship among the various actors.

The environment is interpreted as a specific place—sometimes the only one—to create value for the terroir. The actors of the story then transform the value by developing goodwill. They hold the keys. A winemaker located in an elite appellation will communicate the unique soul of the wine produced there. If the wine is a Vin de Pays, the narrative becomes more about proximity. For Latin wines there will be more sunny sentences. If the region has an ancient wine heritage, this lends a sense of privilege, transmission of accumulated know-how coming from the Middle Ages for so many generations. Otherwise if the vineyard is recent, the courage of these new entrepreneurs will be explained. Understanding the system and the environmental value added to the story is then used to justify the level of the transaction: the value of production and the price of transactions.

The second dimension of this storytelling is more technical. It is aimed at those who search for facts, figures, and precise data. Thus, the use of grape to symbolize the terroir is proposed in two ways: for some it is the specificity brought by a single varietal: Pinot Noir, Chardonnay, Carmenere, Malbec, or Tanat, for example. For

others it is the art of blending these varieties. Today, winemaking techniques and aging of wines are peddled in the stories that interested clients listen to.

Similarly, the volume and nature of investments—gravity technique, absence of exogenous yeast, types of barrels, storage areas—are discussed. These terms are expected to be present in the stories. Finally, the particulars of awards, including labels for organic wine and other types of recognition, are intended to show that history is recognized by others, which offers an additional warranty. Financial investments are often very high. Financiers are sometimes well-known people (businessmen, show business stars, professional athletes) or industrial groups who bring to the story reassuring power. Of course, the highlight of this second part of the story remains the description of the wine itself. Here sometimes awkwardness in the storytelling can appear: on the pretext of accuracy, the words become too sophisticated and impressive in the worst sense for the neophyte. An image of snobbism sometimes unfolds instead. This is obviously not the desired effect.

The third dimension, far rarer in the storytelling of the players in this sector, is to put the public on stage. More than the product itself, the aim is to begin a consumption experience. This path consists of transforming a competitive advantage through a customer benefit. Discovery or return to ancestral values, expression of sense perceptions, successive stages of initiation, education about codes, souvenirs, memorable and lasting relations, and attachment are all expressions of this last narrative structure that places one in the center of the story. Of course the development of Web 2.0 with its creative videos are useful in this case.

We could summarize this last approach by stating that the storytelling of a terroir is aimed at a person, just a single person (see Fig. 4.5).

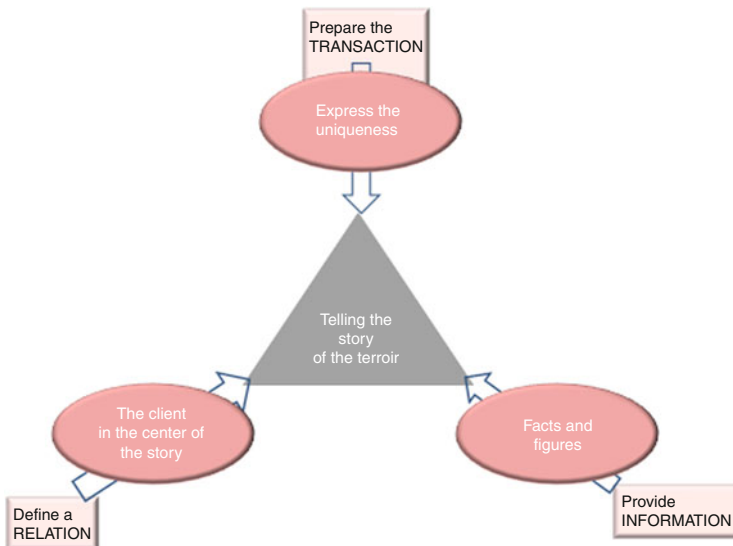


Fig. 4.5 Three dimensions of storytelling about a terroir

4.6 The Issue of Readability

Why would a young Swedish couple enjoying a pizza picnic on the edge of a pond on a beautiful Sunday in July wonder about the real differences between a Chianti and a wine of Friuli? How can a Japanese consumer tell the difference between a Pinot Noir from Sonoma Valley and one from Napa Valley in a wine bar in Tokyo when relaxing after work? How can a client in a downtown Moscow restaurant figure out which Côtes Bourg or Côtes de Blaye to match with a beef dish?

Why should a consumer differentiate the wine regions of the world? Because each of the six appellations described in the previous paragraph claims its own uniqueness. Because if there were no differentiation, it would be better to strategically increase volumes, which means hyper concentration, total integration, and global standardization. In this sense, the wine industry is a reflection of global world economics, which is shaking up territories and actor strategies.

Let us get out of this sector to better understand what is happening worldwide. Let us imagine that we are talking about the automotive sector in the United States: a leader country that exports vehicles around the world. Let us imagine that this leadership has been achieved through a number of small local players who each have followed their own strategy for exporting. This strategy seems strange. On the contrary, experience shows that global leadership is often achieved through a high concentration of players, a push-volume strategy, industrialization, process integration, and the rise of some leading brands that impose their lifestyle.

Globalization of wine does not happen in the same way. Today, the three leading countries—France, Italy, and Spain, both in volume and value—do not count global brands in the top of the world rankings in the mass market category. Many publications broadcast global rankings. *TheDrinkBusiness*⁸ presents a global top ten of wine brands and they appear in just three countries: the United States, Australia, and Chile, represented by the following brands: Concha y Toro, E. & J. Gallo, Robert Mondavi, Hardys, Barefoot, Yellowtail, Sutter Home, Beringer, Lindeman, and Jacob's Creek.

Four reasons explain the absence of the three leading countries in this ranking of global brands. The first one is a strategic choice for several centuries of the development of the wine trade being managed via fragmentation, territories, and diversity. The players prefer the promotion of terroirs and appellations to defend their territory.

The second reason comes from the low expertise in branding to simplify messages, standardize taste, and reduce the number of players in the supply chain. This strategy also is not practiced in traditional wine marketing.

The third reason is the financial weakness of the European actors. Becoming a global brand basically requires two elements: define a position and have significant financial firepower. This is the case of all the players mentioned in the top ten. By

⁸ TheDrinkBusiness.com.

Fig. 4.6 Brands and leading countries: four reasons to distrust brands



contrast, France, Italy, and Spain have few international players who could put on the table the necessary marketing budgets.

Finally, some stress that market expectations are not based on anonymous brands but on local sources. Some analysts suggest that most of the wine world's leading brands communicate primarily on their name and mono-variety. According to proponents of the terroirs, the European consumer is mostly waiting for diversity. Accordingly, some observe that there could be a negative correlation between consumers' involvement in the purchasing process and buying wine brands. The Fig. 4.6 presents four reasons that could explain the weak brand orientation of the Old World. Strategic decision of the governance of the wine industry, no traditional know how in branding, no real expectation of the average consumer and lack of financial resources to develop powerful brands.

Nevertheless, the figures show an advantage to the brand system in the wine world. Market surveys point out their progress in terms of volumes, market share, presence on-trade and off-trade, and their rapid evolution in new territories in the Asian megalopolis.

Therefore, we must now study the business model based on branding and see how it can promote the wines in the world.

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Easy to drink, easy to watch, easy to learn, easy to drive, easy to care. . .

It seems that nowadays all are looking for a universal value: ease. But of what kind of ease are we talking about in the wine industry? First, easy for the consumer, the end user, but also for the buyer. Because consumption of food, medicine, education, and television is an important part of the daily life of billions of persons all over the planet, the goal is to make their lives easier.

But another motivation appears, hidden behind this ease: that which allows the suppliers to bring to market standardized products for which it will be possible to lower production costs and devote more costs to marketing activities: creating strong brands, integrating supply chains, using formulaic management of the sales force. Simplification of internal bureaucracy of the wine major firms also motivates supporters of the take-it-easy approach.

The advent of global brands is the expression of this double expectation of the market. In the world of wine, this approach seems to be good, when one is in the mass market, almost always located in the New World. In fact as soon as one is dealing with a more aware public, especially in the Old World, the relevance of the wine brand concept decreases.

The aim of this chapter is to understand what a wine brand is. Furthermore we analyze how the wine brand comes from a prior process of industrialization. We will then see what the promise of wine brands is and how they can now represent a key success factor for companies in the sector. Once again we would like to repeat that this chapter is focused on the mass market and is not aimed at elitist productions or sparkling wines such as Champagne.

5.1 What Is a Wine Brand?

5.1.1 Wine Brands in Ancient Times

The story goes that the first marks of specific identification officially affixed on a wine product were placed on wine amphorae from centuries ago found at the bottom of the Aegean Sea. The brand was born, and it was a wine brand. The story does not say if it was the brand of the producer, merchant, or transporter. This would have been interesting to find out because often the brand highlights the chain actor that, in the opinion of the final consumer, creates the most value.

For a long time it was a terroir (La Rioja, Chianti), a region (Bordeaux, Burgundy), and then later an oenologist or a varietal. In other circumstances, the place where the wine was drunk is the real place where the differentiation exists and where the consumer of wine brands differentiates products. For instance we can mention *cuvée spéciale* for an airline or *reserve de la maison* for a restaurant. Finally, sometimes the retail (on-trade or off-trade) takes the lead and consumers buy the exclusive offering of a particular restaurant, tavern, or wine bar.

Since the dawn of time, the approach by a brand is often threefold when it is launched in a market full of competitors. First, innovating, that is to say, proposing a plus not provided by the market beforehand, for example, the varietal, winemaker, vineyard management, environmental cause, ease of access, price, fantasy of a country. Many opportunities have appeared during the last 20 years to bring to market an unprecedented feeling of novelty.

Then, differentiating in order to occupy these niches left vacant by competitors. Thus Mouton Cadet, who claims to be one of the oldest wine brands, decided to avoid the single-varietal approach, the most common internationally, so as to gain more space on the shelf, according to the Bordeaux tradition: Merlot, Cabernet Sauvignon, Cabernet Franc.

Finally, connecting: to be able to create an emotional communication between the product and the consumer. It is known that through these components, product features, and performance, the challenge for brands is to be preferred over its competitors. But this mechanism of preference is complex, as we have seen in Chap. 4 on consumer behavior, and is not based on conventional and objective criteria. Preference is particularly important in the wine industry, in which everyone thinks they know how to talk about characteristics of its products but very few understand the power of involvement of a brand.

5.1.2 A Very Brief Sociology of a Wine Brand

There are many definitions of *brand*. Traditionally, it was considered to be “a distinctive semantic element that describes a product offered by a producer or distributor (store brand, house brand, private label) to a market. It can be a name, simple or compound, geographic or not, but also a family name, a nickname, a

name used in extension or as an abbreviation, which can be associated with a symbol, a color, a font, etc. . . .”¹

Constancy over time is essential. A brand has to remain tangible to the clients. But at the same time, the market continues to evolve, observes Jean-Noël Kapferer, an expert in brand management. Beyond the name and or sign it uses, the brand expresses a value, a know-how, an expertise, a history, a commitment, a guarantee that contributes to helping consumers in their choice.

In a world that sometimes loses its traditional benchmarks, codes, standards, and customs, the brand probably plays a substitute role as a means to build another part of identity: building one’s identity through purchases! Is it not the consecration of materialism, blurring other values, such as ethical, philosophical, religious, family, general citizenry for the benefit of market values? In this sense, the brand functions to fill the space of ourselves vacated by which we were marked before: our cultural roots. Thus, the need to be physically marked on his skin—shoe fashion designers, brand logos, tattooing—all so marginal in the past, would correspond to a need to be marked and to express it to the community in a demonstrative way. At a time when the family transmission of taste has been lost, when family meals are giving way to more casual snacks, the role of the elders has seen its influence diminish. Other forces, those of a trademark, for example, then replace previous prescribers to guide us in our choices.

In the wine sector, it is conceivable that one reason for the rise of brands is that wine knowledge transmission between family generations has been lost in the multitude of vineyards along with the criteria for choosing a particular wine.

5.1.3 The Wine Brand as an Encounter

It is sometimes said that for an advertising campaign the reality of things is not the most important. It is not the role of marketing to manage this reality but, at most, just to signify it: transmitting signs often complex about a reality that escapes us. However, this art is not inconsequential. It aims to enable a positive encounter between a product and a buyer.

What is a good wine? For the mass market an answer could be a good encounter between a need and a desire expressed more or less seriously by a non-connoisseur or evolved consumer and a wine. Then, several marketing managers could consider that brands are the most efficient tools for achieving this aim. At this stage not the price level, the origin of the wine, or the complexity of the blending of varietal provide adequate answers. If the brand in all its forms addresses the consumer’s wishes, then it achieves its full role.

We know that an education to taste wines is a tricky thing and it takes years to make a reliable taster. What happens when an “average” consumer, located in an anonymous mass market, has never accessed this training? Traditionally it is said

¹ E-marketing.fr

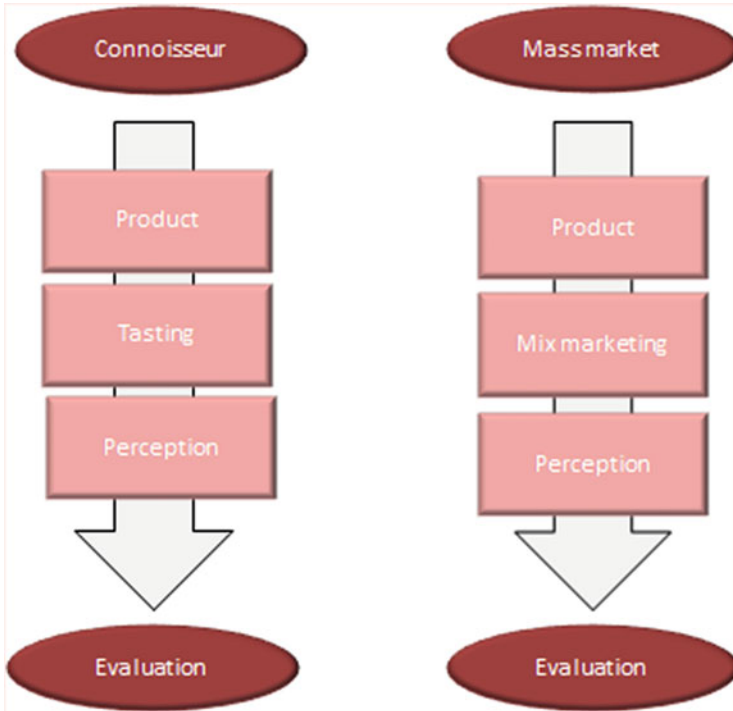


Fig. 5.1 Evaluation of a wine: tasting brands

that the value of a wine is not in the product but in the consumer's perception, so how does this axiom hold with other perceptions proposed by a wine brand: a set of symbols and signs (see Fig. 5.1)?

5.1.4 Value and the Wine Label

Brands have struggled to take off in the European wine industry. For some,² this is a repeat of 50 years ago when the profession chose to promote appellations and not brands. Previously, daily wines were packaged as everyday brands to be consumed at midday and evening at family tables or during business meals. Workers were used to consuming a large volume of wine, required by the energy they spent in outdoor heavy work. In the collective unconsciousness of European consumers, wine brands were synonymous with volume, not value.

However, it is important to understand that this is often the opposite in foreign markets: there, wine brands are synonymous with quality or even snobbery. In

²Jean Louis Vallet, past general director, PRODIS in charge wines purchasing for the Groupe Carrefour.

China, a coveted market by all wine producers, consumers consider brands as a way to rise socially, which is the direct opposite of how wine brands are considered in the French market.

5.2 The Functions of a Wine Brand

5.2.1 Young Love Brands

What is the nature of the relationship young people have with wine brands? According to sociologists, the answer is nuanced. On the one hand a very strong appeal seems to be exerted on this population: many young people use brands as a component of their identity and to differentiate. But sometimes contrary trends, such as “No Logo,”³ radicalizes the behavior of part of the youth population. Here in contrary, young people try to avoid any reference to brands when purchasing

A second trend concerning youth is its infidelity toward brands. Searching for the security of tradition is not their first aim so switching brands is not a problem. The brand’s power of loyalty is less strong for this group than for mature markets.

In terms of still wines,⁴ attitudes depend on whether the consumer is located in markets with traditional consumption or in countries where wine gradually appeared, replacing beer and spirits. In the first case learning about wine has often been the mode of inter-generational transmission (father to son) in a more or less integrated education in the family culture. Two possible reactions can occur: either gradual acceptance or violent rejection of what is similar to the drink of the parents. For youth in the second category wine is considered to be the beverage of old persons.

On the contrary, in the New World wine is a trendy beverage, often consumed by young elites who wish to differentiate themselves from adult beer drinkers. Wine brands aimed at young people will have to be clear in what context they position themselves and what messages they want to share, in both the New and Old Worlds. The attachment of young American consumers to Chardonnay or Pinot Noir is well known, sometimes in an imitative behavior. The impact of a film such as *Sideways*—a road movie in the Californian vineyards—led to empty stocks in many local wineries and promoted many brands clearly announcing the grape. Young Americans are traditionally receptive to this kind of storytelling and adhere to the branding system for wine, visiting those wineries as if they were a sort of Disneyland of wine. We can anticipate that this behavior could be the same in the next decade in Asia, when a real Asiatic version of the California Dream will be installed in some local vineyards. But it is too early to say whether the young Chinese elite are brand or terroir oriented.

³ No logo, la tyrannie des marques, Naomi Klein.

⁴ Adapted from “Le vin sur le divan”. C. Simonet-Toussaint. Editions Féret.

Young Europeans have a different attitude, so it makes their behavior more difficult to anticipate. For European producers, the good news is that this shows a willingness to learn about wines; the bad news is that it does not simplify the management of wine brands.

We can therefore conclude that a brand orientation will be more effective for young consumers in the New World but also for certain Old World markets such as countries that are part of the Commonwealth: United Kingdom, for instance, is culturally close to wine brand producers from Australia, New Zealand, and South Africa. However, young generations belonging to the three continental markets in Europe—France, Italy, and Spain—are more sensitive to the terroir systems because they often have a historical connection to it and have developed roots in it. The appellation governance is effective in this case to develop a personal identity.

5.2.2 The Wine Brand as a Dream Bracket

A kind of star system is often found in the world of luxury products and is used to create a distance between the consumer and the product. This creates a marketing problem that requires considering the balance between being closer to customers and requiring them to exert great effort to get the product.

5.2.3 Is a Wine Brand for Non-experts?

In the field of food nutrition, several observations have shown that a progression of brands—including those offering cooked meals—was related to the reduction or disappearance of culinary practices. “Home-cooked” meals now often come from the store and have replaced many family meals. Therefore some knowledge about cooking has been lost and replaced with a standardization of tastes—high salt and sugar levels in particular—for many consumers.

For some, this is one of the most important reasons that caused the failure of branded wines in Europe, especially in the Mediterranean area. This region is indeed recognized as one of the world’s cultural leaders for gastronomy and healthy cooking. Embracing a brand-cooked meal, fast food, take-away, easy-to-drink wines, and so on is seen as a resignation, an avowal of incompetence. It is not really a question of the quality of a wine brand but about consumer behavior and a strategy for decision making: in the agro industry, branding has not yet become part of a culinary art or lifestyle in this region.

Given this situation, food and wine brands must therefore accept this position. An old case study, well known by students in marketing, illustrates this idea. It describes the strategy used by instant coffee brands in the United States during the 50s. Two shopping lists were proposed to focus groups of consumers. The question was, in short, “What is the profile of the housewife who has compiled this shopping list?” In fact, the two lists were exactly the same—fruits, vegetables, cereals, juice,

milk, fish—except for only one item: on one list was coffee beans (to be ground at home) on the other, there was instant coffee, ready to be used with some hot water. The consumer verdict was immediate: the first housewife was perceived as serious, attentive to culinary issues, thrifty, in brief, a real housewife. The second was described as being careless, having little involvement in household chores, a spendthrift, or even flighty, according to some.

So there is an unconscious analysis of phenomena in which neither product nor value for money is involved. Would a consumer feel guilty in choosing a standardized wine brand, without geographical indication, in a country with tens or even hundreds of appellations?

5.2.4 Brand and Innovation

It is sometimes said that innovation sells. Innovations awaken our habits, change our benchmarks, suggest a sense of diversity. One explanation for the success of local wines (which mention grape variety) is the feeling of novelty they made a few years ago in markets where it was not traditional to inform the consumer about variety on the label. But novelty lies not only in the content of the product. Selling wine on the Internet is another form of novelty: it creates a nearby location (buying wine from home safely and with a wide choice and good price transparency), which explains how the sale of wine by mail has progressed rapidly on the web.

The music record industry, similar to wine, faces an even deeper reduction of volume purchased or a modification of the behavior of the demand. For some, technological evolutions and fraud explain this trend. Faced with this downturn in activity, other forms of music packaging have appeared: buying only a single song for a nominal cost or instead buying complete collections for a reduced rate. These new forms of supply, often constructed by powerful operators, have good resilience, even in times of financial crisis.

Innovation is also provided by the related experiences around the product. In terms of wine, the development of e-business, which occurred rather slowly in Europe but very fast in the United States, was accompanied by the novelty it brings, which led to the growth of small local brands.

Promoting an innovative wine brand thus requires clearly affirming the novelty of the taste, price position, packaging, and associated services. This innovation will often be perceived as a trigger, including impulsive behaviors by a consumer willing to try a new product.

Let us remember, even if it borders on the anecdotal, that in the phrase “Le Beaujolais Nouveau est arrivé” (each year, exactly on the same date: the third Thursday of November) there is the word *new* (referring to the vintage of course), perhaps for some more important than the name of the terroir: a promise of new thrills despite a well-established ritual.

5.2.5 Wine Brands: Luxury for Ordinary People?

Jean Noël Kapferer reminds us, “Yesterday luxury was the daily of extraordinary people; today it is the extraordinary for ordinary people.”⁵ This evolution is a sign of new trends—intended or not—in the positioning of the luxury industry. In the past luxury was rare by definition and represented craftsmanship, something custom made for a happy few. Now the luxury industry expresses the idea of volume and mass attached to it.

Positioning is a marketing concept that reveals the existence of market segments—subgroups of potential consumers sufficiently homogeneous and separated from other subgroups—in order to apply targeted commercial policies on quality, price, style of communication, distribution channels, and even a sales force to promote it. If wine brands are seen in many countries as the “extraordinary for ordinary people” they need to consider this challenge: to speak to large groups of consumers and do it differently, depending on which group they are addressing. Ordinary people are indeed more diverse than the elite, who in the past frequented only luxury brands. So we may see a duplication of efforts of wine brand marketing: it is well known that the more the target to which it is addressed is homogeneous, the more marketing efforts will be efficient.

Does this mean that it is necessary to cancel any luxury messages when promoting a brand of wine and systematically position it at the entry level? No, because luxury expectations are very high in the world today: it is estimated that the turnover of this industry is around US\$90 billion, per year. Furthermore, a brand of wine in the Old World has a naturally high-end market in the New World, even before any advertising message is attached.

A French exporter explained one day that he was asked to adopt the same style of packaging as his Australian and Chilean competitors for the UK market, supposedly expecting a better “readability.” “Certainly not,” said his English partner, “you should do what is expected of you, as a French supplier: a very classic bottle, with the mention of an appellation, the characteristics of your blending, and so on.”

So it seems that in terms of wine branding, all actors must play their assigned role. More than others the French, Italians, and Spanish may have to focus on premium brands in which vine blendings are offered to a market segment already accustomed to conventional criteria. American, South African, or Australian brands could be more targeted with a mono-varietal approach (see Fig. 5.2).

It would prudent to confirm these perceptions by consulting young consumers and those older than 40 about their wine involvement and knowledge and also their frequency of consumption.

⁵ Ce qui va changer les marques. J. N. Kapferer. Editions Organisation.

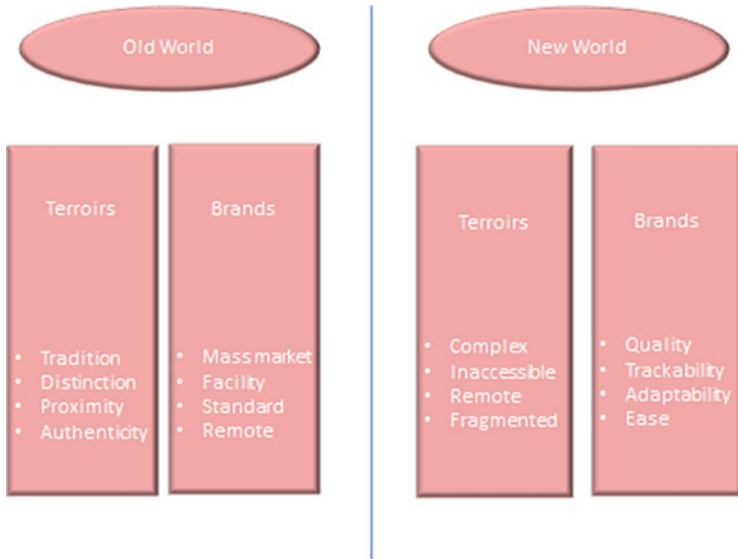


Fig. 5.2 Contrasting impressions of terroirs and brands

5.2.6 Acquiring or Using?

In the wine industry, consumers used to attach themselves to brands of appellations or brands of châteaux. These appellations, especially in the regions of production, had a very strong power of loyalty. There was no need, for instance, to look for something else further than 50 km from the table when a party, a birthday, or a Christmas dinner brought the family together.

The phenomenon still exists especially in some tourist areas. The Spanish Basque country, with its strong identity, offers Txakoli, a local white wine, on the tables of taverns in all ports of the Basque Coast. This wine is logically served with freshly caught Atlantic fish. Tourists coming from Madrid, London, or Paris spontaneously want to assimilate themselves into the local culture. It is the same in the Bordeaux region, where, despite a choice of more than 50 appellations within 100 miles from the place of consumption, to some, loyalty to *Côtes de Bordeaux* is constant.

Result: a local brand, without any or weak marketing budget and with a modest reputation outside the boundaries of its territory, knows no flow problems in its inventory. As for logistics, it is mostly direct: in pays Basque, vans connecting the bodegas daily to restaurants and other nearby fondas along the seaside are sufficient.

Experiential marketing teaches that we are the subjects of the brand we consume. The group that a wine brand has gathered around its values is, in a way, its property.

5.2.7 Wine Brand and Differentiation

Three conditions must be met in a sustainable way to answer how to differentiate wine brands. First, the consumer has to be convinced of this difference and then apply significant value to it. Finally the consumer has to believe that this value is greater than the additional costs that the brand will impose.

These three conditions apply to all markets in which the brand is actually synonymous with superior quality. In the world of wine, such a hierarchy does not exist everywhere in the minds of consumers; in fact, most of time a wine is associated with the appellation it belongs to, especially if this appellation is elitist.⁶ In this case even if the producer is unknown, the position of the product will be higher than of a brand. Moreover, the very narrow range of prices among appellations, brands, mono-varietals, and Vin de Pays causes confusion, because some branded wines do not wish to position themselves above a certain level.

5.2.8 Segmentation and Wine Brand

Because our perceptions are impermanent and changeable, we need to get used to the idea that perception is relative to the perceiver. Additionally, the findings from a physical experience often depend on the protocol followed during the experience. From this logic, we can deduct another fundamental concept in wine marketing: market segmentation.

Before, consumers were uniform, invariant, and predictable in their expectations as in the volumes they consumed. Today market experts are learning about great vintages to modest wines, local wines to wines coming from the other side of the world. The globalization of the wine market enables changes in consumers who are not glued to the old lands.

Some anticipate the disappointed consumer returning to traditional appellations, which provide guarantees of constancy. But for now the wine world is concentrated on newcomers from Asiatic regions and North and Eastern Europe, for whom wine is a lifestyle, a primarily out-of-home opportunity to assert character and dissociate from parents, who drink beer, whisky, or other spirits.

Indeed, we cannot forget that 270 MHL are produced each year and only 240 are consumed. So the wine world is looking for ways to increase the size of its market. Meanwhile, each wine brand manager should always have a question in mind: "Am I able to define precisely my consumer portrait?"

⁶ An elitist appellation means that the appellation is reduced to a narrow territory, with high quality, low yields, and important awareness: Côtes de Nuits, Pomerol, Pauillac, and Ribera de Duero are some examples of elitist appellations.

5.3 The Promises of a Wine Brand

A brand is a promise. Often this promise is that of constancy: to find the same wine in different places and at different times of the week, month, or year. Same quality, same price, same packaging, same communication, same distribution channels: the promise wishes to make its consumers repeat its purchase. For this, the promise must integrate several aspects.

5.3.1 Easy

Easy to buy comes before easy to drink. But this ease and constancy is the opposite of what tradition teaches about the relationship between a wine product and an educated consumer. Too-eager marketers have in fact advised producers to streamline their products to make them more accessible to the market. This message is too often heard and must be applied sensitively.

Some markets are very receptive to the brand image, ready to overvalue it without worrying about the reality of the components and winemaking techniques inside of the bottle. Other consumers, more demanding and more involved in their purchases, seek the intrinsic reality rather than what the brand image intends to evoke. It is not inconceivable that the same operator has in its portfolio geographically localized production highlighted through rational criteria on the one hand and brands merely trying to listening to the consumer and adapting its codes to what the client is able to understand on the other. The brand then offers a new promise: the know-how of an adviser.

So we suggest that, in the wine sector, brand is not always synonymous with high quality as is often the case for some cars, food, textiles, cosmetics, and technology industries, for instance. Its role is elsewhere, particularly in European markets where appellations are more in place than others (varietal wines, marketed brands, or foreign wines) and associated with superior quality. Similarly references guaranteeing bottling ownership⁷—the symbolic reference to the importance of rooting—still have a strong impact that a brand cannot claim.

5.3.2 Typical

Although many wine lovers know how to affirm why such wine has value simply because “it has taste,” it is more difficult for a wine brand to have this same strength of conviction, which is a constraint imposed by the food industry. Indeed, unlike textiles or automobiles, for example, whose brands are recognized very quickly at first glance, sometimes food brands are more intimate: consumers need to discover the bottle and open it before it can begin to tell a story.

⁷ On French labels the expression used to denote this is “Mise en bouteille à la propriété.”

A story still needs to be expressed, and it is not always easy. In addition to being interesting, it is still necessary that the storyteller knows the stage, to say enough but not too much, and let the public be able to imagine, project, attend to their own feelings freely. So it is a difficult balance to find. Brands can be too talkative or too silent, and many people seem disappointed by unrooted brands, avoiding them and considering that “it is all just marketing. A good wine does not need to be marketed.”

The wine-growing profession has long vilified the marketing approach. Branding remains in effect still suspect in the eyes of many players in the sector. Two criteria rehabilitate definitely the concept of the wine brand: the guarantee of a standardized quality of production and the talent to tell the story that the brand creates.

5.3.3 Exclusive

Consumers become very disillusioned when they discover that this newly adopted brand actually has nothing exclusive. Once the difference that the brand is expected to provide is no longer nourished by the product content and the messages it broadcasts, consumers turn away from it, especially in the context of the growing infidelity in present markets. Hence it becomes important to gather effective collaboration between manufacturers and retailers to enable them to form a specific universe on their shelves and shops not found elsewhere.

This form of partnership has a name: category management. “It is based on a real and effective partnership with the suppliers of the brand via a two-way transfer of information and ongoing. . . . The current streamlining assortments through the ‘category management’ are another manifestation of a possible partnership between industry and trade. In front of the increase of new products, whether manufacturers or distributors, supermarkets have begun an overhaul of their range for better visibility and profitability of their shelf,” describes Anne Sophie Bayle-Tourtoulou.⁸

So let us assume that a fruitful collaboration with the industry enables retailers to create this universe. However, a question remains: today, what wine in the world can claim to meet a promise of exclusivity?

5.3.4 Insurance

At a time when consumers want ease, too many products offer too many elitist complexities and idiosyncrasies, according to some observers. What happens in the anonymous wine department when the clear signs of a wine’s attributes are no

⁸ www.e-marketing.

longer there to guide the marketer? In fact, there are three possibilities, according to surveys.

First, a buyer can establish a relationship directly with the manufacturer or operator; in the past this was the case in production areas and is still practiced by older buyers. E-shoppers are also able to contact the producer directly and to analyze in detail the components and performances of the wines.

Second, wine marketers can look at accurate and objective information from the sales force. However, this strategy relies on the presence of salespersons in the shops and is expensive and reduces margins of the brand, even if the wine is a popular seller.

Third, the price will establish through promotions and benchmarking what it is worth. We spontaneously associate a level of perceived quality with price and therefore consumers purchase according to their budget.

However, when none of these three conditions is present, a bottle sleeps in anonymity on the shelves without a good rotation of stock. Therefore, accepting the need for branded wines becomes unavoidable.

“Put a note on the neck of your bottle saying, ‘Recommended by John Smith,’ and your wine will sell, even if John Smith is totally unknown,” claimed the manager of a wine shop. This explains the success of wine guides and other wine-tasting education products. Looking for a guide is indeed the attitude we adopt every time we face a complex purchase. Recall that in marketing a “complex purchase” refers to a situation made of two components: first, a degree of existing or significant involvement of the consumer, who expresses desire for information (as opposed to automatic purchases, spontaneous or routine); and second, a clear perception on the part of the consumer that there are competing products with different characteristics and therefore that an error is possible when choosing.

5.3.5 Pleasure

“A brand must be good to think before being good to eat.” This saying in the food industry expresses the sequence of feelings that surround a consumable brand product. Through accumulated reputation and an association of ideas, a wine brand appeals more by extrinsic qualities of the product. The novice consumer leaves the experts to decode intrinsic signs that are too complex to understand. On the contrary, this extrinsic approach repels the amateur and the connoisseur.

Desire is often regarded as a pressure that results from a lack. Therefore, it makes use of more or less conscious psychological mechanisms. This is what separates it from a need, which is a more familiar concept for economists, made of more objective criteria. In this sense, a brand of wine must create a desire that will itself implement the purchase decision.

Pleasure derives from the effective satisfaction of a physical need. Often, unfortunately, the pressure caused by desire (a lack) will know only a partial satisfaction: the gap between what is expected of a renowned wine (or brand name) and what is actually obtained has the somewhat complex name of *cognitive*

dissonance, in other words, the unpleasant feeling of a half-successful purchase. It is therefore the role of the brand manager to constantly monitor the difference between desire for loyalty to a brand and the pleasure that, if disappointed, invites the consumer to go elsewhere to other competing brands. This is particularly important at a time when the loyal culture of proximity developed by local appellations no longer works.

5.3.6 Experience

In recent years, the influence of experiential marketing is more and more important. The idea, simply, is that our purchases are experiments or slices of life that can be defined through five components (see Fig. 5.3):

- Sensations: tasting perception, tactile contact
- Emotions: association of a perception with a personal sensitivity
- Reflections: economic analysis that we have of the situation (e.g., price-to-quality ratio)
- Actions: initiatives, success or failure in getting access to the product
- Connections: our link with others by sharing feedback on the products we use

In the wine industry the impact of these five steps is fundamental. Too many advertising campaigns about wine speak only of its identity and components. Some try to talk about the feelings that the brand should evoke in the consumers. Of course, others emphasize its competitiveness, especially during promotions in the supermarkets. But it is much rarer for a brand to reach all of what can be offered through experiential marketing. Often, when the consumer is uninvolved, the economic value of a wine is based on the story told about it rather than its objective criteria. Consumer circumstances are particularly important here. This is actually a much broader process than the simple transaction.

Fig. 5.3 Consumption experience

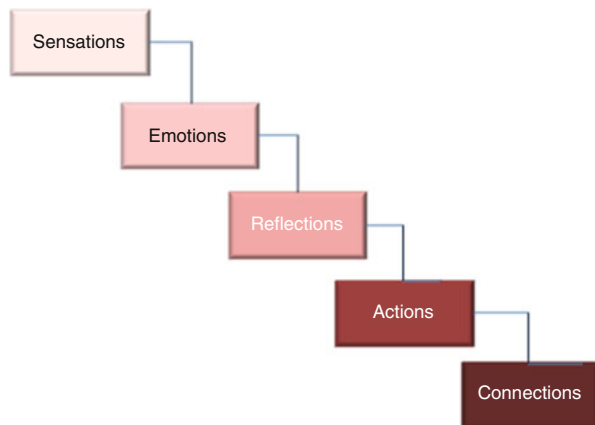
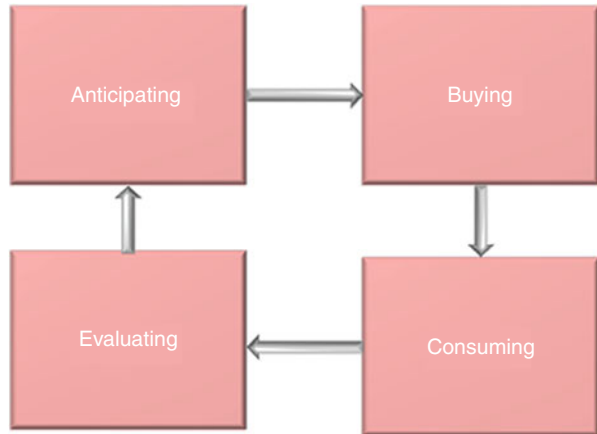


Fig. 5.4 Wine brand and consuming experience



Indeed, four phases succeed when this consumer experience the different steps as shown on Fig. 5.4.

If a brand has no history to tell, no doubt it does not deserve to exist on the market. If a brand of wine does not allow consumers to develop consumer stories, something has malfunctioned. If the stories that concern this wine speak only of objective criteria, some dimension of the story is lacking. Its potential for differentiation is reduced.

5.3.7 Tag on the Shelves

H. Plasmann, John O’Doherty, Baba Shiv, and A. Rangel are researchers at the California Institute of Technology and Stanford Graduate Business School. They believe that consumer boundaries are greatly troubled when trying to perceive the quality of a wine. Their research described how 21 volunteers sampled five bottles of Cabernet Sauvignon to establish a ranking. The test was repeatedly performed and the wines were presented randomly. The only information at the disposal of the volunteers was the price of the bottle.

The researchers hid from the subjects that the same wine could be poured twice: once with its real price (US\$10) and once with an artificially inflated price (US\$90). During the experiment, the brains of the testers were scanned so that the activity of the orbitofrontal cortex, the seat of pleasure, including awareness of taste and odor, could be measured. The conclusion of the experiment shows that the higher the price of wine, the higher the biological sensation of pleasure: the brain adapted to the price!

This feeling is real in the brain and not just intellectually correct (“I am stating a high level of quality because I see a high price”). It is likely that the mechanism of memory, a learning process, would occur and dictate future choices along the same lines. A conclusion could be to advise marketers to increase wine prices so they

force a measure of consumer respect that would be synonymous with quality and therefore likely pleasurable to the taste.

Thus, the intrinsic qualities of the product—which is actually inside the bottle—are relegated to the background, especially after the perception of price. It would be interesting to extend the experiment by replacing the price variable with that of the brand. Thus one might initially develop a different brand recognition rate in a sample of consumers, then, once the hierarchy is established, test flasks randomly attached to the trademarks of weak or strong reputations could measure a possible link between brand awareness level and pleasure derived from tasting.

Similar to many other manipulations of marketing mix variables, such as advertising, the type of bottles and labels, the place of purchase, the type of argument or profile of the vendor who supplied the product, and so on, it would no doubt show that more than by objective qualities—so often measured by both juries and media—wines are distinguished by consumers through variables of the business environment.

A simple conclusion appears: the awareness of a wine brand, the chosen positioning, and the branding management it monitors set up a real brand concept that influences the behavior of consumers.

5.4 Wine Brands as a Tool

5.4.1 Less Than a Minute to Choose

As for producers and suppliers of goods and services, the brand is the subject of constant research, especially in the English-speaking markets. Throughout history, behind the promotion of a brand hides the desire and the vital need to differentiate its product from its competitors, giving it a successful identity. Today's consumers often have a lower fidelity in product choices and receive a far higher number of stimuli from the actors in the wine industry.

For a long time, producers believed that the identity of a vineyard, the terroirs, the soils, the appellation style, the winemakers' choices, the grape varieties blending, and the success in tasting competitions would evolve natural differentiations of wines. But consumers are now in a hurry: they spend on average less than a minute buying wine in supermarkets. In such a context, the brand and its quickly recognizable signs are an effective tool. As a consequence, many firms decide to invest more budgets in branding than in winemaking today. There is a great debate in the profession about this, of course, similar to the case in the perfume sector: from time to time, the cost of production represents no more than 10 % of the selling price!

5.4.2 A Landmark in the Middle of an Ocean

In the current patchwork of abundant goods, landmarks are useful for the uninformed consumer, who must make a decision in a limited amount of time. But these choices have to be maintained. In this sense marketers have spoken for several years about ‘investing in a brand’ and “maintaining the brand,” as it is done for a classical tool or piece of equipment. The wine section of supermarkets offers hundreds of products. “Too many,” distributors complain, justifying their opinion by the low rotations of the products on the shelves. “Too many,” says the hurried consumer when choosing a bottle. “Too few,” suggest the producers, who know that only fewer than 500 products have the privilege of being present on the shelves, and tens of thousands of productions would love to be there.

5.4.3 Profitability and Loyalty

“Do not reinvent the wheel every morning.” On the commercial side, this saying can be translated as US\$100 in turnover is more profitable ultimately when looking at the bottom of the income statement if it is made through loyal transactions than only from new clients. Investigating new markets is indeed a tiring activity, for all in the industry, and it is never predictable in its returns. Sales are affected by competitor initiatives. Negotiation will never have the force of the presold brand through the awareness that supports its products.

Beyond its power for increasing loyalty, the brand therefore has a second great advantage: it generates strong and predictable margins. The economies of scale obtained thanks to national campaigns, the repetition of messages, and the timing of promotions returns tenfold any investment and stabilizes market shares.

The current difficulty in the mass market is to put together on the same shelves bottles with a weak but highly publicized stories, with little or unknown productions whose qualities are often higher but inconsistent. A real headache for the consumer!

5.4.4 A Place for the Brand

If the supermarkets and hypermarkets are the preferred distribution channels for wine brands, along with online sales, they have still to find their place on the shelves. For a merchandiser, the challenge remains to find a place for everyone. For instance, in Western Europe, inside of a narrow range of between 4 € and 7 €, the consumer will find a large selection of table wines, local wines that do not mention grape variety, local wines that do mention the variety, Vins de Pays, wine brands with or without geographical indications, and appellation of origin controlled!

Faced with such a provision, the consumer is mostly lost about the value to be assigned to an appellation rather than a brand in the arbitration between traceability

of an industrial brand and the quality guaranteed by the agreement process of an appellation.

5.4.5 The Dreams of Distributors

To deal with such a complexity, what is the dream of distributors? Often hypermarkets are defined as simple “shelf renters.” Their goal is to maximize revenue and return on investment by the foot. To do this they minimize overhead costs—payroll and administrative costs—and maximize product rotation. In this sense, the brand meets the expectations of the distributor. Products sold by brand awareness do not require commercial teams of sales consultants or prescribers. Furthermore brands concentrate between few points of reference, decreasing worries for the supply chain and increasing trading opportunities, according to the principles of gradual reduction related to volumes purchased.

Although contemporary distribution now says it wants to overcome major brands, it needs them and even itself creates its own brands. But the wine choice is eclectic because of the fragmented structure of the global wine industry. The dream of distributors is now separated into two distinct types: a complex one, reserved for aesthetes who are prepared to spend time selecting the wine (50 %) and the another that is simplified and concentrated with some quickly and easily recognizable brands by the consumer (50 %).

Presently, in several countries, the presence of wine departments is decreasing in big shops. Further, consumers want to purchase wine more quickly than in other sections, such as cosmetics or computers. Finally, hypermarkets and supermarkets no longer should expect an expansion in retail space and new openings. The add up to a situation in which distributors will have to reduce the area devoted to still wines to try to maintain the sales of this section. Moreover, the decline in purchasing power in many countries and the evolution of a lifestyle that tends to value local shops and proximity make sales of major retailers begin to regress. In such a context, distributors will seek simplification: concentrating on selling brands may help them achieve their goals.

5.4.6 Portfolio of Brands

Is it possible for a brand of wine to exist alone or should it be part of a brand portfolio? This question can be asked in the context of a winery but also to a merchant or a cooperative. The field observation shows that the portfolio approach seems to prevail. Thus many operators are trying to duplicate the concept of their brands and their positioning on the five or six varieties mostly expected by the market.

Indeed, a brand can support of a range of products, a sort of umbrella that adds value by pooling the costs of communication and loyalty. For wine production the diversity of colors (red, rosé, white) and varietals (Merlot, Cabernet, Malbec...) orientate towards brands that support most of time a diversified portfolio.

For an operator working alone, the question is how to manage a brand portfolio and develop a product without forgetting the importance of coherency in a portfolio? Three attitudes are possible. The first is to strictly separate these brands in order not to allow the consumer to make links between them. Name, price, packaging, and distribution channels are possible tools that can divide a portfolio. This approach is particularly useful when disparate identities exist between the wine brands, such as wine from controlled origin appellations and wine without geographical indication, for example.

The second approach proposes instead to use the same name as a common emblem to secure the positioning. Price constancy then plays a fundamental role: whatever the price, the brand portfolio promises it is of a certain level of quality at a constant price.

Finally, the third approach is to assist consumers in their progression in the world of the brands. Speculating on a growing desire for knowledge of customers and their increasing involvement, marketers will propose a move from discovering an easy-to-drink wine to enjoying a discerning wine, with the logic based on progressing through the same brand portfolio.

5.4.7 Age and History of a Brand: Strength or Weakness?

Real brands are those that last and remain beyond the trends of time, fashions, economic fluctuations, and decline in purchasing power. That is why the older the brand the better when it comes to what is emphasized in advertising or packaging of the product. The wine industry is particularly fond of a long history that legitimizes a product.

Let us not forget that other sectors undermine this sacrosanct religion of long history equaling intangible brand equity. The film industry—just think of Steven Spielberg’s famous brand DreamWorks—is for some an industry that manages dreams. Here brands have demonstrated that one can claim to belong to a trademark pantheon without history or roots. Several trademarks having a high recognition rate today—Facebook, Amazon, Apple, Google—and are still in their youth. Today, in the wine sector, each day new brands appear everywhere without messages alluding to their long life. Instead they adhere to the approach of the “hottest small brands” and brag about their youth: “When *Wine Business Monthly* creates its annual Hot Brands list, we aim to celebrate the breadth and diversity of our industry. We seek out wineries that have superior wines, creative techniques, unique sites or heartfelt philosophies behind their brands. We look for winemakers that are willing to take risks and commit to their vision regardless of the whims of the market. We like wineries and winemakers that love what they do and want to honor that love with well-developed, meaningful wines.”⁹

⁹ <http://www.winebusiness.com/blog/?go=getBlogEntry&dataid=126123>.

Thus, it is not complex to create a new wine brand from a group of producers, vineyards, and even entire regions with no real history behind them. The legitimacy of a brand is not based on the fact that it has always existed. Now it is a marketing rule that a brand is the age of its consumers, which makes it more practical to make the right choices or correct its positioning.

5.4.8 Private Label

As on other shelves of supermarkets, private labels are now part of supermarkets and account for nearly 80 % of wine purchases in France. Note in this situation the goals of private shelves: having exclusive offers, getting free of suppliers, generating strong margins, and getting quasi-homemade products based on market research conducted by the distributor are some of the reasons that explain the development of this type positioning. Some are successful, but not all. For some industries private labels became hegemonic references for consumers, a kind of standard. In other areas, including food, success is more mitigated.

An important reason for the development of private labels in supermarkets is to increase loyalty to the store and ensure the sustainability of the company. It is a marketing technique called *category management*. The development of private labels presents both an opportunity and a threat for manufacturers and wine merchants brands. In the coming years wine merchants selling their own labels might be able to nibble inches from the shelves of the world's leading distributors, who are also increasingly concentrated. In this sense, they will put pressure on the major international brands to justify their place among the varying types of wines, the appellation wines, or foreign wines. For some, they bring more complexity to an already often unreadable wine department, according to different market surveys.

Moreover, today few industrial and trading houses are able to carry a national or international brand, except maybe in the United States, Chile, or Australia. Necessary marketing budgets are indeed not possible in most companies. Make or outsource is the alternative proposed by distributors to the sector operators, who agree to lose some of their power but can therefore maintain a volume strategy and fulfill their production capacities. In the present context of global overproduction, the private label is one response. However, it requires a cultural change: to accept larger wine production areas, as advocated by some European bodies: Franken Wine, Vins du Sud-Ouest, Vinos de la Mancha, and Wine of Tuscany are some examples of these categories. A private label often feels too cramped in the delimited categories of most appellations.

Another concern is how private labels affect the perception of identity: the debate over the development of vino des Espana or vin de pays de France for some private label is an illustration of this issue.

5.4.9 Brand and Positioning

A wine brand can be found in four types of roles: leader, challenger, outsider, or local. The first three concern international markets. The fourth plays on the proximity between production and consumption.

The role of a leading brand in a country or more broadly in an international regional area can be defined as a standardized product that has very substantial advertising budgets and a strong presence in retail distribution channels or producer partnerships—distributor, a price that includes the cost of production, and the value of leadership. There is a consistent demand for real leading brands by the major retailers because they represent locomotives for the entire product range. This leadership mechanism exists in the wine sectors, especially in the Anglo-Saxon countries: Northern Europe, the United States, and Oceania, in particular. A dozen of international brands are part of this club. They are mostly American, Australian, and Chilean. Their communication focuses on a mono-varietal approach and easy pairing with foods. Their key success factor is their commercial and financial power.

Challenger wine brands often adopt a “me-too” positioning. With similar characteristics to the leaders, they offer products at lower prices, putting themselves in the wake of the leaders. They are also expected by distributors because they represent an alternative in often-difficult negotiations between leading brands and distributors. Most are available in mono-varietal modes. The United States, Australia, and Chile are also present in this second group, along with some European brands. Their key success factor is price competitiveness.

Outsider brands also claim a place on the international stage. However, they are characterized by either innovation or by more “complexity” (in the positive sense that this term has in the wine industry). Innovation can come, for example, from organic production techniques representing cause-related marketing in connection with the preservation of the environment. The complexity will be highlighted by brands that propose blending of varieties and more accurate information on origins and vintages. Their key to success lies in market segmentation and differentiation.

Finally local brands play on an identity that actually works effectively in the agri-food sector. Production and consumption are often geographically close: a common culture appears. It serves as a base for local consumers and sometimes attracts passing consumers who wish to assimilate into the local culture during their stay, such as in tourist areas. Their key success factor is their proximity to the off-trade and on-trade channels: specialty retailers and restaurants (see Fig. 5.5).

5.4.10 Traceability of Wine Brands

The food industry frequently raises questions about how to secure the chain from the ground up to delivery through processing and storage. The consumer wants to be guaranteed good-quality products. Media coverage of incidents of batches of bad

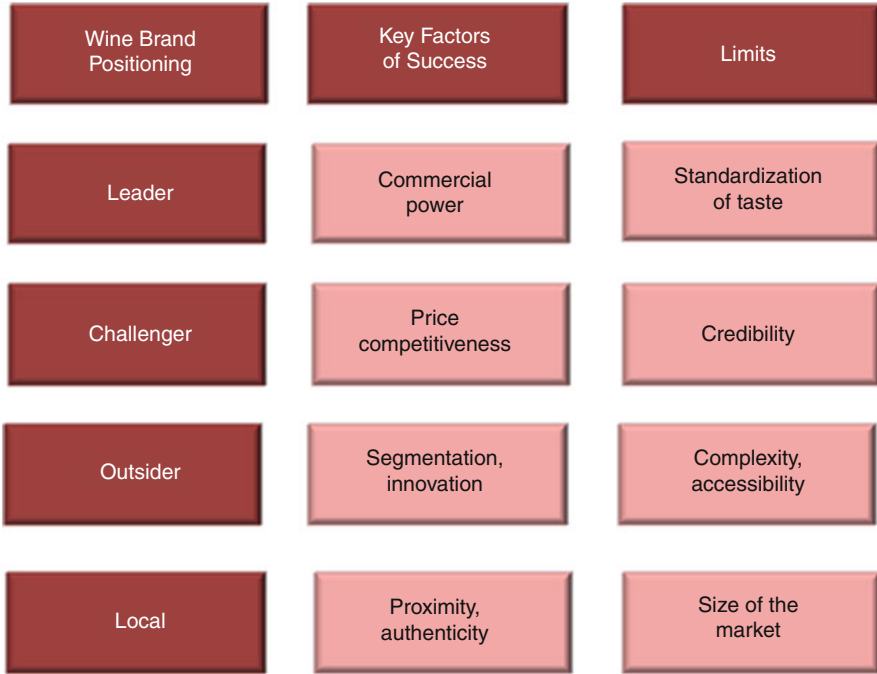


Fig. 5.5 Four types of wine brand positioning

or less controlled food is very strong. This suggests that the risk is twofold: first to the consumer and also for the industry and distributors of the product. There is a lot of focus on food security.

Wine vines, one of the most fragile plants, have been identified as users of pesticides; thus, they are increasingly being monitored by actors in the system. This explains the large amount of research being conducted today for reduced reliance on the plant protection products used massively in some regions. Traceability is often required by the downstream sector as well by major trading houses when it comes to private labels owned by distributors or retail chains. The specifications developed in recent years are rigorous. Additionally, technical and commercial partnerships keep a tight control on the ground on how vines are treated. Such industry regulations result in regular visits to the vineyards to guide or fix treatments, control the maturity of the fruits, determine the harvest dates, and so on.

In this sense, the integrated system of branded wines guarantees better traceability than with independent productions. This suggests that the brand approach, which is a corollary of the industrial process, results in a more systematic management of risk that meets the public's need for security.

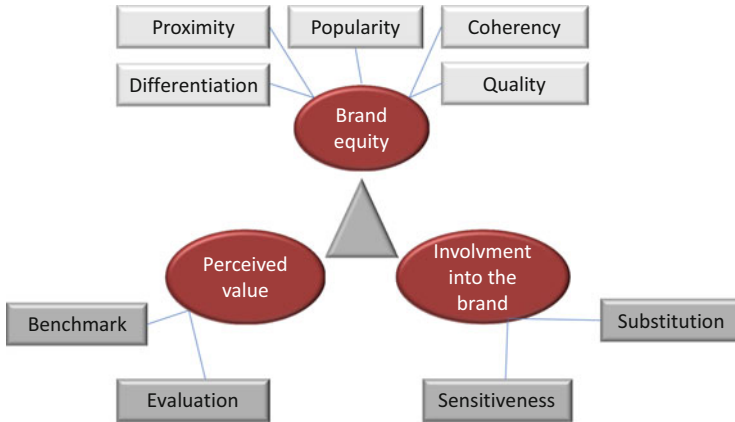


Fig. 5.6 Components of a brand

5.4.11 Power of a Brand

The power of a brand is the result of the optimum combination of its various components. Three families of components sum up this performance (see Fig. 5.6).

According to the sector, the weight of each component varies significantly. But, on average, the following distribution is found: 40 % for brand equity, 40 % for consumer involvement, and 20 % for perceived value. Note however that in the wine world, where the brand will be immediately surrounded on the shelves by numerous alternative offers (appellations, varietal wines, private labels, etc.), which complicates the situation. The physical neighborhood, the multiplicity of references, and the narrow range of prices confuse the consumer's perception. In other categories one finds one or two national or regional brands and no more.

5.4.12 Tasty, Healthy, and Fair Products

These three words are the basis of successful wine brands that really want to differentiate themselves primarily on the tangible aspects of their product. Taste is always measured, recorded, and prioritized in competitions that bring together experienced tasters. Now brands are monitored on their carbon footprint and, more broadly, on the environmental impact of their management of vines; treatment, payment, and protection of the workers; winemaking process; storage, transportation; and recycling.

Distributors now require this information from their suppliers. Tomorrow it will be the consumers who are starting to monitor systematically the emission of greenhouse gases of the products they consume. This has become a selling point for cars and will affect many industries, including viticulture. Today, the first surveys on the carbon footprints of the wine industry are being published. They

show numbers from 120 to 171 kg of CO₂ emissions per hectoliter of wine produced and marketed. As a comparison, this figure is close to 70 kg per hectoliter for beer. In the wine industry, the most important sources of CO₂ emissions are travel, glass creation, and oil, then the printed cardboard, pesticides, transportation of employees, and natural gas.

At a time when the differentiation of wine brands is not easy, and when actors of the chain as well as consumers look for distinctive objective evidence to prove that their brand has low emissions of greenhouse gases, controlling this output will become an effective selling point. It is likely that sometime in the future, indicating the number of kg of CO₂ emitted will be mandatory on wine labels. Some prefer to anticipate such changes by making the first carbon footprint analysis. After the publication of standards on quality and traceability and the emphasis on cause-related marketing, the new trend is probably the one that reconciles the three famous Ps: profit, people, and planet. Accordingly, proving low CO₂ emission rate could increase profits and make a product more attractive than many expensive advertising campaigns and arguments that cannot be proved.

Finally, note here that the Natural Marketing Institute,¹⁰ which specializes in the observation of LOHAS (Life Style on Health and Sustainability) markets, estimates between 15 % and 20 % of the US population favors health and sustainability criteria in all its consumer choices. This segment is one of the fastest-rising markets in terms of wine brands.

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¹⁰ <http://www.nmisolutions.com/>

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In the near future, real differentiation of wine might occur through the choice of distribution channels, specifically through e-business, which would provide an opportunity for wine producers to be relieved of their dependence on distributors and redefine the distribution of added value. The aim of this chapter is to assess online wine retailing today to better understand some trends of the e-shopper. We see how the ease supplied by Internet fulfills the aims of the easy-to-drink model discussed in Chaps. 2 and 5. Then we review how the development of e-business redefines the concepts of added value for each player in the wine industry and describe some key success factors in such a context.

6.1 When the E-Shopper Meets the Wine Industry

Because we do not all have the same relationship with new technology, e-business actors must establish a clear segmentation policy. The daily amount of time spent on the Internet can be used to determine target groups:

- Less than 30 min 3 %
- Less than 1 h 12 %
- Between 1 and 2 h 24 %
- Between 2 and 5 h 45 %
- Between 5 and 10 h 13 %
- More than 10 h 3 %

Similar to many other purchases, selecting a wine through an e-business is a journey made of many stages. These stages are relatively new to marketing and induce different behaviors. A study of the “connected shopper”¹ presents a picture of these expectations and behaviors at the end of 2014. The survey methodology is

¹ <http://connectedshopper.geometry.com/>. This survey is based on a sample of consumers mainly in the United States and then in Europe, Russia, China, India, and Japan.

based on nearly 10,000 consumers in 12 countries on four continents and describes the role that the digital element plays at each stage of the decision-making process. Six types of e-shoppers appear:

- Observers are spectators of e-business evolutions. They show real fears of the impact of new technologies in their lives.
- Functionalists involve new technologies only to acquire information.
- Explorers are defined as researchers looking frequently for new tools or apps.
- Experimenters are in a continuous and permanent process of learning how to use the digital.
- Techsters are willing to convert to new technologies and seek to increase productivity in their daily lives.
- Future forwards are permanently connected. They are in constant search of novelty and innovation.

According to the survey, individuals spend about 4 h per day on the Internet for personal reasons—outside working hours. This accounts for 60 % of their free time and is particularly true for emerging countries such as China, India, and Russia.

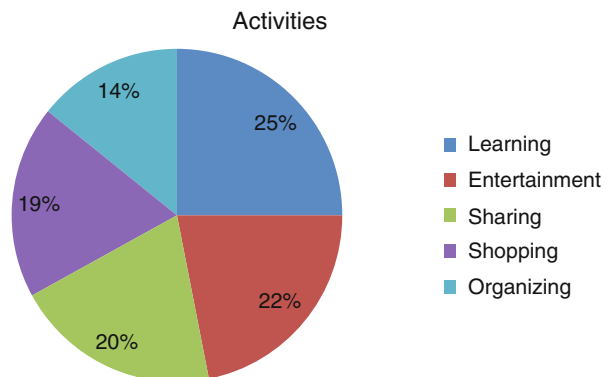
Figure 6.1 highlights the main uses of Internet during this free time.

The first use is learning: searching for information, keeping abreast, discovering the news (24 %). Then comes leisure, entertainment, watching videos, and downloading or listening to music (22 %). Then comes socialization, which is primarily to share texts, photos, participate in forums to speak or listen to the opinions of others, and to belong to a community (20 %). The next activity is shopping, with the goal of conducting online transactions (19 %). The last category is personal organization to manage files online, handle administrative tasks, and use applications for personal organization (12 %).

In terms of buying, it is now estimated that 59 % of the population surveyed purchase one to three goods per month online, 20 % four to six purchases, 6 % seven to ten, and 5 % more than ten purchases. Two-thirds of respondents believe that they will increase their number of purchases per month on the web in the future.

For this type of online purchasing activity, computer or laptops are the two most-used platforms. Others—smartphones, tablets, mobile phones—are much less used.

Fig. 6.1 Main uses of Internet during free time



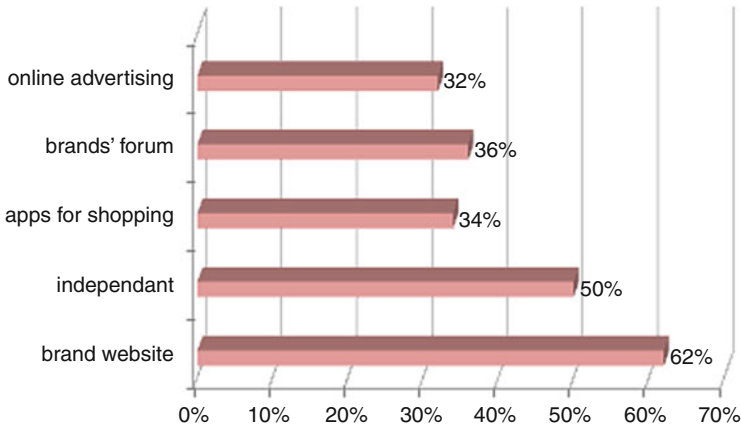


Fig. 6.2 The most visited websites for e-shopping

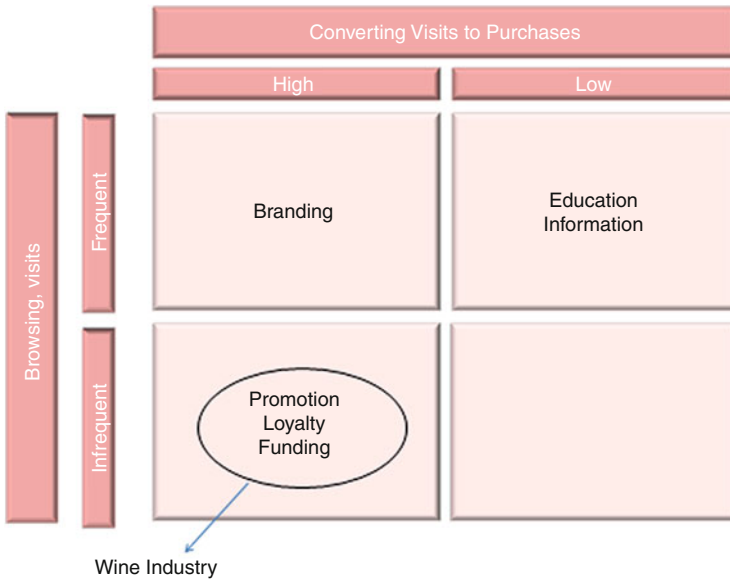


Fig. 6.3 Browsing and converting visits to purchases

According to the e-shoppers survey, disparate behaviors are shown in the types of online commerce sites that are most frequently visited (see Fig. 6.2).

A wide disparity of Internet uses is also observed when shopping. Thus, more than 75 % of web browsing activity is for purchases of software, video games, holidays, tourism, music, and movies. Conversely household products, health, wines and spirits, food, and drinks appeal to only one-third of e-shoppers.

The study considers, however, that for wines and spirits, the proportion between browsing and buying is high. It therefore recommends intensifying efforts on promotions, loyalty programs, and financing proposals (see Fig. 6.3).

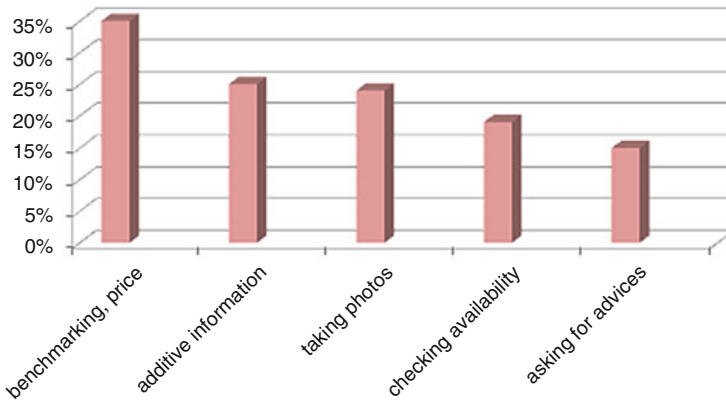


Fig. 6.4 Using a smartphone when visiting a store

However the digital world also has an impact on traditional trade. Many people use their smartphones when visiting a store. The main uses are shown in Fig. 6.4.

As we can see, several usages become popular. That is the reason why, observers estimate that the consumer will have more and more power in the coming years.

6.2 Six Pieces of Advice for E-Businesses in the Wine Sector

So what are the concrete conclusions from this study about the e-wine shopper? The following provides a summary:

1. Brands and appellations should simplify their product concepts.
2. Wine websites should aim to attract visitors into the story of the brand.
3. The website should offer permanent animation that describes promotions and events to convey a dynamic feel.
4. The website should make the e-shopper feel that purchasing wine on the Internet offers better information and therefore more power.
5. Because wine is perceived as a complex product, the website should offer information from experts, opinion leaders, or connoisseurs willing to share their experience.
6. The website should use short videos and informative graphic animations frequently.

6.3 Anytime Anywhere Any Device

New technologies offer us these promises in a more and more insistent manner. In all areas of our lives—information, health, food, education, transport, and culture—we want access to necessary data immediately and permanently. Three words can summarize the apparent benefits: virtual, digital, and immediate, but these three aspects need to be explained, particularly within the context of the wine industry.

First: virtual. We know that traditional Old World wine trade has been tangible and concrete (not virtual). Indeed, in addition to acquiring a good, a client sought above all to establish or strengthen a link with the winemaker or supplier. We have seen that wine is a complex product for which the risk of error is high, so how can a virtual relationship replace a traditional one?

Of course, in the case of mass market and standardized wines brands, virtualization saves time for noninvolved consumers. But what is the added value of such websites? Is it always necessary to benchmark the products? The context and process of the purchase will be similar to those observed for a digital camera or a standardized tourist traveling package. Conferring with a producer, expert, or retailer in the strict sense is not essential. The characteristics of the product are transparent and its story has already been told.

Second: digital. In the near future, everything will run on standard computer platforms for mobile phones, tablets, and other uses. Some anticipate that Google Glasses or a new generation of connected watches will be able to sufficiently track advertising information. The multiplicity of platforms then will stage a variety of business models specific to each. Remember that a business model, in brief, is the device imagined by a company, an organization, or an individual to finance its activity.

An advertising resource in the wine industry will enable brands, appellations, or wine marketers to emerge on the national or international stage. Through big data, these platforms will be able to target advertising very precisely: specific varieties will be directed to particular segments of market. For instance, wine fairs, a very popular event in this sector, will be offered exclusively to one region or city in particular. New platforms and the Anytime Anywhere Any Device (ATAWAD) orientation will undoubtedly open the door to what is now called marketing one—one. It will be the beginning of the end of mass marketing but also, perhaps, the end of generic brands whose strength was the ability to talk to a large group of consumers. Big data ability, CRM system efficiency and targeting initiative will be in the center of the game.

Third: immediate. In education, immediate access to knowledge via the Internet is questioned. For some, this fast knowledge is similar to fast food, that is, a way of learning that doesn't delve into experimenting, debating, developing a critical thinking, and so on, but rather fills an immediate gap. In searching for wine products fast knowledge does not encourage a sense of reflection and judgment but rather supports a reflex or impulse. The ATAWAD approach is primarily meant for immediate decision making. An immediate solution creates pleasure but does

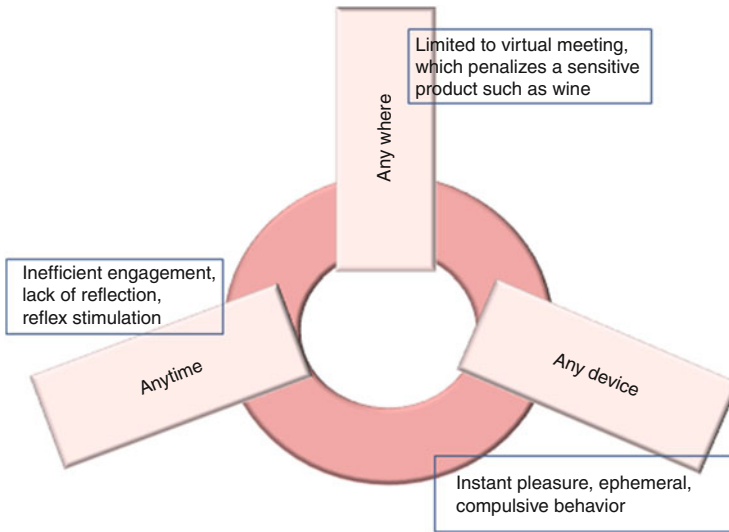


Fig. 6.5 Limits of the ATAWAD approach for the wine industry

not answer the question of desire, nor that of consumer involvement in terms of effort, progression, hesitation, evaluation, and retention (see Fig. 6.5).

6.4 Added Value, the Internet, and Wine Merchants

The wine world is made of many actors who follow one another in the supply chain: producers, brokers, traders, importers, distributors, and retailers. Everyone gathers a part of the added value to ensure the financing of the business model. This creation of value provides legitimacy and sustainability to the organization.

A key question must be considered: who deserves the largest share of value added in the sector: the producers because they design and market a product, a diversified range, or a specific brand, or the distributors because they are closest to the final market and therefore have the best knowledge of consumers and their expectations?

With the Internet, how to attribute the rewards of concept sharing is questioned. Indeed, the actors who are just mere intermediaries are in danger of being eliminated. The online business format helps manufacturers go directly to the end user and reduces the length of the supply chain. So we must understand the difference here between a simple diffuser or broadcaster and a real distributor who adds value to the final product. A true distributor provides several services: proximity, availability of the stock, selection of exclusive offers, competitive promotions, adapted advices, and security when tracking. These aspects need to be upheld as the industry becomes more and more digitalized. On the contrary, the

single merchant or retailer who offers no more than buying opportunities will disappear: Internet and the e-business actors become more efficient.

In the wine industry power was initially in the hands of producers who held a rare product. Then with the advent of mass trade, power passed into the hands of distributors. Tomorrow, thanks to the Internet, which enables a one-to-one approach between producer and end user, it is likely that the consumer will take more power. It is therefore essential that all players in the wine industry understand how they create value and then set up an efficient website in the wine business.

6.5 Successful Websites in the Wine Industry

For several years, an e-barometer has been used to track some of the most successful websites of the wine trade. This tool was developed from an international study of several hundred of consumers who were able to offer different aspects of wine knowledge.² Every 2 years, a ranking of the best sites is presented at the international exhibition Vinexpo in Bordeaux. The advantage of this panel is its diversity—combining Old and New Worlds—but also its longitudinal nature. Figure 6.6 shows the criteria expected by e-shoppers.

6.5.1 Information

One of the first requirements for the customer in search of a wine is to access as soon as possible a maximum amount of information (see Fig. 6.7). E-shoppers usually like to compare, benchmark, and get an overview of deals at a given time. They also expect alerts about promotions or innovation. Depending on the purpose of the particular site, however, the information needs will change.

At the distribution level—hypermarkets, supermarkets, and retailers—the entire range of products has to be presented. Hence, there is a need to think of a real e-merchandising presentation. For an appellation, the goal is not really to sell products but to promote the specificities of the terroir, as we have defined before, in addition to the actual details of the appellation.

A site visitor should be able to answer these questions easily: What is the target? What is the style of the brand? What is the specific promise of the brand? What are the tangible commitments to prove that this promise will be kept? These elements should appear in fewer than three clicks for any consumer.

Finally, e-visitors will want to learn about the location of the domain, château, winery, bodega, finca—the soul of the place—its history, heritage, landscape, and people. Here is where storytelling is useful to differentiate products.

² <http://www.eperformance-barometer.com/>: Gregory Bressolles, professor, Marketing Department, KEDGE Business School of Bordeaux, France.

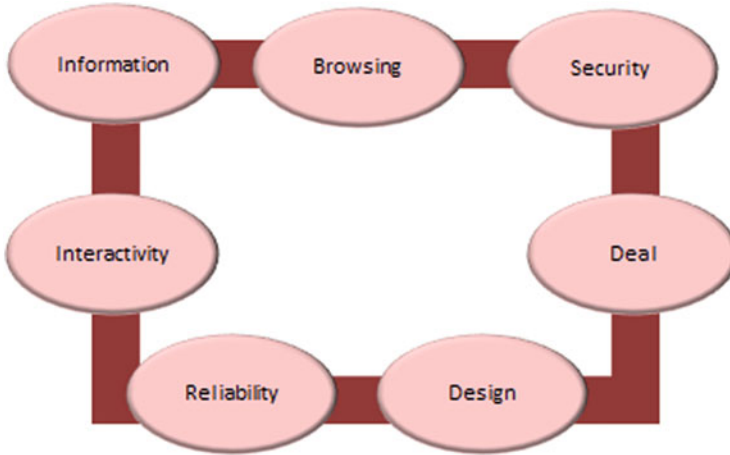


Fig. 6.6 Assessment criteria of a website in the wine industry

Specialized retailer	Exclusive deals, advice
Nonspecialized distributor	Promotion, range
Appellation	Terroir
Brand	Target, promise, commitment, style
Producer	Location

Fig. 6.7 Website: information to focus on

6.5.2 Browsing

Ease of site navigation initially was thought of in the same way as the easy-to-drink approach of certain brands. One of the public’s expectations of e-business is based on two key elements: transparency of direct information and power that enables the comparison. Previously, consumers have considered themselves to be victims of information asymmetry.

Lack of information access is particularly damaging with a complex product such as wine. The wine industry adds—sometimes unwittingly—a complexity inherent to the product, so it is essential that the consumer feels a reduction of this asymmetry.

6.5.3 Security

To turn a visitor into buyer requires confidence in the company that is behind the site in addition to confidence in the products, the quality of the supply chain, and more generally in the nature of the information it disseminates as well as the means of financing it imposes. But this security also refers to the guarantee that prospective customers will have with regard to respect for their private lives. Thus, it is not recommended to inundate new customers' inboxes with a multitude of solicitations because one day they opened an account on the site. It is also unnecessary to implement complex models to understand in great detail customer behaviors (a tracking system). Indeed, although they are often sophisticated, these techniques are not truly differentiating and sometimes cause customers to reject using a site altogether because of the saturation they face.

6.5.4 Deal

Today, the website of a wine brand or an appellation is the first meeting between the company and the consumer. That is the reason why it has to be a real showcase. Similar to a store in which all the goods are not seen through the front window, the idea is to invite the customer to enter the site and then to settle for a few minutes inside the walls of the company. Too many sites want to be comprehensive and require visitors to use a series of drop-down menus. Telling the story of a brand or an appellation should relay an experience that is sufficiently evocative, simple, and direct.

Appellations are collectives, representing tens or hundreds of member producers in the terroir. Again the website will not offer complete information. The appellation site is a portal that links to the websites of the companies themselves (châteaux, wineries, bodegas, etc.). The appellation site does not consist of presenting wines but the specific elements that constitute the identity of the terroir to differentiate it from other regions.

6.5.5 Design

A website design also portrays the style, the fourth basic component of any brand after its promise, commitments, and audience identification. With new types of tools it is now easier to surprise and delight the visitor. The key remains to be coherent and make logical connections between components of the marketing

mix—general deal, price positioning, and communication slogans—and the given style.

It is also necessary to recall the contribution of Web 2.0, which, with the ability to transit larger volumes of data, provides access to new means of communication: in particular, short videos. These movies can offer an education about abstract concepts or facts. Additionally, they are a great opportunity for visitors to share their consumption experiences with others.

6.5.6 Reliability

Reliability is important for the entire supply chain that is behind a commercial wine site. Online sales of wine have two characteristics: (1) purchases can quickly represent important sums and (2) materials are both heavy and fragile.

6.5.7 Interactivity

Interactivity is obviously part of the added value of a website, but that interactivity has to be understood at two levels. First, develop links between the brand or appellation and its faithful and new customers. Second, develop links among the visitors themselves, for example, forums and social networks. Here responsiveness of the site to questions asked by the public, the frequency of really interesting information being displayed, and the development of trade flow where events may play a role will enhance the website's power.

If a brand or appellation becomes a certain size, the use of a community manager or e-brand manager probably becomes a necessity. Indeed, if networking is surely one of the most “modern” and efficient e-marketing tool, this needs investments and availability of staff in the back office.

Internet gives everyday more and more power to the consumer. Even if this idea seems obvious, this is particularly true in the context of the wine industry for at least, two reasons. First, the development of sales in the traditional channels is a real challenge when we observe the stagnation of turnover and rotation in the shelves in many countries. Second, because wine remains a complex product for most of consumers. Facing this complexity they need and ask for more and more information and transparency. That is the reason why we can imagine that they will go to “wine ATAWAD aps” in the future.

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The purpose of this chapter is to propose a series of classic analysis tools and adapt them to the context of wine brand positioning and appellation differentiation within the overproducing wine world. Indeed, it is always good to step back and evaluate a situation methodically and rationally. The list of tools offered here is certainly not exhaustive. The selection was made based on simplicity to understand and possibly to implement. Using all the tools for the same case would lead to unnecessary duplication. The tools have to be selected individually depending on the availability of data and the perceived problems.

7.1 SWOT Analysis

SWOT (strengths, weaknesses, opportunities, threats) analysis is perhaps the most conventional tool for economic actors to reflect on their strategy (see Fig. 7.1). It is very relevant when working on appellation or brand position on the global market.

Internally first, it is important to identify the criteria that are actually detectable by consumers and more generally by markets. So for appellations, the intrinsic elements are its history, often long, a guarantee of quality, and specificities. Geography needs to be made understandable to consumers; thus, often producers say that their vineyard is planted on *Côtes or Côteaux* (hills), but the favorable consequences of such a situation are not really explained. The importance of exposure and soil drainage must also be explained.

Specificities of geology and the details of winemaking techniques particular to certain terroirs have to be communicated to professionals and not to a large audience. Unfortunately, the “average” consumer does not have much patience for such details.

When it comes to analyzing the strengths and weaknesses of a wine brand, we spontaneously think of the four elements of its storytelling. First: does the brand have a real audience clearly identified? Has segmentation work been done? Is the brand actually proposing a clear and specific promise, distinctive, easily



Fig. 7.1 SWOT analysis in the context of the wine industry

understandable in terms of benefit to the customer? Following this promise, is the wine brand ready to demonstrate its commitment by rational elements beyond that promise? Finally, the wine brand needs to be characterized and easily recognizable by a style in which a certain constancy is expected. Has this style a real personality? It could be serious, traditional, innovative, uninhibited, efficient, authentic, looking like the consumer. No matter what it is, the key is to ensure consistency in presentation.

Regarding the external aspects of the analysis—opportunities and threats of the environment—here we must differentiate depending on whether one is considering an appellation or a brand. An appellation requires a politico-legal framework because that protects the terroir identity. Therefore it will be necessary to consider carefully political aspects at the local and national levels of governance that could threaten elements or opportunities that arise. Also trends in vine treatments and winemaking methods need to be observed. Today orientation toward a sustainable or organic viticulture is an element of differentiation very effective for unknown appellations, especially for the Nordic markets. Climate change also needs to be studied: the impact of global warming could have a dramatically negative effect on some appellations—California and Australia, for instance—but be positive for others—Bordeaux, Vins de Loire, Franken wines, for instance. In the long term, most wine-growing regions will be affected so understanding the impact is necessary. The book “Menace sur le Vin” (Laramée de Tannenberg and Leers, 2015-Buchet Chastel) explains this essential evolution in details. Finally, the framework should also refer to the regulatory changes in terms of health and standards. This is particularly true in the European Union. There is an obvious link between knowing the state of these environmental elements and being able to offer a clear differentiation of the appellation.

In terms of analyzing wine brands, several considerations are shared with analyzing appellations. However, a brand is indeed in competition with others because it carries an expectation of a certain constancy or standardization of taste or components: varietals, blends, fruitage or woodwork, level of alcohol, and so on. It is important to understand how such a segment of market is (or is not) expecting the specific virtues of a brand. This orientation is in fact not all the same around the world. Furthermore, a brand is identifiable by the company that owns it. Some brands suffer from others in their portfolio, and even the corporate image of the group that owns it, if they do not have a good reputation. In addition, certain market environments attach particular importance to understanding the origins of products, which is not always highlighted by wine brands. An evaluation is needed here, too.

7.2 Extended Rivalry

The term *extended rivalry*, developed by Michael Porter,¹ aims to concentrate on the balance of power in relationships developed by a player in its sector. We must address this concept in terms of relative strength and bargaining power with the various stakeholders.

Indeed, an appellation and a brand are constantly in a power struggle. This is the rule of liberal economics: a series of negotiations with each party. Porter speaks of five forces that shape the development of the company:

- *Supplier bargaining power*. Depending on the sector, the providers of raw materials and also various services hold undisputed hegemony and set their conditions. But changes in prices or tariffs can disrupt the activity of a company, which often cannot pass on these increases to its customers. The aim here is to see how the producers of an appellation—growers, traders, cooperatives—or integrated companies—wineries, merchants, industrial groups—master the upstream of their sector in the supply of raw materials and additive inputs. Monitoring costs and security of supply will be a necessity. Indeed, we know that depending on the climate and the amount of sunshine, the price of wine bulk has seen great fluctuation. For instance 2013 was a very humid vintage and most of the producers lost a third or more of their production in several European vineyards, resulting in a jump of bulk wine price from an average of 1000 €/tonneau² to approximatively 1300 € (US\$1450).

¹ **Michael E. Porter** is the Bishop William Lawrence University Professor at Harvard University, based at Harvard Business School in Boston. He is a six-time McKinsey Award winner, including for his most recent HBR article, “Strategy and Society,” coauthored with Mark R. Kramer (December 2006).

² 1 tonneau = 900 l of wine.

- *Potential entrants threat.* We observe today many strategic maneuvers in which large groups enter the wine industry through the acquisition of a wine company. Even if these companies are not as attractive financially speaking (an average of 5 % of return on equity is often mentioned), this threat is linked in particular to the commercial attractiveness of existing producers (who have higher operating margins) and also to the possibility of accessing a large internal market and gain the ability to export.
- *Customer bargaining power.* For 30 years, the shift of power took place downstream in the wine industry: hypermarket and supermarket chains won the game of sharing added value over the industry. They reigned supreme on pricing, payment terms, packaging, logistics, and participation in promotions. They were the ones that really decided what wine the people drank, and not the consumer, the producer, or wine strategist consultants. Supermarkets as well as numerous wine retailer chains today embody that power. In Germany this is particularly true for price fixing (Lidl, Leader Price). In the United State, Walmart or Costco are often partners of international brands such as E. & J. Gallo or Yellowtail. In the United Kingdom wine brand orientation is driven by Tesco and Sainsbury, for instance. In France, Leclerc, Carrefour, Auchan, Intermarché, and Casino concentrate regularly 80 % of the mass market. The world of on-trade is powerful: in Anglo-Saxon countries the on-trade model is rather integrated. As a consequence, it imposes its conditions on the suppliers.
- *The threat of substitutes.* The best positioning exists economically speaking only if it meets a need. Many companies have suffered because of misplaced alternative technologies, which caused damage within a few months and destroyed the goodwill on which the company was based for a long time. Today, for instance, in the wine industry, e-business challenges the traditional organization of the industry in which several actors—wineries, brokers, merchants, and retailers—used to share the added value. Pure players of the Internet propose websites in which the consumer has a direct connection with the upstream of the wine industry.
- *Rivalry among competitors.* Even if it is not traditional to speak of competition but rather colleagues in the world of viticulture, today appellations have almost the same position with regard to consumers. Consumers are unable or do not wish to take time to differentiate certain wine regions. We must have a clear understanding of the players in this arena. This is even more true for branded wines, which often no longer refer to specific intrinsic criteria and ask the consumer to rely on extrinsic evidence.
- *The power of influence on the political framework.* Wine lobbyists are often major players in their local environment. At the national level or equivalent, wine lobbyists also often influence decisions on legislative guidance. Conversely, public authorities have an impact on consumption patterns and often act for health reasons—aiming to reduce consumption. It is therefore important to analyze the relations that affect the politico-legal framework.

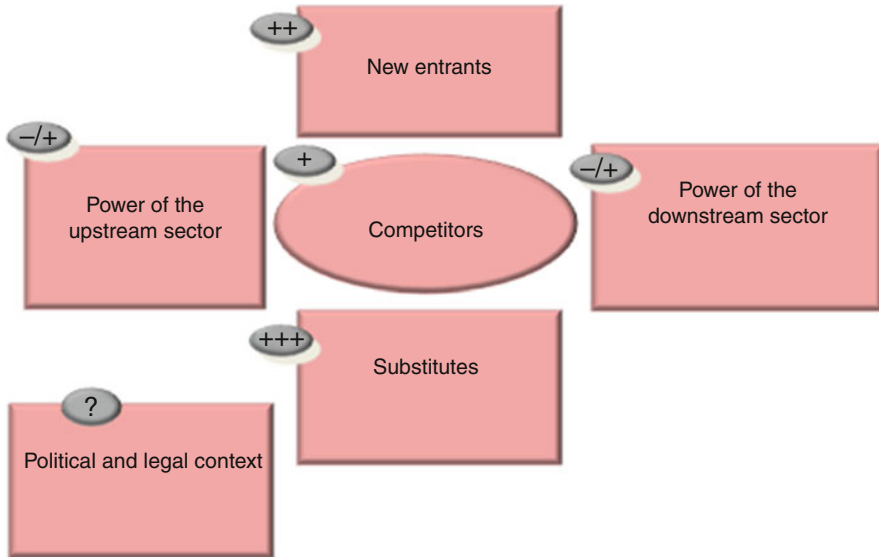


Fig. 7.2 Extended rivalry in the wine sector

A synthesis of the extended rivalry and a mapping of the sector expressed through a set of positive, negative, or doubtful signs will show the general condition of the wine world (see Fig. 7.2).

7.3 Strategic Groups

When a firm seeks to define its position, it is first advisable to know what strategic group it belongs to. Indeed, all brands are not intended to play in the same arena. What are the criteria that can define these various areas? This requires finding the parameters that are simple to spot and can be leveraged for decision making, such as production volumes and turnover, size of the company, owners of the brand, the choices in terms of intrinsic elements (grapes, alcohol level content), the will to emerge on the international scene, and tariff policy. See Fig. 7.3 for examples of strategic groups.

Grouping appellations within homogeneous subgroups is more delicate. First one thinks of rankings and tries to separate the elitist terroirs from the others. Second, it is necessary to consider the size of the appellation territory, the industrial capacities, the budget of the board that promotes the region, and also the winemaking techniques, climate, and geographical configurations. Figure 7.4 shows the parameters that can serve as a basis for the definition of strategic groups.

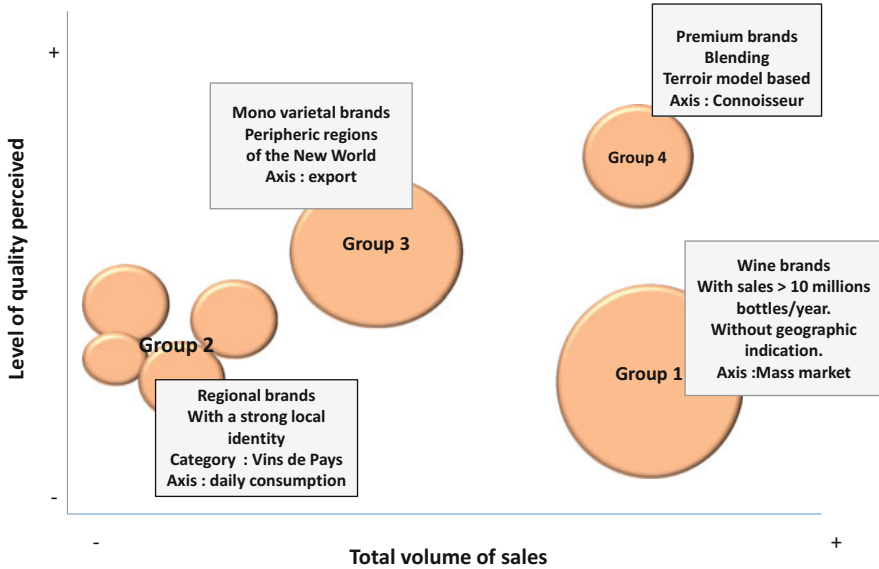


Fig. 7.3 Example of strategic groups in the context of wine brands

- Position in the national ranking (elite, etc.)
- Size of the vineyard
- Degree of specialization
- Brand image of the terroir
- Price range
- Mode of distribution
- Servuction
- Financial concentration
- Level of quality perceived
- Apparent marketing policy
- Vertical integration
- Level of technology (wine making)
- Costs competitiveness
- Relationship with legal and political governance
- Export markets

A strategic group is composed of regions, terroirs, and appellations that have made similar choices in several of these elements.

Fig. 7.4 Components of strategic groups in the context of appellations

7.4 Competition Diagnosis

Once the strategic group to which the brand or the appellation belongs is identified, the diagnosis of competition can be engaged with more specific criteria. This analysis enables a rational approach for comparison with trademarks or terroirs

		favorable	neutral	unfavorable				
Marketing	product ranges	X =	O					
	size of sales force	O =		X				
	advertising investments		X=O		competitor A : X			
	price position	X		=O	competitor B : O			
	brand image, awareness	O	X	=	competitor C : =			
	servuction	=						
Production	production capacities	XO	=					
	technical investments	XO	=					
	specific know-how	XO=						
Finance	presence of powerful investors	O	X=					
	return on equity	O						
	creation of added value	XO		=				
Management	human resources							
	style of governance	O	=	X				
	corporate culture	O	=	X				
Innovation	new products, brands	=	XO					
	new process	=	XO					

Fig. 7.5 Competition diagnosis

that are in the same strategic arena. Figure 7.5 identifies two competitors and then breaks the analysis into a series of functional criteria. This grid is primarily applicable to trademarks than appellations.

7.5 Key Success Factors

Too many producers confuse the concept of competitive advantage with key success factors. The first is to have assets or skills that others do not. Thus, some growers feel, rightly, that their soil or their winemaking techniques and the power of their sales teams, brand awareness, or region notoriety are guarantees of success. This may be a necessary but not sufficient condition.

Transforming a competitive advantage into a key success factor requires stepping into the shoes of the client or end user to assess how such a distinctive advantage really gives a personal benefit. Thus, the geology of the soil is certainly differentiating, but few consumers are able or want to take the time to understand this and incorporate it into their decision making. It is the same as the blending of wines coming from various vineyards or the delicate act of blending varieties. A small segment of the market—often involved in the act of buying in a B to B context—can detect key success factors along these lines.

The research of these factors is essential. For that, market surveys, field responses from salesforce reports, and data collected from retailers, on-trades, and importers need to be analyzed and separated into advantages and benefits.

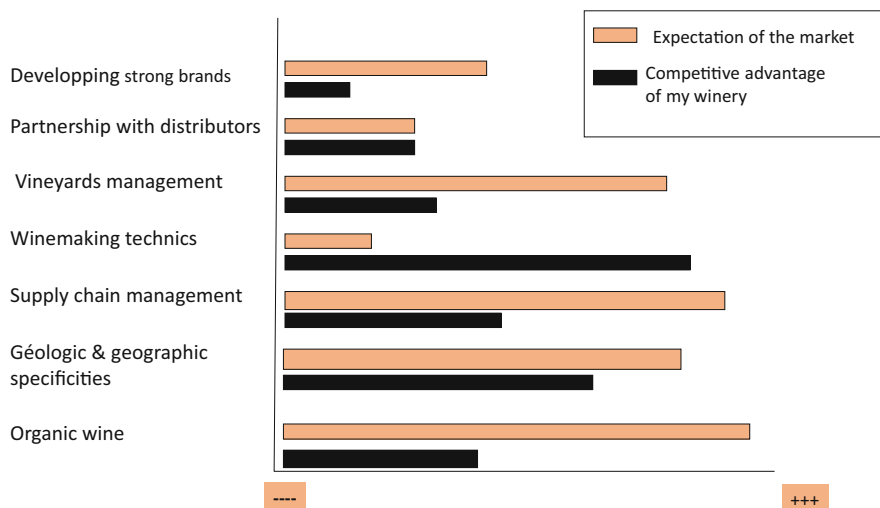


Fig. 7.6 Competitive advantages and key success factors

Figure 7.6 illustrates some key factors of success. Each of them is presented on a horizontal axis with two scores: competency of the actor and expectation of the market.

7.6 Differentiation Levels

Are there any dependable laws of success in the wine business? Too many parameters intervene in the consumer's decision-making process. However, this does not prevent us from establishing a list of relatively stable criteria to guide wine marketers (see Table 7.1).

Simplicity A wine positioned in the mass market segment is more likely to win because its success is based on a small number of attributes. Erudite speeches or ambient snobbery in communications do not serve the consumer. Keeping things simple will avoid diverting consumers from the product.

Attractiveness There are many ways to make an attractive product for consumers. Quality-for-price is not the only one. Thus the ability of a wine to develop a consumer's self-esteem through sharing the product is preferred. For others a wine's attractiveness lies in innovation or surprise, for example, when a Vin de Pays is very fruity. This astonishment may, in some cases, cause problems because it does not fulfill the promise of standardization of most of brands.

Table 7.1 Six criteria needed to position a wine

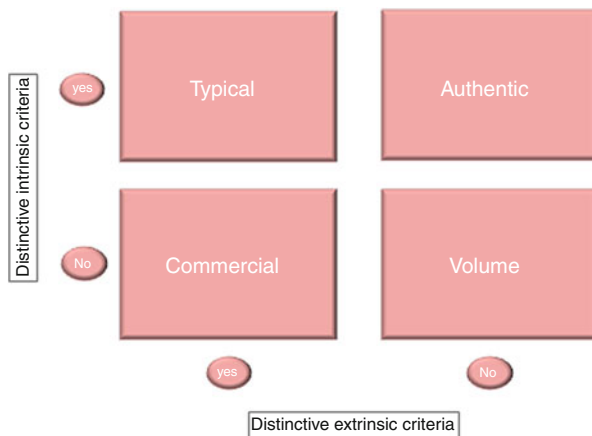
Criteria promoted by the producers	Questions asked by the consumer
Simple	What is the promise?
Attractive	Economy? Innovation? Security? Self-esteem? Distinctive sign?
Different	Unique? Innovative ? Astonishing?
Profitable	Quality for price? Experience? Sharing? Socialization?
Credible	How to prove? Prescriber opinion?
Sustainable	How to measure the constancy?

Difference Some people think that in a certain price range all wines are similar because they are not considered as viable purchases. But differences do exist. So, the issue is not to demonstrate the differences in the supply side but to stimulate and increase a consumer's motivation to purchase. The more consumers search for information, advice, and measurement of wines, the more they will be able to recognize and value differences in the products. Places for wine education or events are necessary to facilitate this engagement, the desire to know more, and can occur in wine tasting schools, meetings with producers, trade in wine clubs, and comparing websites and other benchmarks. The success of "La fête du vin," a popular feast next to the river Garonne in downtown Bordeaux City, with thousands of people over 4 days meeting hundreds of producers, is a positive example. This concept is now exported to other cities such as Hong Kong, Quebec, and Brussels.

Profitability Wine is part of the food and beverage industry and not of capital goods. So the idea is not to measure a traditional return on investment. However, a measurement of profitability is appropriate to evaluate the consistency in the product between the retail and consumer expectations, for example. Loyalty to such an appellation or such a brand or distribution channel can make the wine-selection task profitable by simplifying the process and ensuring security. The notion of healthy, tasty, and fairly produced wines is indeed sought today for most agro-food products. This is one of the strengths of organic wines, which, more than others, express the terroir and guarantee maintenance of the natural heritage and biodiversity. In this sense, there is the notion of long-term profitability.

Credibility Too many producers put forward the idea that their wine is unique. This word became so boilerplate that this *uniqueness* has become commonplace. As a result, most consumers do not react to a word that has lost its meaning. Other terms to characterize wine also lack credibility: *venerable history*, *health heritage*, *expression of terroir*. These expressions, without being false, have a low efficiency of impact on the consumer. It would better to fortify these words by tangible evidence, with facts, figures, surveys for instance. If not, it would be better to abstain from communicating them altogether rather than highlighting a verb or an ineffective adjective.

Fig. 7.7 Four positioning for a wine



Sustainability We find sustainability at two levels (1) how it is produced using natural components and (2) how it maintains an ecological balance. These aspects are particularly important in the Anglo-Saxon and Scandinavian countries. Furthermore, the stability of the customer-producer-distributor relationship is a dimension of that sustainability. Even in the days of the Internet, a search for proximity and stability out of the rut of anonymity is expected by the markets. It remains to construct a communication both artful and authentic to embody this stability.

Based on these six core positioning criteria, any player in the wine industry—producers, merchant, retailers, and importers—should be able to express the position of the product by this simple sentence³:

“The positioning of a product is to give it a unique position in the minds of consumers and clearly differentiate it from its competitors and this is what is called the USP (Unique Selling Proposition) that describes how a product is different from those of competitors.”

Some wines are naturally differentiated because of their intrinsic characteristics, for example, organic wines or wines made from very special varieties, in extreme climatic conditions, or even using very rigorous aging methods. On the extrinsic side some products stand out from anonymity through initiatives such as a brand orientation or a highly developed awareness of a very iconic region, a particularly innovative packaging, an intriguing storytelling, or a highly integrated distribution channel.

Figure 7.7 proposes a way to classify productions according to four positioning choices. The first group includes wines whose components are not unusual, but they acquire an identity and a place in the market through significant marketing efforts. This is the case of branded wines without geographical indication that are composed of blending bulk wines from various terroirs that are smoothed

³ Adapted from Lendrevie and Lévy (2014, p. 759)

during the oenological process and adopt volume strategies with hypermarket and supermarkets chains.

Other wines with a real local identity or that benefit from specific expertise and know-how communicate this when marketing their wines. There are some famous regions where the concepts of brand and appellation merge. This is the case in France with “Sud de France” in Languedoc for instance. This requires huge budgets or public foundings and is therefore not accessible to all actors in the wine industry.

The authentic category is, for instance, the Vins de Pays in France or Crianza in Spain, which claim proximity between production and consumption. Local, institutional, or commercial partnerships, especially with local restaurants, are often their strength.

Finally, wines with neither intrinsic characteristics nor a means to differentiate themselves are really in a bind: what is their place? Their function? The market segments they serve? The absence of a clear response prevents their good negotiation with sellers. From time to time, a volume strategy can help a wine out of this particular position.

7.7 Diversification Opportunities

Whatever a product’s positioning, it has to be revisited regularly, sometimes redefined or even changed more drastically. Indeed, market forces evolve along with expectations. Competitor initiatives can transform a market quickly, creating advantageous positions out of previously negative situations. It is necessary to know how the axis of this repositioning is moving. Figure 7.8 provides an example. Graphically, an axis of greater length expresses the need to acquire a new skill or new positioning. This discrepancy can cost financially, organizationally, or in terms of human skills and even corporate culture. By contrast an axis of a short length expresses the ease with which a company could acquire a new position.

Six proposals have to be considered:

Product Sometimes it is easy to modify a winemaking technique or blending to give to the brand a taste more “smooth,” “fruity,” or “woody.” This repositioning of the taste is mostly done by oenologists in reaction to comments heard from the market.

Distribution During the past 5 years, and the expansion of the digital economy many actors have repositioned themselves on the Internet. They have opened new markets and met new customers. This is not only a matter of technique: Internet communication codes must be learned and integrated.

Communication In response to average consumer’s indifference to technical or factual arguments, new forms of communication offer repositioning opportunities: storytelling, experiential marketing, videos clips, and joining a brand community are some of the possibilities to modify the image of a brand or appellation.

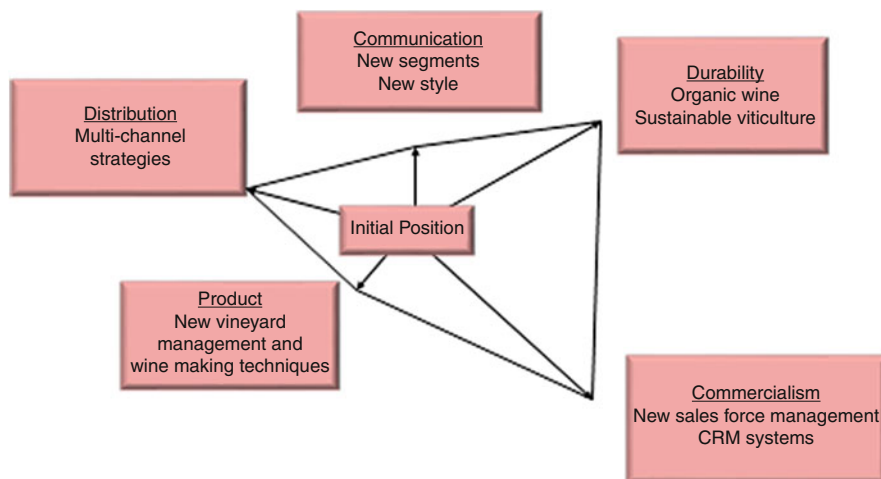


Fig. 7.8 Example of repositioned axes

Durability The constant progression of organic wines and sustainable viticulture and the trend toward a more moderate use of chemicals in the vineyard and in the winery is well known today. Similarly, some producers develop new business models reducing their carbon footprint and do not hesitate to dramatically reconsider their winemaking processes and supply chain. Such repositioning is probably the most visible and reasonable right now.

Commercialism The relationship that the producer—château, domain, winery, or bodega—has with its direct clients—hypermarket or supermarket chains, on-trade, retailers—traditionally goes through the contacts maintained by the sales forces. But now centralized marketing techniques enable suppliers to define better positioning with their customers based on CRM systems that offer four dimensions: (1) better customer identification, (2) better ways to offer specific deals to certain customers, (3) better able to know the history of the relationship with customers to understand their behaviors, motivations, and restraints, and (4) better ways to prioritize commercial or promotional offers. Beyond organization, these tools enable producers to build a new image and create a new positioning vis-à-vis their direct customers.

7.7.1 Three Levels of Differentiation

A bottle is a good tool to understand that for some consumers the differences are expressed inside the bottle and for others the differences are on the outside. This concept is useful in wine marketing.

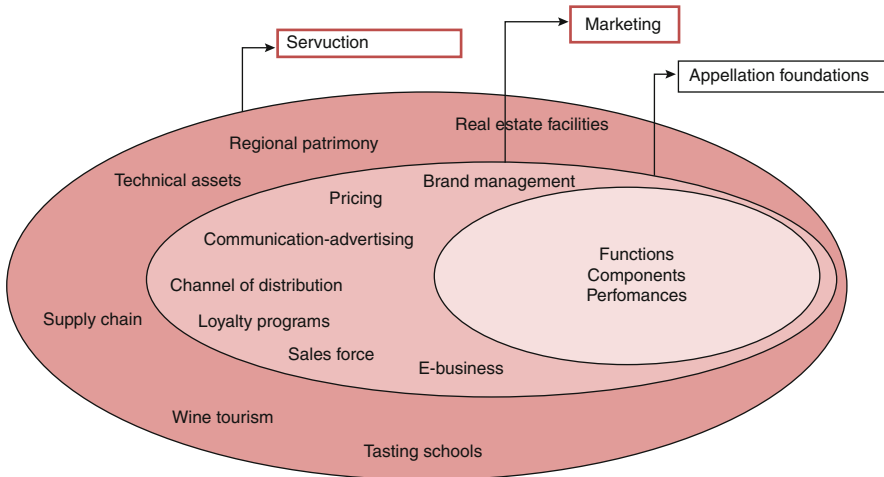


Fig. 7.9 Three ways to differentiate an appellation

Intrinsic elements (level 1 on Fig. 7.9) are inside the product, and there are essentially three ways to differentiate a brand of wine or, more broadly, an appellation. First, the components that make the product: of course, grapes but also the blending from specific areas, climatic conditions, various inputs, or even removal of inputs and treatments of the grapevine, density of the planting, and techniques of pruning. This first category requires a certain level of knowledge and is aimed more at professionals and connoisseurs.

Determining performance represents another opportunity to differentiate: certifications, rankings, medals, and other forms of recognition by peers or experts; reporting in various guides; and opinions of wine journalists are the classic intrinsic components of the recognition of a wine's quality. Aging potential is often mentioned as criteria of performance, but also its economic performance—a component of price ratio. And last we can evoke taste: the power and length of taste in the mouth, and even before that, its legs in the glass.

Finally the core of differentiation can be expressed through expectations of a wine: loyalty to a culture, a collection item, diversification, astonishment, sharing, the process of matching food and wine. Of course, this last point is particularly important for most uninvolved consumers: they are just looking for a wine they can serve with their meals that does not require too much thinking. There are many opportunities for differentiation, but unfortunately, most actors do not employ these criteria and mention them on their labels. As a result, the message about distinctive advantages is scrambled.

Extrinsic elements occur outside the bottle and basically refer to marketing (level 2): the ability to transform a product into a brand, provide an international orientation, establish a good pricing policy, convey an attractive communication and advertising style, choose a form of packaging and distribution channels, and

manage the sales force. Here we are less close to the wine itself, but so far the influence that these criteria have on the consumer, including the mass market, is obvious. The marketing policy of the company or appellation to promote its wines needs to adapt to answer the needs of busy consumers whose involvement always will be limited because there are so many types of wines to choose from.

Finally, it is crucial to point out the third aspect of differentiating: services (level 3). Whether for a terroir or a brand, the following concepts have proved their effectiveness: wine tourism creates links and retains consumers. Tasting schools have real power to recruit new consumers, especially in the New World or emerging countries. Online services facilitate selection and behind-delivery logistics to rebuild a direct link between producers and consumers. See Fig. 7.9.

7.7.2 Wine Brand Personalities

Wine is a complex product when viewed in terms of emotions. To bring order to these perceptions and inspired by the “lovemarks” approach of Kevin Roberts⁴ we can consider the four situations depicted in Fig. 7.10.

Trustmarks are respected, but they are distant. Similar to all stars, they do not play the card of proximity with their audience. Trademarks, which sometimes take the form of private labels, do not cause special effects. It is not their goal. They seek above all to be functional, practical. They illustrate the easy-to-drink approach often developed in the New World.

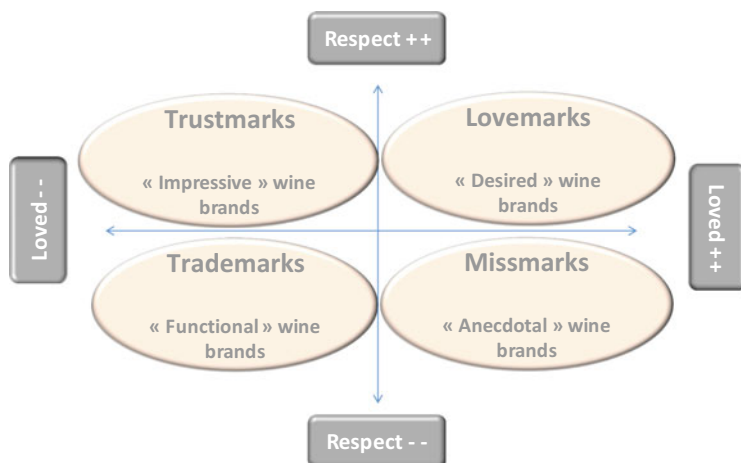


Fig. 7.10 Wine brands personalities

⁴ Kevin Roberts (2004)

Lovemarks are respected, and we recognize them for their typicality. They succeed in developing an emotional relationship with their audiences. These are not always the volume-leading brands. They prefer to play the card of proximity. Finally, the missmarks are those that have an interest in playing the artisanal card. Unlike lovemarks, they do not claim an industrial base, which is often a prerequisite to the brand.

It is important that brand managers know the signs sent by the market that represent the positioning of their brand in the minds of the consumers. The advertising policy of the firm depends on these signs to accentuate this personality or to change it.

7.7.3 The Power of Influence of Appellations

Consumer behavior is marked by history, habits, and reflexes. Our choices are not always rational in the sense of economic optimization. In the agro-food industry, a sector is based on raw materials from the earth. The hierarchy presented in Fig. 7.11⁵ illustrates the progressive power of influence that the appellations have on consumers. The base of the influence is built on a minimum awareness, which can be defined as the consumer's ability to spontaneously mention or recognize the name of the considered appellation.

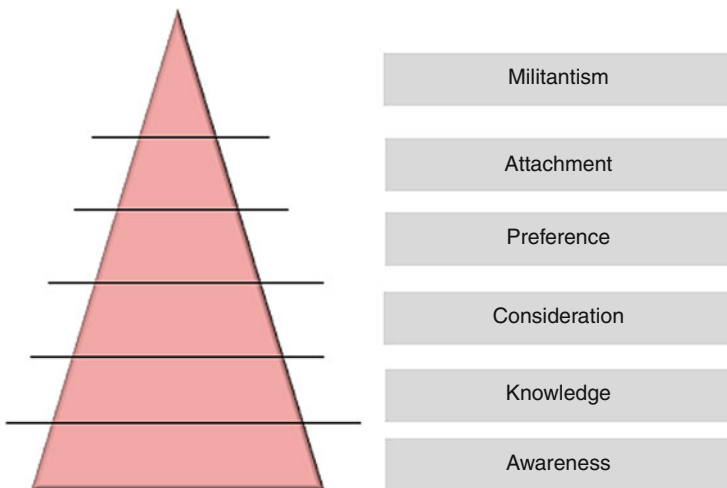


Fig. 7.11 Power of influence of wine appellations

⁵ Adapted from Lendrevie and Levy (2014, p. 803)

The second level is knowledge. Some consumers base their choices on characteristics that the appellation succeeded in disseminating: the nuances of the soil or climate are often cited.

The third level is consideration. The world of wine indeed has been frequently classified and ranked: from Grand Crus belonging to elitist terroirs to local and authentic and narrow wine regions, there is a great variety of regions within which we can find generic appellations dedicated to volume strategies of trademarks.

The fourth level, preference, approximates the concept of lovemarks previously mentioned. Here, it is more a question of affects than rationality.

The fifth level of attachment refers to the benefits that appellations gain from total loyalty of much of its clientele. This situation, very common in the Old World, results from consumers who are geographically and culturally close to producers. They do not usually change affiliation.

Finally, the power of influence of an appellation can make consumers militants or evangelists. At that point we can consider that they have integrated all the highly symbolic codes and values that the appellation has developed with its public.

With this hierarchy we can understand that the status of different wine-producing areas varies greatly. As a result, commercial initiatives are different depending on whether the goal is to increase awareness of a designation or attach itself to an unconditionally loyal group of consumers.

We can recall group marketing theories: they explain that when we buy a product, we sometimes do so for its components and functions, other times for apparent brand attributes, and still others even for the entity or the economic actor (company, country) that designed and produced the wine.

At other times, finally, we can distinguish the group of those who identify with this product. This feeling of group attachment represents the final stage of influence. The appellation becomes a dimension of a value system that consumers adopt into their daily lives.

As mentioned, we know indeed that it is far more profitable to develop US\$100 as a turnover with loyal consumers than prospecting new ones to obtain these same US\$100. However, getting new customers is becoming increasingly more important.

7.8 Communicating Difference

There are various ways to develop a position and establish differentiation patterns. Once at this stage, it is necessary to think about how to communicate this difference (see Fig. 7.12). What should we emphasize? How can a marketer ensure the effectiveness of broadcast messages? The Fig. 7.12 can help monitoring these various parameters.

Let us quickly review these different parameters. It is first important to know who is being addressed. The wine industry, although now globalized, has no player



Fig. 7.12 Communicating difference

whose brand is consumed all over the world. This is the same for an appellation. So, any undifferentiated strategy based on the idea that the global market is homogeneous would probably fail. It is therefore essential to define an audience. This is the purpose of the surveys that segment the market into homogeneous entities.

The second success factor is simplicity. It is known that one of the main barriers in purchasing a wine is its complexity and consumer fears of making a wrong choice. This feeling is widely shared around the world, except perhaps in the producing areas where a certain level of proximity and education of wine is often observed. A producer who knows how to communicate transparently on the wine's terroir or brand through simplicity is a winner, even if this is at the expense of transferring complete knowledge.

We have already mentioned the low or lack of credibility that characterizes many wine advertisements. For instance, it is unnecessary to claim the unique character of a wine, terroir, or brand. Even if this argument is tenable, it is not efficient in terms of impact.

The issue of how to express a wine's personality is now debated: should we communicate about the "smoothing choice" of the wines, which intend to erase any roughness and emulate the trendiest taste? Or should we instead highlight the astonishment caused by a typical personality? Again, the answer lies in segmentation. One might think that the higher the level of consumer knowledge, the stronger its demand will appear. The consumer will then be ready to be attentive to specific messages. By contrast, the casual consumer is often waiting for standardization or normative benchmarks around some recurring themes: fruity taste, specificities of a certain Pinot Noir, recognizable packaging or labeling, style of powerful brand, and so forth.

Another key issue is the real interest that can be communicated to the public. Appellations are sensitive. Indeed, within a single region (La Rioja, Chianti, Bordeaux, etc.) there are multitudes of winegrowers and winemakers with orientations and quality levels of all kinds. How can one communicate about such an institution? Studies have shown that US\$100 invested in corporate communications (such as a large terroir) are much less efficient in terms of impact than the same money invested in a single brand of wine.

Various advertising campaign costs are high so marketers may not be able to afford some multiple media communications. Today, various platforms are designed to be closer to the public and to enable communication in a more individualized manner. Gradually, advertising campaigns have evolved from one-to-many to one-to-one. In the field of wine, a gap exists between the Old World and the New World. The Old World consumer is quite old and responsive to traditional codes. The target heart of the New World consumer is rather young, active, and demands factual information. It is therefore difficult, both in content and medium used, to conduct a uniform advertising campaign.

7.9 Coherence and Consistency of Distribution Channels

The ancient world has made a habit of breaking up the value chain into a multitude of actors: producers, winemakers, brokers, traders, exporters, and retailers. This distribution corresponds to a need for specialization and regulation. However, at each level, players collect a share of the value created.

Short chains are the mark of the New World, where large and integrated firms elaborate and produce their wines after buying the fruit from producers dedicated to this task. Downstream, these companies obtain, thanks to their power, fair agreements with the giants of distribution: Walmart, Costco, Tesco, El Corte Ingles, Leclerc, Carrefour, and so on.

Beyond this greater efficiency, this integration provides better consistency and presence of brands on the shelves. Indeed, one of the trappings of the brand is that of being present continuously in order to retain consumers.

Another critical monitoring point: selling on-trade, that is to say, in hotels, bars, and restaurants. Indeed, discovering a wine with a meal away from home causes the desire for better future knowledge. In emerging countries—India and China—where wine consumption is still first of all reserved for niche markets, the role played by on-trade distribution is strategic: indeed this kind of place attracts consumers that, most of time, make the buzz later (Fig. 7.13).

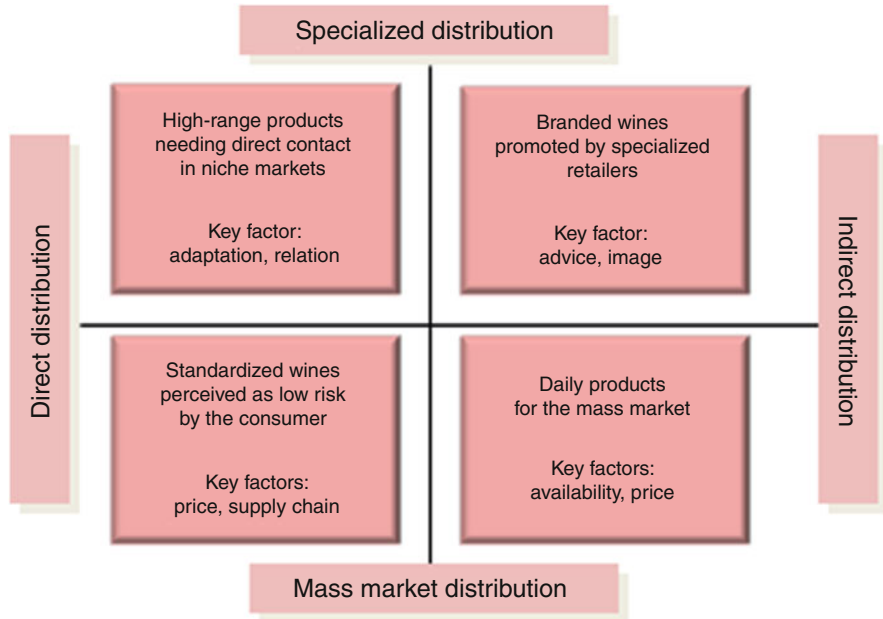


Fig. 7.13 Role of the different channels of distribution

7.10 Conclusion: The Proper Use of Analytical Tools

In this first part the multifaceted global wine trade was described. After taking the time to understand several aspects of consumer behaviors regarding still wine, in the mass market segment, essential concepts were discussed: identity, positioning, segmentation, brand, region, appellation, and terroir. How to increase digital business in the wine industry was deliberated. Finally the contributions and limitations of these concepts were considered.

More than opposing the system of appellations and brands, the goal was to prepare you to understand the codes of wine through analysis and diagnostic tools. You are now ready to tackle the gathered cases to illustrate these ideas and better understand the positions of the players in the globalization of the wine. Tools must be used wisely and not unconditionally. The first quality of a tool is indeed to be useful for three things: thinking, deciding, and acting. These three verbs are surely the most important positioning a product.

The following section provides case studies on 30 brands and appellations. Applying and adapting the topics presented in Part 1, you will review each case, present its intrinsic or basic elements, and then interpret its apparent economic and positioning choices. More than a science, positioning is an experience. That is the reason why, more than equations or any quantitative approach, we prefer now to express a perception through case studies.

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Part II

Appellations and Wine Brands: Case Studies

8.1 Bandol, France

With the participation of Loïc Chanfreau and Maximilien Pats



8.1.1 Components of the Identity

The name of AOC Bandol comes from the export of local wines via the port of Bandol. Its port was laid in deep water to allow wine trade expansion. The Bandol wine reputation also grew because of seaside tourism in Provence during the middle of the twentieth century.

Indeed, the appellation is located in Provence Côte d'Azur and covers eight villages facing the Mediterranean sea (Bandol, Le Beausset, La Cadiere d'Azur, Le Castellet, Evenos, Ollioules, Sanary sur Mer, and Saint Cyr sur Mer). There are 3000 hours of sunshine per year. The vineyard is stepped (up to 221 m) and is composed of terraces, which maintain soil and water regulation and face south toward the Mediterranean Sea. The Mistral, a regional wind, brings in naturally

regulated moisture coming from the sea. The soils are calcareous, a majority of which are very rocky with some very arid, sandy marl, low fertility, and rich in limestone. Rainfall is low (600 mm/year on average) but perfect to offset the summer water deficit.

The appellation was created in 1941. Its total surface is about 1550 ha and 268 winemakers (domains) comprise the appellation. Four cooperatives produce 40 % of the total production and 59 independent wineries produce the remaining 60 %. The annual volume of production is on average 55,000 hL including 31 % red wines, 64 % rosé wines, and 5 % white wines. The maximum yield is 40 hL/ha and the average density 5000 plants/ha.

Bandol produces red wines, although it is located in the heart of Provence, which is primarily known for its rosé wines. Most red wines of Bandol are produced with the Mourvedre grape but some are also made from Grenache, Carignan, and Syrah. The Mourvedre is characterized by small compact grapes that prefer hot and limestone soils. This grape has a slow maturation and enjoys sea proximity to mature properly, producing structured wines with fine tannins and well-expressed aromas of violets and blackberry in their youth. The wines are casked a minimum of 18 months in oak barrels. Their color is purple dark, sometimes very deep, with violet hues in their youth. The color tends to garnet and ruby during growth.

The nose is complex, dense, and very refined. Notes of black fruits such as black currant and blackberry, but also red fruits, can be found when tasting. Other notes of licorice, cinnamon, and musk are characteristic of Bandol red wines. These wines can be stored for more than 10 years if they come from a good vintage. They should be served at 16 °C in a carafe. Braised meat and lamb are dishes that are often associated with Bandol wines.

8.1.2 Apparent Positioning

As mentioned, Bandol is an exception to the usual wine grown in the Provence region. It is more qualitative with low yields and high planting densities. Bandol wines are therefore positioned to a high-end segment. They are in direct competition in terms of quality and price with wines from Bordeaux, Burgundy, and the Rhone Valley. Most of the bottle designs are similar to those from Bordeaux.

The consumer profile is one with a relatively high purchasing power: managers and executives with an average age above 35 years who have good knowledge of wine and a great interest in the product.

Bandol wines are based on a price positioning in coherency with this segment of market. Reds are sold on average between 9.20 and 30 €, rosés between 8.50 and 21 €, and whites between 12.50 and 28 €. The most renowned areas have a price positioning close to the Bordeaux Crus Bourgeois or Grands Crus. For example, the lowest prices of Pibarnon Ott domains are usually 30 €.

Bandol wants to be the pearl of wine production in Provence, a symbol that is often associated with the Bandol name. In addition to traditional distribution networks, some Bandol wine producers have joined together into an association

called “Vins de Bandol” in order to enjoy common communication and to be able to address a wider audience. At the entrance to the beachfront area there is a whole new location dedicated to tasting and sales of Bandol wine. Winemakers present their wines in this bright, friendly, and functional environment, which is favorable to the discovery of exceptional wines. The wine tasting is done through a weekly selection. Distribution is thus done locally, mainly by farmers and wine shops, hotels, and restaurants in the area.

8.1.3 Suggestions for Differentiation

Provence has a vineyard of 20,000 ha annually producing 1.2 million hL of wine, primarily rosé (88 % of the production). Six hundred farmers have developed expertise in winemaking. The region has a strong reputation for its rosé with a global market share of around 5 % and 35 % nationally. To caricature, some estimate that, Provence is associated with summer, holidays, fresh salads, and BBQ.

The Provence vineyard thus has a highly distinctive positioning. With its rosé, this appellation recruits a wide audience of all ages and all social categories because it is quite easy to drink yet can be served on special occasions.

However, all these characteristics are not really those of Bandol wines, so, this appellation-inside-of-a-region must focus its communication on differentiation. Moreover, its price positioning is rather high when compared to average prices in the rest of Provence and the Cote d’Azur. The profile of the local consumer is not the same as someone from Provence. This suggests that the synergy between the brand image of Provence and of Bandol is not obvious. Their styles and targets are different.

One way to differentiate this wine is to use the so-called hierarchy of vineyards. Let’s recall this policy: even within a same region the idea is to rank products and create sub-categories according to a quality level recognized by a chartered certification, external experts, or by accreditation among peers. So it is for Bordeaux, Bordeaux Supérieur, or Crus Bourgeois, and of course for the *1855 Ranking of the Grand Crus*. Let’s remember that Grands Crus of Bordeaux, although they represent only 5 % of production in this region, have a positive impact on all productions that are authorized to put “Bordeaux” on their label. Other vineyards are trying to do the same. The strategic advantage of this method is to highlight some productions as more elitist, which enables the rest of the appellation to obtain a leading role.

The difficulty of this approach is the possible complexity it entails for a consumer to understand sub-categories. It is also difficult to demarcate the borders, which could result in disputes. However, we believe that Bandol should clearly move toward this hierarchy policy. This could be achieved with the promotion of some iconic brand areas to develop their own narrative in Bandol. The audience could be amateurs who are ready to invest. The promise is the specific qualities of the Mourvedre varietal. The style could be adapted to people willing to be involved

in the purchasing process of wine: a serious Mediterranean style with a high level of technical information, not just easy-drinking fun.

8.2 Barossa, Australia

With the participation of Claire Gailly and Marie-Edwige Laur



8.2.1 Components of the Identity

The Barossa Valley lies within the country's coastal warm to temperate zone. Most of the land around the valley is semi-arid or desert. From the higher vineyards between Williamstown and Lyndoch, alluvial sands can be found overlying the micaceous schists, siltstones, calcilicates, and quartzites of the upper Burra group.

Barossa is one of the six wine-producing zones of South Australia: this region fulfills almost 5 % of the total Australian production. The wine sector is strategic for this area and represents almost 80 % of the local economic activity.

The Barossa area includes almost 14,000 ha of vineyard. Most of the planted varieties are Shiraz but there is also Grenache, Cabernet Sauvignon, Riesling, and Semillon. There are 755 grape growers with an average of 17.7 ha of production. Red wine is produced three times more than white wine.

Most of the Barossa growers make extensive use of irrigation to supplement the region's low rainfall during the growing season. However, concerns about water supply in the late twentieth and early twenty-first century led to the development of strict regulations on the number of locations of irrigation boreholes as well as the amount of water that can be used in vineyards. Some of the oldest vineyards practice dryland farming. The increased water stress, coupled with the naturally reduced yields of old vines, tends to produce the most concentrated grapes in the valley, which often go into the Barossa's most expensive wines.

The local climate of this region enables grapes to become ripe very easily with a high level of sugar and low levels of acid. Harvest usually begins in February and may be conducted in the cooler temperatures of night to help maintain acid levels.

Historically winemakers in Barossa have used very short maceration periods that limit the amount of time that wines spends in contact with the skin. Often wine is racked off the skins into oak wine barrels before fermentation is even completed. Although this means that supplemental tannins might need to be added, this short maceration often leaves the wine with a smooth mouthfeel. The extensive use of oak is also a characteristic of Barossa wines, and American oak is used more than French.

8.2.2 Apparent Positioning

The most important export markets for Australian wines are the United Kingdom (first in volume), United States (first in value), Canada, China, and Germany. These five markets total 80 % of the export; however, Asia is currently increasing its import.

Traditionally, the local market did not seem to be as strategic for Australian wines in general and Barossa productions in particular. But things could change soon. Similar to many other New World productions, a real brand orientation exists here. Indeed the vintage or geographical indication are not always shown on the labels, but rather grape variety and brand awareness.

The price position is one of the highest in Australia with regions such as Port Philip, Gippsland, North East, Central Victoria, and West Australia. In this country, 40 % of the wines are sold for less than US\$4.5. Wines between US\$4.5 and 9 combine for one-third of the commercialized volumes. The remaining products—premium and super premium—are sold for more than AU\$12.

The price of wine in Australia has always been relatively high because of paying off the real estate, the youth of the properties, and the implementation of new taxation on alcohol. However, recent overproduction, concentration of the distribution channels, and the arrival of lower-cost productions from New Zealand put pressure on the price competition.

Barossa Valley offers many brands, for example, Grant Burge, Peter Lehmann, Charles Melton, Penfolds, Petaluma, Torbeck, and Hardy's. The Barossa Red Grape and Wine Association is in charge of the promotion of this appellation. Its mission is "to have winemakers and winegrowers working together to achieve a more vibrant and highly valued wine industry based upon the production of wines of excellence, internationally recognized, for exceeding consumer expectations and derived through practices that are both environmentally and economically sustainable."¹

¹ <http://www.barossa.com/>

Three main channels of distribution characterize the wine business inside of the country. First, stores specializing in wine sell 70 % of the total. The leaders are Coles Myer and Woolworths. Liquordland and Woolworths Liquor most of time are located close to supermarkets or hypermarkets. An alternative to this channel is self-service stores, such as Vintage Cellars, Dan Murphy, or BWS. Dan Murphy owns 175 stores in the country, most of them located in big shopping malls.

Australian consumers like also to buy wine directly from the cellars. This is especially the case for small or medium-size wineries. They represent approximately 10 % of the total market but are currently increasing their market share. Wine clubs represent only 3 % of the total sales in Australia and are fragmented in a great number of local clubs. As often in countries with internal purchasing power, restaurants, cafes, and hotels are an important distribution channel. The favorable economic climate has increased this trend. Online wine business also seems to be booming in Australia with figures close to 10 % of sales per year.

8.2.3 Suggestions for Differentiation

The strength of the Australian viticulture is based on several factors. First, climatic and geological conditions have enabled an increase of volume and value of the wines. Otherwise, the wine sector is very concentrated with powerful actors, often funded by powerful industrial groups. This partly explains the emergence of international brands. Some suggest that the Australian model was brand oriented rather than focused on appellations since its beginning. However, researchers have also shown that many actors—producers, retailers, and exporters—advocate a “return to the territories.” This could make it easier to differentiate. The domestic and foreign markets are saturated with unrooted brands.

Another strength of Australian viticulture is that it lies at the heart of the Anglo-Saxon world. Australia has not been handicapped by being far from other major markets, the United States and United Kingdom, in particular. The figures show the opposite. The breakthrough that some mainstream brands such as Yellow Tail in the United States or the leading position that Australian wines often take on the English market, facing competition from a nearby continental Europe, are illustrations of Australian dynamism.

Firms such as Accolade Wines, Treasury Wine Estates, Casella Wines, Australian Vintage, and Pernod Ricard Winemakers regularly place in the top of international rankings. In this context, we can wonder if these actors have a real interest in promoting appellations and terroirs rather brands. Are they really interested in collective promotion, when its efficiency is not proven? This area operates a more individual and corporate capitalism than defense of collective interests, whose goal is to promote a territory.

The majority of sales outlets and shops dedicated to wines from Australia do not present bottles on the shelves organized by their origins but according to the weight of the brands in their sales. More than fragmenting into many territories, Australian

wines will be found in the markets through its main actors: Penfold, Wolf Blass, Lindeman's, Hardy's, Jacob's Creek or Rosemont, for example.

Of course, this could be better for visibility. However, the question of differentiation still remains: is it easier for Penfold to be separated from Lindeman's or Hardy's or differentiate Barossa from another Australian appellation? The answer is not simple; here again, it depends on the level of knowledge and involvement of the consumer.

8.3 Beiras, Portugal

With the participation of Alexia Defranoux and Ophélie Metay



8.3.1 Components of the Identity

Beiras is an administrative region in the northern half of Portugal. It is also the name of a PGI (protected geographical indication) covering the entire region. In addition to being a regional appellation, it also hosts several AOC (appellation d'origine contrôlée), the first three of which are recognized as major denominations: Bairrada, Beira Interior, and Dão.

Beiras is a relatively large area, similar to all Portuguese regions. Indeed, it extends from the Atlantic coast to the Spanish border (about 160 km). This used to be one area but was divided into two zones: Beira Litoral (coastal Beira) and Beira Interior (inland Beira).

On the west coast are sandy soils, whereas the inner west coast has clay-limestone. The center of the Beiras region is itself characterized by alluvial soil. Indeed, because this region connects the two coasts of Portugal (inland and coastal), there are also many seaside trails and rivers and valleys. Further east are lakes, plateaus, and small mountains.

The climate in this area is very diverse. The north and west of the region are largely influenced by the sea air from the Atlantic Coast, and the south and east have a continental climate from Spain (hot and dry).

Vines are present in almost all of Portugal. However, the vineyards are small and fragmented, especially in the Beiras region, where there are 115 wineries located. Bairrada produces aromatic wines, robust and structured, resulting from a local grape called the Baga. This area was the first to produce wine in Portugal in 1890. It is a coastal area between the ocean and Buçaco. It is influenced by the Atlantic, including heavy rainfall and mild temperatures, creating a cool and humid climate. This area gives birth to a grape with high acidity and low alcohol, ideal for the production of sparkling wines. In addition, Bairrada produces white wines (lemon-colored with fruity flavor), red wines (a color between garnet and ruby brown hues with age), and spirits. The second area to be delimited in 1908 was Dão, whose name comes from the river located in the hinterland. The Dão area is mountainous, enabling the vines to be protected from the Atlantic winds. The alcohol content of the wines from this area is 12 %. The whites (lemon-colored with fruity flavor) and reds (ruby) have a velvety intense bouquet.

Grape varieties such as Touriga, Alfrocheiro, and Jaen produce intense wines with quite firm tannins. These wines are tasted young to appreciate their liveliness. Aging results in more complex flavors. They are easily recognizable by their Burgundy type of bottle.

Finally, at the gates of Spain we find the wines of Beiras interior. This area includes the mountainous sub-regions of Castelo Rodrigo and Cova da Beira Pinhel. The vines are grown between 400 and 700 m. The climate is harsh with negative temperatures in winter and hot and dry in the summer, so it only produces the most robust vines. The wines of this region are very fresh and made from several grape varieties, providing new aromas and flavors.

Red wines are typically rich with deep color and are produced from the following varieties: Baga is without doubt the most important grape variety for red wines. In Bairrada, it accounts for more than three-quarters of the planted grape varieties. Prolific with late maturation, these large crops are often threatened by the risk of rain in October from the Atlantic, which is the most virulent challenge for every vintage. The wines from the Baga grape are intensely colored, relatively acidic, and very tannic—a consequence of their small bays and their thick skin. The following varietals are also found in this region: Castelao, Rufete, Merlot, Cabernet Sauvignon, Syrah, and Touriga Nacional. They are sometimes fortified to emulate their best-known cousin, port. Red wine varieties account for 60 % of production. Merlot, Cabernet, and Syrah (French varieties) are increasingly popular in Beiras. They are often used to soften the wines of Baga, making them more attractive to consumers.

White wines are usually created from the Fernao Pires and Bical grapes. The production of grapes for white wine seems in stagnation.

8.3.2 Apparent Positioning

In 2013, Portugal exported 307 million liters (L) of wine for a total value of US\$962.3 million. Exports increased by 4.2 % in volume and 6 % in value compared to 2011, showing that the exported wines were better and have sold more expensively on the market; the increase in volume is less important than the rise in value.

The majority of wine exported (70 % of volume) in 2013 was bottled wine. Bulk wines accounted for 29.2 % of the export volume and sparkling wines accounted for only 0.8 %. The export market is relatively developed (70 %) and the main markets are the United Kingdom, the United States, and Germany.

Despite the improvements achieved over the last decade, a significant part of the wine areas are aged and consist of largely fragmented vineyards: about half of the wine farms have less than 2 ha. According to the Monitor Group,² the main problem facing Portuguese wine is reduced surface plots, which average 1.3 ha, because it makes it difficult to modernize and mechanize the vineyards.

For historical reasons, the production is based on a wide variety of wines, which could cause confusion among consumers and complicates viticulture. But it can also be an asset to Portuguese wines, because when they are properly produced they can become unique wines that fulfill a specific niche market with low price elasticity.

The Portuguese wine consumer is usually male, but women are consuming in increasing numbers. For the Portuguese, drinking wine connotes a good social image. In general, in the Beiras region the consumer is more seasoned and belongs to an average social class. The wine is a product consumed at lunch, which is as important as dinner, including in major urban centers.

The Portuguese prefer red wines to white wines. In addition, they preferentially consume local wines. Quality wines—Products Quality Wines in Specified Regions—are usually the type of red wine that is consumed. Red wines comprise two-thirds of all consumed wines.

Beiras wines generally vary because of the climate diversity within the region. There has been a general improvement in research on and development of Portuguese territories, which mainly benefits the major producing regions (Porto). The products do not experience real innovation in terms of packaging and have fairly traditional looks. The standard format (75 cl) of bottling is one of the most commonly used. The possible wine pairings with food are numerous: exotic dishes, cheese platters, and game.

There is a wide range of prices because of the diversity of varieties and climatic conditions. The average selling price of a bottle of Beiras wine is around 7 €. In general, Portuguese cooperatives sell a significant amount of their wines at affordable prices.

² Wine Trade Monitor—SOPEXA—May 2013

An advertising tool, “Wines of Portugal,” represents all Portuguese wines. It is a highly structured organization that promotes the upscale and qualitative image of Portuguese wines abroad and organizes many events and festivals all over the world: wine dinners, wine academies, and wine fairs.

In the Beiras region, the total wine production is distributed by associative systems (cooperatives represent about 58 %) and individual units (producers and trading companies). The sizes of local companies are limited, and their hold in current international markets is not strong. Indeed, most of time, local producers have limited resources for marketing, which is essential to maintain and increase balanced commercial relations with retail chains. Beiras wines are distributed at supermarkets and hypermarkets (75 %) and cafes, hotels, and restaurants (25 %).

The Beiras appellation, although fragmented, is noted for the simplicity of its positioning. Its authenticity is undoubtedly one of its major forces. However, it lacks readability on the international scene. Its position seems profitable, because Portugal is an attractive country for tourism.

8.3.3 Suggestions for Differentiation

Given the natural limitations of Portugal in terms of vineyard expansion and the distinct nature of fragmented vineyards and their multi-cru grapes, the Beiras appellation needs fundamental strategies to promote viticulture as a stand-alone activity. Then, it needs to help in the development of the sector, augmenting scientific research and academic resources to advance innovation. Finally, Portugal should look to connect more closely with marketing and advertising to maintain and promote its distinctive identity.

Tourism could be an efficient tool for this expansion. Links between wine and tourist industries already exist, of course, but Beiras presents real opportunities thanks to attractive landscapes and diverse temperate climates. Similar to many Latin wine countries, this is surely a good way to increase wine differentiation.

To improve competitiveness, several objectives should be achieved: improving the definition of price based on quality, providing target country status to the United Kingdom and the United States to maintain price-country ratio, developing a premium category (7–12 €), protecting the AOC Beiras through the rejection of low-quality wine, creating a brand of “Portugal Regional” wines, and investigating more innovation.

Creating a super-premium category (about 12 €) could help with this growth. Creating innovative and easy-to-use packaging would accompany it. As a complement, developing specific formats for target countries such as the United Kingdom and the United States (e.g., wine tubes, BIBS, and half-bottles to increase the sense of specialness or practicality) would help Portuguese wines face new opportunities.

To reinforce the readability of the appellation, it would be good to lessen the numbers of wines, for example, to two different categories: simple, fresh wine for daily consumption and those in the premium segment for special occasions. This

should be promoted by the wineries and not by the board of an appellation itself. Beiras should increase its commercial capabilities by enhancing its sales forces, providing commercial training programs, and reinforcing the marketing departments in cooperatives to ensure trust in distribution chains.

The Beiras brand image can grow through the three main components of a brand:

- First, a clearly identified public: locals who tend to seek authenticity and freshness and also tourists who could internationalize the brand image of the region
- Second, a simple promise: showcasing the wines' authenticity and committing to express this through a real personal style; for instance, each varietal should be clearly associated with a specific (Portuguese) dish
- Finally, measurable commitments: higher quality, greater proximity, and visibility

Boasting an exceptional terroir and a unique location between land and sea, Beiras is more than an appellation name. Beiras winemakers hold deep family values and traditions. They use their traditional knowledge to develop authentic and fresh multi-varietal wines that can be enjoyed with ease. Based on a thorough restructuring of the groupings over the course of several years, with a focus on quality, the five local appellations, even though they are all different, are united around one goal: to broadcast the authentic Portuguese heritage of their wines. From simple everyday meals to special occasions, the wines of Beiras can satisfy and make every event a moment of immediate pleasure.

8.4 Bolgheri, Italy

With the participation of Antoine Hérault and Weinje Zhu



8.4.1 Components of the Identity

Bolgheri is a village located on the northwest coast of Italy and is linked to the Tuscany region. This is a relatively new area of production: the first vine plantings date back only to the end of the Second World War. The Marquis Incisa della Rocchetta, owner of this unknown region and great lover of French wines, visited his friend Elie de Rothschild, then based in the Bordeaux region. He then decided to introduce the cultivation of the Bolgheri vine. The region has geographical, climatic, and geological predispositions favorable to the establishment of a vineyard. The vineyards are located north of the province of Livorno in the town of Castagneto Carducci, which includes Bolgheri and runs parallel to the beaches of Maremma.

Italy has developed a classification of wines identified by a pyramid with four levels. Each of the stages corresponds to a level of quality: *denomazione de origina controllata e garantita*, *denominazione de origina controllata*, *indicazione origine tipica*, and *vino de tavola*.

Bolgheri wine is classified as DOC—*denominazione de origina controllata*—which is similar to the principle of regulation of the French AOC. This classification was obtained in 1994. Before, the appellation area was classified “*vino de tavola*”.

The production area is subdivided into three designation areas: (1) the Doc Bolgheri, (2) the Doc Superiore Bolgheri, and (3) the Doc Sassicaia Bolgheri. The total area is 1100 ha and includes 50 wineries. The average size of each winery is 15 ha. Each of these production areas meets very strict controls that rigorously define cultural methods, production, winemaking, and wine aging. The Italian wine regulation determines that Bolgheri wines can be produced at any location in the town of Castagneto, except on the coast, west of the Aurelienne track.

The production area and Bolgheri appellation have important diversities of soil, despite its limited surface. There are several major producing areas. The first zone (highest) consists of hills with many alluvium; the nature of the subsoil is volcanic rock. The second area consists in terraces (specific to the Mediterranean region). This area is the sector that produces Sassicaia. The last one in the sea area lies against the bottom of the growing area and has more acidic soils but is also more saline with a very mineral soil composed of pebbles. However, the production area is 400 m above sea level. Typical and diverse kinds of production are used with this appellation.

The vineyards of Bolgheri are under influence of the Mediterranean climate and steady winds create temperatures that remain stable throughout the year. Rainfalls provide a relative humidity in the vineyard throughout the year. Cool winds coming from the sea and moderate temperatures in August and September cause the slow and steady ripening of the grapes—their sugars, polyphenols, and perfumes—and contribute to the maintenance of high acidity, which is necessary to provide equilibrium to the wines. This is a preserved area regarded as a *green zone*.

The small size of this appellation and the limited number of wineries make this appellation original, even though it is one of the youngest in Italy. The number of

vines per ha averages 7000, which represents a great density. Planting density for the oldest vineyards is 5500–6000 ft/ha, and up to 10,000 ft/ha for the youngest vines. These data confirm a progressive desire for higher quality among the younger vines and the oldest vines.

The dominant grape varieties for red wines are Cabernet Sauvignon, Cabernet Franc, Merlot, Syrah, Petit Verdot, Malvasia, and Sangiovese. The white wines comprise Sauvignon, Trebbiano, and Vermentino. Most of the varieties were imported from the Bordeaux region, and they are well acclimated to this area of Italy. The organoleptic characteristics of the Bolgheri wines are close to the great wines of Bordeaux. The Bolgheri name makes part of the Tuscany region.

8.4.2 Apparent Positioning

Given the relative youth of the Bolgheri vineyards, some wine journalists consider that the appellation has not revealed its full potential and that a higher yield can be envisioned in future years without affecting the high-quality wines. Currently there are 12 t production per hectare (white) and 9 t (reds) on average, even if disparities exist between plots. Approximately five million bottles are sold each year.

Bolgheri winemakers have elaborated strict rules for their appellation that govern production methods of winemaking and aging: various levels of constraints exist according to the wine identity and the provenance of the wine: DOC Bolgheri Rosso, DOC Bolgheri Superiore DOC Bolgheri Sassicaia. Most of time, at least 18 months must be in oak (Bordeaux barrels).

The diversity of terroirs within the Bolgheri and the youth of this appellation results in most of the wineries developing their own brand under the Bolgheri umbrella. This choice is explained by the better visibility of the offer and proximity of the consumer.

The families of the appellation winemakers play a major role in the identity of the wines (shown in the winemakers' personal signature in the wines). It seems that we are here in a real SME's family business model.

Part of the Bolgheri production belongs to the super Tuscan category and wants to rival the greatest Bordeaux wines. There is a graduated price scale of the wines. First, there are premium wines that are relatively young (between 2 and 4 years old). Their price varies between 25 and 50 € per 75 cl bottle. Second, super-premium wine (between 5 and 7 years old), whose winemaking methods meet the highest quality criteria, are sold from 60 to 150 € per 75 cl bottle. Third, ultra-premium wines are made with more sophisticated techniques such as manual sorting of the grapes and are over 10 years old. Their price position is most of time between 150 and 250 € a bottle.

Given the price range of the Bolgheri products, these great Tuscan wines cater to an elite market whose targets are the upper class or connoisseurs.

8.4.3 Suggestion for Differentiation

Three types of international customers seem to be a good target:

- First is an international clientele who is over 35 years and based in Asia, where wine consumption is needed for identification and belonging to high social classes (e.g., in Singapore and China). This consumer operates under the framework that “the more the wine I consume is expensive, the more I display my social status,” according to the well-known Veblen effect. This economic theory describes an apparent paradox: a positive correlation between the level of price and the level of demand.
- Second is the 50-year-old customer from Anglo-Saxon countries who is more educated in wine culture, able to understand the difference between regions, and is looking for an alternative to fine French wines.
- Last are the tourists who travel directly to the wine estates or who participate in tourist trips to the area and are willing to discover Bolgheri wines and Tuscan wines more broadly.

Sales promotions provided through event communication is relatively well developed in each area of the Bolgheri appellation. The proximity to Florence, the city of art, provides a flow of tourists during the long spring and summer seasons. Many artists have developed partnerships with leading wine actors from Bolgheri and many of the properties open their doors to receive public around theme weeks, such as “wine and painting” and “wine and design.”

In the international press, Bolgheri wines seem to have acquired a worldwide reputation. They are rated annually by the famous Parker guru, often with scores of 93/100 to 100/100.

Regardless of the specific communication from each winery, the Consorzio di Bolgheri has significant financial resources (winemakers are members and fund themselves through CVO: compulsory voluntary contributions), allowing the name to be represented in the most important wine events in the world: Vinexpo, Prowein, London Wine Fair, and so on.

In order for Bolgheri to differentiate itself from the other products of the Tuscany region and find markets, its winemakers have created their own specific products highlighting its difference and creating wines made from vines imported from Bordeaux vineyard. The nature of the rocky and saline ground has excellent characteristics for the cultivation of vines. Gradually, winemakers have deliberately reduced the reliance on the native variety Sangiovese, which is used by all other areas of Tuscany productions, such as in Chianti.

One cannot help comparing Bolgheri to the Saint-Emilion appellation in Bordeaux because of the many similarities and common traits. And because design and art have found their place naturally at the heart of this appellation, many winemakers from Bolgheri organize cultural events in their storehouses, inviting locals and international journalists and artists to participate in a predefined topic.

The mix of Bolgheri wines, the beautiful Italian landscape, the family orientation of the winegrowers, and intense artistic activities seem to be the best way to differentiate this wine region.

8.5 Central Otago, New Zealand

With the participation of Charlène Dupuy and Loïc Geoffray



8.5.1 Components of the Identity

New Zealand is one of the fastest growing countries for wine production. In 15 years the surface of its vineyard has multiplied by five, from 7,500 ha to more than 35,000 ha. Production reaches today 2.5 million hL/year. This represents 1 % of world production. Wine is the fourth largest export item for this country.

The most important and well-known production areas are Marlborough (65 %) and Hawke's Bay (4 %). Traditionally white wines are priority and represent two-thirds of the production, primarily of the varietal Sauvignon Blanc.

Central Otago is an appellation located in the south of the country and seems to be characterized by a search for differentiation through quality and the prominence of sustainable viticulture, symbolized by its program, "sustainable winegrowers New Zealand." Central Otago is composed of six sub-appellations. The growth area has existed here since the mid-nineteenth century, but has expanded recently. It now represents nearly 2000 ha and includes 132 wineries.

The altitude also makes the wines different because the vines are planted between 200 and 400 m above sea level. Soils are made from a shale base, loess layers mixed with gravel, and sand through water erosion. The composition of soils means they are rich in minerals and low in organic matter.

The climate offers strong sunlight in the summer and often dry autumns that enable extending the maturation of the grapes by a month. The continental climate

results in great changes of temperature between day and night, which is another characteristic of this vineyard. Protected by the Southern Alps, the vines receive little rainfall. This climate is ideal for Pinot Noir, the main grape of the region for red wines, which differentiates Central Otago from the rest of the country, which focuses instead on white wines.

8.5.2 Apparent Positioning

Similar to other regions, Central Otago enjoys a very marked national policy with respect to sustainable viticulture. Thus organic farming accounts for 20 % of national production. Central Otago winemakers also are engaged in irrigation-reduction programs. The use of sheep as an alternative to weeding, twice a year, is another local practice.

Central Otago represents 5.6 % of the planted area of the country but produces only 2.4 % of the total: yields are therefore lower than average, which can be interpreted as a higher level of quality. Another practice is that independent winegrowers supply wineries with grapes. This system was created during the 1970s as a respond to a growing demand.

In terms of marketing, two major players comprise half of most of the domains of the region: Wine Pro and Otago Vinification. The other domains bring their harvest to other wineries. The best known are Rippon, Mt Difficulty, Peregrine Road Felton, and Rockburn. This rather concentrated organization enables the emergence of numerous wine brands. In order to properly differentiate from other producers in the country, Central Otago Pinot created Black Limited, an independent cooperative organization.

With lower yields, sustainable viticulture, and the choice of Pinot Noir, the appellation aims to compete with Californian and Burgundy productions. For that, Central Otago communicates about its premium and super-premium wines. Because of its small size and lack of financial means, this appellation realized the importance of highlighting its authenticity.

The domestic market consumes about 92 million hL/year, that is to say 21 L per capita, and is quickly increasing. Red wines comprise only a quarter of that total. Furthermore, there is a consistent increase of imported red wines often at a lower price and quality. Here the 4.6 million inhabitants buy wine to consume immediately in most cases. They prefer primarily white wines.

Because of the reduced size of the domestic market, exporting wine is a strategic activity for viticulture. Nearly 300 million hL are exported. This figure also is steadily increasing and is faster in value and volume, which confirms the strategic orientation in place.

Wine from New Zealand is exported to 80 countries. Australia, the United Kingdom, and the United States are the most important recipients. Similar to other winemaking countries, New Zealand positions its product as an alternative

to French wines in the Chinese market. Preferential customs agreements facilitate this positioning.

The apparent position of Central Otago is to focus on connoisseurs and involved consumers: a man or a woman over 40 years old with a higher income. In this niche red wines made from Pinot Noir indeed compete with prestigious appellations such as Napa Valley and Burgundy. Their price positioning seems consistent with this niche strategy.

Distribution is traditionally restrictive and controlled, although it has been open since the 1990s to specialty stores and supermarkets. Supermarkets represent close to 60 % of the market share. Restaurants often offer the possibility for consumers to bring their own wine. Their market share is approximatively 20 %.

It seems that, because of their positioning, wines from Central Otago focus primarily on bars, hotels, and restaurant. Similarly communication campaigns are limited and don't affect a large audience. Wine tourism helps to confirm this niche strategy: visiting wineries, close to prestigious landscapes, is a memorable experience.

8.5.3 Suggestions for Differentiation

The positioning of the Central Otago appellation is clearly identified: it is based on an attractive location for the vineyard, its winegrowers, and its visitors and is located in the very south of the country. The sustainable approach to viticulture practiced here more often than elsewhere increases this feeling of being different. Moreover, highlighting Pinot Noir reinforces this position. All these elements confirm the necessity of developing a niche strategy especially because the territory and the number of actors seem limited.

Again, emphasizing place versus the development of strong brands made in Central Otago needs to be considered. One can think that wineries such as Ripon Felton or Toad could serve as flagships to embody this strategy. A rise in value of produced wines to premium and super-premium also must be considered. Of course, this costs a lot, but the key factor of success for this appellation is far more in value than in volume.

Finally, the winemakers need to determine where to focus efforts abroad. Segmentation possibilities are numerous. For instance, large cities in the eastern part of United States, northern Europe, and one or two megalopolis in Asia would be beneficial, but no more than that. The danger would be to become scattered. However a question remains: is it really sustainable to aim to very distant markets when a region wants to promote an organic and low carbon footprint? Transporting wine is indeed one of the heaviest items in terms of CO₂ emissions. A possible alternative to this constraint could be developing a domestic market whose center would be L.O.H.A.S (Life Style on Health and Sustainability) people.

8.6 Chinon, France

With the participation of Tristan Ligou and Maxime Merlet



8.6.1 Components of the Identity

As part of the InterLoire, a regional appellation that includes several vineyards of the Loire Valley, the Chinon appellation has the particularity of being at the confluence of two major rivers: La Loire, the largest river in France, and La Vienne. The soils are generally calcareous, although some flint clay mounds of sand still exist. The majority of the plateaus are covered with silt and aeolian sands. Part of this terroir is based on soil formed by the accumulation of blunted flint and siliceous sponges cemented in massive blocks, which are very hard and unalterable. On the slopes, sands called Millarges as well as gray and white chalk appear. On the banks of the Loire and Vienne rivers, sand, gravel, and pebbles can be found. Alluvium lines are more on the bottom of valleys carved by these two rivers.

Most of the AOC Chinon lies on the right bank of Vienne River and the left bank of the Loire close to the city of Chinon, in front of Bourgueil. Its area is 2300 ha. The planting density is at least 4500 ft/ha for a yield of more than 110,000 hL produced on average each year by about 250 producers. Chinon is one of the widest appellations among the Loire wines. Yields for red and rosé wines are between 55 hL/ha up to a maximum of 75 hL.

Beyond these geographical and geological aspects, the typicality of the terroir is shown by the grape varieties used, which is mainly Cabernet franc for red and Chenin for white. With Cabernet franc, red wines have a depth and finesse of tannins after aging a few years in the cellar, a characteristic of this appellation. Tasters express the flavors as being black fruit, cassis notes, smokey, sanguine, or even peppery.

The white wines of Chinon are often perceived as having mineral flavors, chalk, or flint. They also are aged a while in the cellar, complementing the typicality of Chinon. Finally, Rosés are known for intense fruit and a real structure in the mouth.

Climate has an impact on the Chinon appellation, “Pays de la Rose des Vents” (Land of the Wind Rose). The region is indeed at the crossroads of the southwest winds—hot and humid—and east winds—fresh and dry. The Loire Valley region, sometimes called “Jardin de France” has thus a soft and peaceful climate. Under an attenuated oceanic influence, summers are relatively warm and winters mild. The level of rainfall is low with averages of 500–600 mm/year in most cases.

8.6.2 Apparent Positioning

This area is a representation of an umbrella brand appellation, which covers many entities that do not have the same characteristics but are probably brought together in order to influence the markets.

The Veblen effect is well known in economics: it expresses the idea that conspicuous consumption leads to desiring goods whose price is high, even if their value is not. As is shown—often in the luxury sector—the demand for products tends to increase with the level of prices. The Veblen effect plays a role in the wine industry in which some appellations know how to fix high prices without reducing demand. This Veblen effect does not operate for the Chinon appellation. According to available statistics, the vast majority of consumers of Chinon are French. The profile appears to be the same as the average consumer of wine in France: belonging more to the wealthy and middle classes.

The presentation of most bottles of Chinon and their packaging are classic and traditional: Burgundy bottle types and generally uncluttered labels. One of the rare differentiating components at this level is the color of most of Chinon rosés, which is darker than those of Provence and approaching red with purple highlights. No studies show whether this color has a positive effect on demand or not.

Research carried out in various media at the beginning of 2015 show a price range (2013 vintage) between 3.83 and 9.20 € for these wines. For great vintages (2005, for example), prices can go up, on some websites up to 41 € (Hospices de Bourgogne) or 77 € (Zachys Wine & Liquor in the United States). A fairly large amplitude and diversity of prices seems to appear.

Corporate communication of the wines of Chinon is related to the InterLoire, a part of the inter-regional communication. This group supports 50 appellations whose common point is geographical: being near the La Loire River. Thus, from west to east we can find terroirs with very oceanic influences; in the Pays Nantais, for instance, up to Touraine, vineyards are more continental. The area spans over 200 km. The symbols of water, river, heritage castles, and a friendly atmosphere form the common points of communication of the Vins de Loire region, in which the Chinon appellation is included.

The Chinon appellation website is both simple and practical: it instantly provides information on the specificities of the soil, the names and addresses of winegrowers and wineries, and information on the main upcoming events. However, one detail appears: the allusion to Francois Rabelais, the French writer and

humanist of the sixteenth century known for his outspokenness, his satire of institutions, and his taste for the pleasures of life.

We could not find local statistics, but—for the period from 2003 to 2012—regional statistics reported an increase of the distribution share to hypermarkets and supermarkets (31–39 %), a maintenance of export at 16 %, and a reduction in the share of short circuits—wine merchants and restaurants—from 53 to 45 %. The main export areas are the United States, Belgium, the Netherlands, the United Kingdom, and Canada. An increase is observed also in Germany.

8.6.3 Suggestions for Differentiation

The appellation Chinon has many strengths. It is indeed located in the historic heart of France, where national heritage is perhaps most expressed, thanks to the many Renaissance-age castles that can be found there. This element still attracts and will continue to attract consumers during the coming decades.

In terms of products offered, the quality-for-price ratio is certainly another plus. Wines of Chinon are affordable and offer quality for an audience willing to make a minimum effort to invest in the knowledge of its specificities.

However shadows remain. The pressure from hypermarkets and supermarkets is increasing. This reduces the bargaining power of Chinon wine producers who, more than in the past, must comply with the expectations of these distributors in product taste, packaging, price, and logistics. There is also danger of remaining commonplace in such a context of mass marketing.

The presence of an umbrella appellation in InterLoire must also be questioned. Indeed, more than elsewhere, the reference to the regional brand seems necessary for both communication and distribution policies of local wines. But is the consumer seeking a Chinon or a Vin de Loire? Should we correct the tendency to think regionally and not locally?

However, some advocate differentiation by promoting the principle of hierarchy of appellations, as is the case with the Savennières appellation, close to Angers. The proponents of this policy expect to benefit from the positive effects of some higher-end brands, as is the case in Bordeaux with Pauillac, Saint-Emilion, Pessac-Léognan, and some other local appellations. Far from discriminating between great and modest terroirs, this model should, according to its proponents, be beneficial for all.

Does Chinon enjoy enough of a power of differentiation from other Loire wines? Or should Chinon highlight what is personal to its very local roots? In the current context, especially facing an export goal in reaction to a domestic market stagnation, it seems that playing the regional card of Vins de Loire is the best. Conducted in an isolated manner, the differentiation policy of the Chinon appellation has not, to date, had sufficient impact on the markets, so the regional union must prevail.

8.7 Columbia Valley, Washington: United States of America

With the participation of Nicolas Chenoa and Hubert de Castelbajac



8.7.1 Components of the Identity

The Columbia Valley appellation is located in Washington State in the northwest of the United States. Its area is more than 16,000 ha of planted vineyards. Though young, Washington State wine production is the second largest in volume production behind California. This region includes sub-appellations such as Yakima Valley, Red Mountain, Walla Walla, Horse Heaven Hills and Wahluke Slope Rattlesnake. Many observers estimate that this area still has potential for further viticulture development.

Columbia Valley is represented locally, particularly in the big city of Seattle. Many wineries purchase grapes from various points in Washington State. Despite the diversity of backgrounds of these fruits, wines are universally labeled “Columbia Valley.”

Geographically Columbia Valley stretches from the Cascade Mountain chain that borders the northwest and the Columbia River in the south. It extends to Oregon with the Walla Walla Valley, bounded by the Snake River. The climate and soil diversity are part of the specificities of this appellation. This growing area encompasses the eastern desert of this state, protected from oceanic influences by the Cascade Mountains. Also the climate is usually very dry with important variations in temperature. The very cold winter brings little water to the vineyard, requiring the use of irrigation.

Located at the same latitude as Bordeaux and Burgundy vineyards, the region enjoys plenty of sunshine. This favorable climate and geographical context enables the development of a specific wine with planting its own rootstocks. This can give the wines gustatory characteristics.

More than 750 wineries are identified in Washington State and Columbia Valley represents 360 cellars estates. It seems that the real commercial story began during

the 1960s when individual entrepreneurs anticipated the US market's growing demand and understood the specific role that wine could play in this region. Today, the trend has been amplified and we can speak of a real local wine industrialization.

8.7.2 Apparent Positioning

One of the essential elements of the Columbia Valley positioning is represented by the product itself and its intrinsic characteristics, namely, the nature of the grapes. Here, the grapes are varied, but Cabernet Sauvignon dominates. Quilceda Creek Cabernet claims to be iconic of local productions thanks to the specific grapes of the Red Mountain and Horse Heaven Hills. Also a Nordic presence of varieties can be noted in its Riesling, which provides fresh wines and offers a differentiating factor for the wines of this region. A global conference organized locally in July 2013, dedicated to this variety, confirms this particular orientation.

“Watch out California, Washington wine is the value king,” says David Yellen, a wine journalist. This observer seems enthusiastic about the competitiveness of Washington State vineyards. For him, its price position is a concrete illustration of its performance: “Except for a few reserve wines, most bottles are sold for US\$15 or less, and there are three tiers: Horse Heaven Hills, Grand Estates, and Two Vines. Consider the Columbia Crest Cabernet Sauvignon, Horse Heaven Hills H3 2009 (90 points, US\$15), which is focused and refined. The Merlot Columbia Valley Grand Estates 2008 (89 points, US\$12) is graceful and on the lighter side, while the Two Vines Vineyard 10 White Washington 2009 (88) is a fresh and vibrant blend that's a bargain for \$8.”³ When local brand awareness becomes real, the rules of the business game change. It was a wake-up call for elitists in Napa Valley who offer certain overpriced and overvalued reds. Indeed, a lot of Californian reds are between US\$50 and US\$70 and seem similar to wines from Washington in the US\$20–35 range.

Château Ste. Michelle is one of the most famous actors of the Columbia Valley appellation. This company, built through various mergers, is supplied by several vineyards in Washington State. It has a current production volume of around two million cases making it a powerful player both nationally and potentially internationally. This actor is claiming a world leader position with regards to its Riesling wines.

The portfolio of products offered by Ste. Michelle is wide. It is representative of much of the regional offer. However, there is a wide disparity in price levels: US\$200 for its Eroica Wine to modest bottles with entry prices of US\$10. Ste. Michelle therefore is not in an outsider position that would find its place on the national market by cutting prices, but rather takes on the role of an actor that claims a real added value.

³ <http://www.winespectator.com/blogs/show/id/46148>

Through the analysis of these few elements of its market position, it is clear that, even if it is neighbor of a region of the world's iconic wine in California, the Columbia Valley appellation can easily find its place as an alternative product.

8.7.3 Suggestions for Differentiation

Three elements attract attention when talking about the differentiation of the Washington State wines and in particular the ones of the Columbia Valley region. The first is its geographical position and its climate, which focuses its attention on Riesling. Northern vineyards provide a real opportunity: day and night temperature fluctuations, drought or aridity of some interior areas of land, and the predilections of some varieties such as Riesling. This particularly attracts lovers of fresh wines, including whites. We know that rosé and whites are often easier to access for new consumers. Less tannic, sometimes sweet, sometimes daring, with some acidity yet floral, these wines certainly have their audience among the neophytes. The winemakers should aim to communicate with a US consumer who is often used to other beverages such as sodas and beer. This opportunity is greater for fresh white wines than for many red wines for which education to a tannic taste takes longer.

The second opportunity comes from global warming. It is known that this extremely serious problem sometimes has beneficial effects on certain agricultural products. This is the case for northern viticulture. In the future this trend could have a favorable impact on wines for Loire appellations and also Mosel, Germany, and even England. Columbia Valley could also benefit. Here indeed the phenomenon is amplified by the very strong threat to the California vineyard, where drought progresses, temperature levels sometimes are inadequate, and drastic measures to reduce water use and irrigation will be made mandatory in the near future. Only growers who anticipate this evolution, particularly in converting to organic production, will remain competitive.

Although the Columbia growing area does not represent 10 % of California's current production, it might be different in the future. Indeed, we recently saw in other countries—such as Australia—the adverse effects of severe drought and temperature rise on production volumes. After offering an alternative or complement to California, Washington or Oregon states will surely play on equal terms with their “big brother.”

The third element of differentiation is price. Californian wine prices are mostly beyond the US\$15 per 75 cl bottle at retail. Many wines from Napa or Sonoma are far above. When checking prices in early 2015, Columbia Valley wines are frequently sold at US\$10–12. Distribution channels will need to be in line with such a price. The idea is certainly not to sell off the position in an anonymous mass market distribution but to follow other actors who made this kind of choice in any industry: price discovery, ease of access, and recruitment of new consumers among nonusers. This should be the current business priorities for Columbia Valley wine entrepreneurs.

So we can see that, far from being a threat, the proximity of California could be an opportunity in the context of global warming. This requires that wines from Columbia Valley maintain their price competitiveness and know how to communicate to an adapted target audience that is willing to be really involved in the purchasing process.

8.8 Franken, Germany

With the participation of Thibault Lemierre and Stephie Quarre



8.8.1 Components of the Identity

Franconia (Franken) is a German wine region in the north of Bavaria. It is centered near the Main River, a tributary of the Rhine. Germany is one of the top 10 wine producers in the world, known for its white wines. Only 20 % of German wines are exported. The rest is consumed in the territory, which is focused on the production of quality wines from a structural regrouping, including adaptations to the new context since 1950s.

The Franconia vineyard has existed since the seventh century. Planting vines was introduced by the Romans and then Charlemagne encouraged its development. Some say Würzburg wines were Goethe's favorite.

However, the Franconia vineyard has seen its area reduced. Its size was around 40,000 ha before the 30 Years' War. It was a very fragmented vineyard with 0.25 ha of vines per property, and only 5 % were considered full-time farms. Land consolidation throughout Germany and mechanization enabled Franconia to obtain better yields and better quality wines. Today, Franconia houses three main areas: Staatlicher Hofkeller, the Bürgerspital, and Juliusspital.

Franconia has 7000 growers with a production of wine 500,000 hL/year, which represents 6 % of the total production of the 13 producing regions of Germany. Six

cooperatives concentrate 44 % of total market volume. The strategy of this vineyard is to combine tradition and modernity but also German conservationism and the willingness to advance and be recognized as one of the best white wine-producing regions in the world.

Müller-Thurgau, Sylvaner, and Bacchus grapes alone account for over 60 % of the plantings. Indigenous grape varieties sometimes complete the offer of the vineyard but with reduced proportions. Red vines comprise 20 % of the growth.

The continental climate has hot dry summers, which is favorable for ripening grapes. However, sometimes long, cold winters can cause damage if the buds are in place and frosts are late. Vegetative growth of the vine is short with an average of 1600 h of sunshine and an annual rainfall of 500–600 mm. The soil is varied. In the Aschaffenburg region there is crystalline rock. In the center (Würzburg) is limestone, and in the Steigerwald, the vines are born on marl.

Large traditional oak barrels are often used. The wines are dry, minerally, and fruity. They are drier than most other German wines. Almost 50 % of the wines are bottled in a container with very specific form called *Bocksbeutel*, which is a tradition here to prevent counterfeiting.

8.8.2 Apparent Positioning

Almost 80 % of Franconian wines are consumed within 250 km of the place of production, and only 2.5 % are exported. The rest is consumed in other areas of Germany. According to the 2014 data, women drink this wine more than men, who traditionally drink more beer. Consumer breakdown by age categories is as follows: 25 % are 20–39 years old who continuously increase their consumption; 75 % are over 40 years and consume wine regularly.

Wine bars in the Franken region tends to attract a more urban type of consumer with higher purchasing power. The consumer often remains loyal to German wines and domestic producers thus remain the market leader in 2013, still capturing half of the volume consumed. German wine consumption is mostly off-trade, and although the market for on-trade has been growing (wine bars), this mode of consumption is limited. Franken is an appellation that benefits from the growth in consumption wines as an aperitif, which is mainly white wines that are easy to drink, refreshing, and consumed with friends.

The German market tends to move in its consumption patterns. Indeed, in 2013, 53 % of consumed wines were red compared to 38 % white. It is important to note that the majority of white wines consumed are nevertheless German wines.

Even if price is the main decision-making factor by the consumer, quality tends to become a key parameter for the purchase decision. A strong sense of nationalistic feeling is still a prime motivator in the German consumer's mind.

Franken wines are symbolized by a massive grape variety called Sylvaner, even if this can be found elsewhere in Germany. However, it is rather sensitive to cold winters, so it was replaced locally by the Müller Thurgau, which is now the majority

grape. Franken wines are lively, fresh, and reveal their unique terroir with an intense mineral character.

Another consumer behavior trend is the growing interest in organic wines. According to some, the average German consumer would be willing to pay 30 % more for this category of wine (Organic Wine: green is in Prowein 2012).

The German market is very competitive: it is possible to acquire a good wine between 4 and 6 €. Wines more expensive than 5 € are highly competitive, and the best wines can reach 20 €. White wines are generally more expensive than reds. The wine sold in supermarkets is less focused on quality, although it recorded important sales in volumes. However, market analyses show that taste prevails over the price, image, and tradition.

Here are some specific initiatives developed to promote Franken wines: a queen of Franken wines presents the wine within the country and internationally. She is a kind of ambassador who expresses the unique character of this terroir. Very traditional events animate the community, such as weinfests. Producers of Franconian wines have long been present on several social networks. This kind of group marketing seems to be efficient here. There are also a multitude of blogs devoted to wine where enthusiasts can share their experiences. This enables reaching customers and prospects outside the Franken borders and generates increasing traffic on e-commerce sites.

German cooperatives have experienced a dynamic development in recent years. Across Germany, a third of vine surfaces are managed by cooperative members.

International competitors of German wines are mainly positioned in the discount market, dominated by New World wines. The prices of German wines are higher and initially sold in specialized retail outlets. Wine sales in supermarkets show that Germans consume more wine daily. German wines are increasingly purchased in shops, where in 2013 there was a 15 % increase in sales volumes and prices. Buying in specialized stores is now reserved for special occasions as is purchasing from the producer. Specialized retailers are designed to offer a range of quality, focusing on purchases from the domestic market that maintain a strong regional identity.

Despite these specificities, there could be some points of improvement. Several places that promote Franconia wines communicate only in the German language so it is not possible for tourists and enthusiasts to gain access to that information. Development of the brand image of Franken is too far within German borders, which prevents the brand from taking off and making itself known. Even though territorial brand identity is now growing, it still remains timid. This appellation seems little known outside of Germany despite its past being steeped in history. The quality of its wines should produce competitive advantages of the brand and become key success factors. It must centralize efforts to define a set of values and common points that will give it more strength.

Enhancing its positioning could be done by the following: Its promise is a typical and authentic product. With its peculiar-shaped bottle, this wine is easily identifiable. In addition, part of this wine region is more attractive than other

German regions. However, the appellation seems not very readable or easy to understand for a non-educated consumer, which could appear as a weakness. Franken wines still lack recognition in foreign markets. One of the strongest points of the appellation is its power of differentiation from other regions through its history, soil, and bottle. As a consequence this positioning seems profitable: wines of the appellation have a real personal value when tasted and most connoisseurs are ready to pay for it. However, high production costs limit the margins. The wineries could increase its selling price because we know that the German consumer is willing to pay more, especially for German wine. This would enable the appellation to communicate itself more clearly as a quality product and target new customers for export.

The main weakness of Franken wines is their reduced presence abroad. Indeed, in a world where competition is strongly related to globalization, their future is worrying and the wine could be doomed to failure if nothing is done to earn market share for export.

8.8.3 Suggestions for Differentiation

Branding activities seem a necessity to exist at the international level. Franken wines are produced by 23 cooperatives. The rest are fragmented terroirs. Thus production costs remain high. A more concentrated sector could give more power to the region while maintaining its specific structure based on cooperative governance, even if this could represent a constraint for the identity of each family winery.

Finally, organic wines are not sufficiently highlighted. Winemakers should use this fact more as a selling point, especially because of the premium German consumers are willing to pay for this kind of product.

Other areas of development are as follows:

Because Franken wines are almost completely consumed in a 250 km radius, the distribution network should be expanded to other German regions (Mosel, Pfalz, etc.). Franken should open itself to the world market because international markets are now growing faster than domestic markets. A target objective could be progressing from 2.5 % volume exported to 10 % by 2017.

The growth in consumption of red wine in Germany suggests that a major outlet for Franken would be to consolidate the production of red wines. Presently it cultivates around 20 % of its area in red vines. By 2020 it should be close to 30 %.

Finally, the traditional image of this region should not hamper the appellation when facing e-shoppers. Here it seems that institutional websites should entrust strategic support to pure players to give its web presence coherence. Creating a real e-marketing strategy remains a priority, especially to gain the attention of young people and those who don't speak German.

8.9 Friuli, Italy

With the participation of Clémentine Jacquelin and Sofia Kitouni



8.9.1 Components of the Identity

Located on the spice route close to Venice, the region of Friuli-Venezia is recognized as a wine-growing region dating from the Byzantine Empire. Its sandy-clay soils are rich in minerals and have been continually developed, helped by the fact that the capital Trieste was long the port of the Austro-Hungarian Empire. This city of intense exchange has represented the opportunity for export for a long time.

One of the climatic characteristics derived from the Friuli geography is that it is protected from the cold of the Alps but often faces a cold wind—the Bora—which blows for several days. The vines are planted mostly on steep, terraced slopes, called *Ronchi*. Because of this fragmentation, yields per hectare are usually moderate.

The total area is 22,000 ha. This sector employs about 24,000 people with an annual production of 85 million bottles. Consumption is mainly local. However, there is a level of export (43 %), mainly to neighboring Germany.

The Friuli area is characterized by small pieces of land, with an average area of 2.5 ha. There are 9000 *aziende* (wineries) of two types: those in which winemaking and marketing are done by the owner and those whose marketing is done by cooperatives.

The Friuli area is composed of a number of local appellations: Carso, Friuli Latisana, Collio, Friuli Isonzo, Friuli Aquileia, Friuli Grave, Friuli Annia, Lison-Pramaggiore, and Prosecco.

The white wines made this area's reputation. They are made from several classic varietals, such as Pinot Blanc, Pinot Gris, Chardonnay, and Sauvignon. But indigenous grape varieties can be found, such as Friulano and Ribolla Gialla. Reds are

mainly made from Cabernet, Merlot, Black Pinot, and Refosco. Finally, the sparkling white wine, Prosecco, is produced with the Glera grape.

This fragmentation is also reflected in the classification of soils: under the Friuli banner there are three IGT (Indicazione Geographica Tipica), ten DOC (Denominazione de Origina Controllata), and four DOCG (Denominazione de Origina Controllata e Garantita). To match European standardization, several mergers of these terroirs should occur, with only the DOP (denominazione de numerosi hotels equipped Protetta) and IGP (protected geographical indication) remaining.

8.9.2 Apparent Positioning

It is interesting to consider the segmentation presented by the CIVB (Bordeaux Vineyard) when considering the positioning of Friuli wines. This premise is based on the wine being more than its components or origin. Four segments are discussed further in the first part of the book: “art” for wine collection, “exploration” for connoisseurs, “fun” for young consumers, and “basic” for a daily consumption.

Friuli seems to fulfill the exploration and basic segments. Amateurs in the exploration segment have a desire for knowledge, but in Friuli, wine communication is limited. These consumers are mostly Italians or Germans willing to be involved in their purchase. For the basic segments, the implication is that purchases are made routinely. Because the two segments appear to be targeted, a very large price disparity is observed, ranging from 2 € to several hundred euros for a bottle.

The product is essentially developed in single varietal release although blended wines are emerging. The presentation is mainly traditional. Few labels present more than basic information. About two-thirds of the distribution is done off-trade in supermarkets and hypermarkets and one-third on-trade. Distribution channels also seem to integrate many actors, such as wine shops, retailers, wholesalers, and cafés, hotels, and restaurants.

The communication is focused on a mix of various cultural events, wine tourism activities, initiatives for digital communication, a presence in professional bodies, as well as in publications such as the first volume of the manga “Drops of God.”

8.9.3 Suggestions for Differentiation

The Friuli vineyard has several features enabling it to claim some differentiation from other vineyards: being near the Alps and the Adriatic Sea, it enjoys a unique climate, both mountain and maritime. Several varieties are characteristic of the place, even iconic. The traditional orientation toward production of white wines is now recognized beyond local markets throughout Italy and abroad.

However, the area seems relatively fragmented. Few leaders emerge. It is also difficult to report properties, wineries, or brands that could function as a standard and have a ripple effect for the entire region. We suggest that the Friuli vineyard

should make emerge one or two leaders to make its product more readable, still allowing growers to keep their personality.

A question arises vis-à-vis other Italian appellations that enjoy a strong reputation in the international market, for example, Chianti and Tuscany. It is known that one of the reasons for the strong presence of Italian wines in the world is their frequently being found in Italian restaurants and especially pizzerias around the world. This is probably one of the most effective media for wines. However, Friuli, known for its white wines, may not benefit as much from this support. Therefore, Friuli wines should push themselves forward and not remain in the wake of the big appellations, offering its specificities, such as local grape varieties, and also its attractiveness to the exploration segment as wines to be kept in the cellar for years.

Furthermore, in local markets, Friuli can also count on being perceived as a local product, similar to Catalonia in its promotion of local products, especially Cava and Penedes wines. Indeed, Friuli-Venezia is a traditionally quite rich region and was not always part of Italy. A certain pride can be noticed when visiting its cities, such as Trieste. This would be a good point with the local young population because older wine consumers of basic daily wines are gradually decreasing.

8.10 La Mancha, Spain

With the participation of Zoé Massa and Antoine Lafitte



8.10.1 Components of the Identity

La Mancha is one of the largest appellations in the world. The surface is over 300,000 ha of which 165,000 can claim the name Denominacion de Origen (DO). The story begins in 1932, but because of the Spanish Civil War (1936–1939), the real expansion started much later and the appellation was born in 1976 with the setting up of its *consejo regulador* (board for regulation).

La Mancha is located on the central plateau of the Iberian Peninsula and stretches over 182 municipalities and four administrative regions: Albacete, Ciudad Real, Cuenca, and Toledo. The uniform soils with limestone origin can retain precipitation. The climate is continental with large variations in temperature: from -15 to 45 °C. Variable rainfall is from 300 to 400 mm/year on average. This area has many advantages for vine cultivation, for which traces can be found from the Roman occupation.

Twenty thousand workers are employed in this sector. Most of them make part up the staff of the 280 bodegas. These firms clearly represent the principal economic engine for the region. Initially focused on white wines, La Mancha moved to red wine production to better meet the demand and changes in consumer behavior. For this purpose, the growing area is gradually being restructured. European funds helped this region especially during its transition.

Today, many of the wine growers do not make wine but sell their grapes to bodegas. So for La Mancha, the cooperative Virgen de Vinas includes 2000 members, the equivalent of 22,500 ha of growth.

8.10.2 Apparent Positioning

Spain is one of the three world leaders in production. Vineyards have gained international recognition for a long time, including the most iconic areas: La Rioja and Ribera de Duero. These appellations obviously choose a high-end positioning.

But Spain is also a “country of volume”, with very important potential surfaces. For some, the key factor of success is very simple: sunshine + space. This could be the summary of the business model of La Mancha appellation.

Traditionally, Spanish wines are classified into four categories: Joven, Crianza, Reserva, and Gran Reserva. This hierarchy has the merit of simplicity. La Mancha adds some nuances such as “aging in oak barrels.”

Domestic consumers are accustomed to this classification. However, because of the economic crisis in the early 2000s, wine consumption has dropped significantly in this country. The forecasts seem to confirm this trend for years to come. Thus, in a context of general stagnation or declining of purchasing power, players have positioned themselves based on competitive prices and entry-level products that meet real needs. So there is still an opportunity for La Mancha wines during this present Spanish economic difficulty.

However, the risk of a positioning too explicitly “cheap” can have a negative impact on the image of the appellation. This is what La Mancha has suffered at times when production values were irregular. This seems inevitable given the size of the growth, which enables control of all the area as often is the case for small appellations. So for 20 years, a consolidation of the industry has emerged. Real quality control efforts have been made, thanks to the system of cooperatives and cooperative unions.

In the value creation chain, cooperatives have taken a prominent place for both pooling the means of production and ensuring quality. Consistent with this position, the prices of wines from La Mancha are known to be affordable. They are found on the online market and hypermarkets and supermarkets for between 3 and 6 € for the Joven category, between 6 and 9 € for Crianza, and ranging up to 20 € for Reserva and Gran Reserva. The majority of prices however are below 8 €.

Export performance has shrunk. One may think that the decrease is because of competitors coming from the New World, who often sell at very cheap prices. But this is only one part of the explanation. Indeed, in 2014 the main markets for La Mancha were Germany with 540,000 cases (of 12 bottles, or 9 L), then China with 240,000, Holland with 110,000 cases, and the United States with 72,000 cases. As we know these markets have different behaviors and are not all geared toward low price.

8.10.3 Suggestions for Differentiation

The size of the La Mancha appellation is of course the first point of differentiation, as is volume strategy, concentration of production among powerful actors, low price, and a solid process of industrialization. In addition, La Mancha is a Spanish vineyard, and along with Italy and France, is one of the leading groups at the center of the wine world. This historicity gives the appellation fame in the country and abroad.

Apparent fragilities are also based in the size of the vineyard. The first question raised by this dimension is at the production level: if La Mancha wants to have a real identity in the mind of consumers, it must, similar to other vast vineyards, ensure the quality level of production. A minimum of standardization is a guarantee that gives a sense of identity to this region.

Some in the New World would advise focusing on the same grape varieties and the same winemaking techniques. Others would propose allowing local winemakers and oenologists to express their differences. In this debate it is important in any case that consistency in quality levels are recognized in the market: participation in national and international competitions, certifications, sustainable viticulture, strong iconic brands, and promotions based on production volumes and a presence of sales forces in mass market distribution are traditional choices of such actors.

Concerning communication, it is probably difficult to focus on the regional or supra-regional character of the La Mancha appellation and blur more local identities. Consumers think regional promotions make more sense than a maze of local appellations. Here we face the same problem with other generic regional appellations, such as Sonoma, Bordeaux, and Tuscany.

Differentiation of La Mancha should foremost eliminate its belonging to the symbolic vineyards of Spanish wine, including La Rioja and Ribera de Duero. Far from playing a “me-too” strategy in front of these leaders, La Mancha should play the card of proximity and conviviality at affordable prices. It is interesting to note

that currently the base is more a domestic market, although still in crisis and marked by a drop in local consumption, rather than international markets. Perhaps the reconquest of the Spanish market, including that of daily consumption, is more the mission of La Mancha than other Spanish appellations.

8.11 Liguria, Italy

With the participation of Sixte Bessonnet and Nicolas Quercia



8.11.1 Components of the Identity

Rooted in the hills of the Italian Riviera (from the French border, Tuscany, and Piedmont, and bordering the Mediterranean Sea), Liguria offers an unusual terroir and is protected by UNESCO.

The history of the DOC (Denominazione de Origina Protecta) Liguria vineyard goes back to ancient times, when the Etruscans and Greek introduced viticulture. The vineyards cover 500 ha for a production of 13,000 hL and are divided into eight sub-designations of origin (DOC): Cinque Terre, Colli di Luni, Cillne di Levante, Golfo di Tigullio, Riviera Ligure di Ponente, Rossese di Dolceacqua, Val Polcevera, and Orneasco di Pornassio.

The soil of the appellation is composed of limestone, sandstone, and shale, providing some minerality to the white wines, which represent 75 % of production. The different grape varieties are Vermentino (55 % of the plantings), Pigato (21 % local white grape), Sangiovese for white wine and Rossese (16 %), and Orneasco (8 % cousin of the Piedmontese Dolcetto) for red wine. Being close to the sea, the appellation does not escape the Mediterranean climate (hot and dry in summer and mild and wet in winter) or the spray that lashes certain plots.

The topography of the region requires vineyards to be excavated an uses infrastructures such as irrigation channels and cog trolleys to facilitate the hand-made vintage. Once harvested, the grapes are macerated followed by being placed

in a tank. Aging is done in oak barrels (for 1 year) or in stainless steel (for a few months). One of the most prestigious appellations (Cinque Terre, Rossese di Dolceacqua) can be kept up to 6 years in barrels. Good vintages can be cellared for 20 years.

The winery focuses on many small producers who mostly have chosen to group themselves into a social canteen (wine cooperative) to share costs. The local population has a strong connection with the vine. For example, in Cinque Terre, 20 % of the population works in the wine industry.

Because of the soil, the yield is low. As a consequence, costs of production are often high. The price is affected, resulting in bottle prices of between 15 and 60 €. For some, finding Liguria wine seems as difficult as producing it. Its consumption is mainly local (each producer family has personal stock in the cooperative) and its export is limited.

8.11.2 Apparent Positioning

Most of the brand awareness of Ligurian wine is local. Because of the vineyard fragmentation and also because of the family business model and limited production, export is difficult. However, Liguria is known as the Italian Riviera and attracts many tourists who have enough income to afford its wines.

Given this, some producers have created a niche market in high-end wines. Thus, the Sciacchetrà (sweet wine for dessert) often can be sold for up to 70 € a bottle. Another winemaker distinguished himself by creating a wine of the abyss, which is stored underwater. Nothing better to attract wine lovers looking for that special taste provided by the sea! This could differentiate some wines, even if, for some, it is just an exotic initiative.

The cost of Ligurian wine production is rather high because the size of the area is limited and the plots are mostly fragmented. The entry level cost is about 12 € for Rossese di Dolceacqua and can reach 70 € for wines from difficult-to-work terroirs, such as Cinque Terre, where the price of the first wine is 35 €. Therefore, a niche marketing strategy seems to be the best approach.

Because of vineyard fragmentation, there isn't much communication about the Liguria appellation in the different channels. We find some information on tourist sites dealing with the region or Italy more generally, but we cannot find any institutional advertising for this appellation.

Some actions are carried out by independent winemakers, such as the creators of Pierluigi Lugano and its sparkling wine of the abyss, aged 60 m deep. Public relations would be a good tool to promote this niche wine, particularly with the contribution of word of mouth. The preferred distribution system of the wine is local, almost all of restaurants and hotels in the region. Wines also can be purchased directly at the property or at local markets. The low level of production and high local consumption leave very little room for export distribution.

8.11.3 Suggestion of Differentiation

Are Ligurian wines for export? Anyhow, the appellation should be structured by adopting a common policy for communication among the different sub-appellations and by implementing a union within the profession to mutualize the costs and satisfy common goals. Wine tourism is surely an adaptable tool to confirm this strategy. Similar to several other appellations in the world that are traditionally highly fragmented, it is difficult for Ligurian wines to grow under a common flag. Also the category of SME's based on the family business model does not ease access to a national presence or strong international recognition, lacking equity. That is why a local focus based on tourism seems a priority.

Some initiatives that could help reach this objective include really uniting all sub-appellations to conduct a common development policy and focus some operations; creating a professional website to attract international visitors; creating a label characterizing its originality to facilitate recognition of Ligurian wines, not only those of Cinque Terre; and developing partnerships with arts and cultural organizations in the region (exhibitions, concerts, showcasing the characteristics of the wine).

8.12 Maipo, Chile

With the participation of Marion Vesque and Sarah Chassin



8.12.1 Components of the Identity

Maipo is one of the 14 regions that comprise Chilean wine-growing areas. Although we find traces of this activity in the sixteenth century, the expansion mainly appeared toward the end of the nineteenth century. Near the capital, Santiago de Chile, the Maipo region spans about 10,000 ha of which 8000 are devoted to red wine production. Three regions share the territory: the Pacific Maipo, with oceanic

influences; Central Maipo, whose ground is rocky and receives less precipitation; and the Alto Maipo—between 400 and 800 m—close to a mountain climate with soils of sand and gravel. According to www.wine-searcher.doc,

the vineyards of Alto Maipo (or Upper Maipo) run along the eastern edge of the Andes Mountains. At this height, warm sun during the day is followed by colder nights, which slow ripening. This extends the growing season, leading to grapes with a balance of ripeness and acidity. Alto Maipo's colluvial soils (those brought down from the mountains over time by gravity as opposed to rivers) are rocky and free-draining and are considered excellent for viticulture: vines have to work harder for water in the ground and so put their energy into producing smaller berries with a high concentration of sugars and acids. Alto Maipo, which encompasses the sub-regions of Puente Alto and Pirque, is the most prestigious of Maipo's viticultural areas. It is here that the vineyards of Don Melchor, Almaviva, and Vinedo Chadwick can be found along the banks of the Maipo River and among the houses and buildings of Santiago itself.

The local winemakers do not rely on any specific techniques. The majority of the harvest is handmade, followed by sorting of the berries. Fermentation lasts 3–4 weeks and livestock between 12 and 24 months. If the Carmenere grape has long been a hallmark of wines from Chile, we note that here it is overtaken by Cabernet Sauvignon, Merlot, and Syrah.

The dry climate and large fluctuation of temperature variations between day and night represent more opportunities than constraints for such vineyards. Indeed to showcase such a configuration, it is necessary to use irrigation techniques that require both expertise and significant investment. That is the reason why this openness to foreign influence and investors represents a key success factor for this local viticulture and surely explains a part of the expansion of Maipo.

8.12.2 Apparent Positioning

Chile presented the picture for many years as being “the best student in business” in South America. Its expansion was stronger than its neighbors in many areas and the average purchasing power of Chileans increased, although large disparities remain.

Among the growing sectors over the past 30 years, viticulture is perhaps emblematic. Chile belongs to the “top 10” for production in the world and fifth largest exporter in the world with a very high export rate in most cases: more than 70 % of production. This expertise is still strong, with a remarkable growth of 11 % in volume between 2011 and 2013.

Even if Maipo enjoys proximity to the capital, Santiago de Chile, it has other assets to bring to the international arena. First, it has an available workforce, inexpensive, accustomed to grapevine-driving techniques and winemaking processes. This is the hallmark of many other countries in South America and to a lesser extent in South Africa and Eastern Europe (Romania and Bulgaria, for example). Moreover, the cost of land is less expensive than other major vineyards in the world. The dry weather permits less treating of the vines, which generates

additional savings. Finally, the Chilean production system is highly concentrated, unlike the Old World, around powerful actors.

In the Maipo region one can find powerful companies such as Concha Y Toro, Santa Rita, and Cosino Macul. This is a real industrial area because 40,000 direct and indirect jobs are concerned (compared to 60,000 in Bordeaux).

With these distinctive skills and limited domestic market in terms of volume, Maipo producers have logically oriented toward foreign markets, the first being United States and the United Kingdom. We can also notice a good presence of Maipo brands in Canada, Holland, and Brazil.

If in the past, per capita consumption in Chile was up to 50 L/year, now it is less than 20 L. Some forecast losing up to 80 % of that amount in 60 years. In such a domestic context, the internationalization of the appellation Maipo and its brands was almost mandatory. For this, the beginning of the export story was marked by volume strategies to play the role of outsider facing the actors of the Old World. Today, the vineyard of Maipo is sufficiently known, the awareness of its brand image is established, and it plays the game in the same arena as most of the prestigious appellations. Logically some prices of the Maipo brand portfolio have increased.

Another distinctive competence provided by a powerfully concentrated industry is having a strong bargaining power vis-à-vis major retail chains: Tesco, Sainsbury, and Corte Ingles, for example. In contrast to others, the wine industry in Maipo region is vertically integrated: vast vineyards south of Santiago, large capacities for winemaking and bottling, and a direct supply chain to the big markets of the northern hemisphere. This business model seems really efficient.

8.12.3 Suggestions for Differentiation

Although successful, the Maipo appellation has not yet enjoyed a prestigious top-elite image. More than representing a difficulty, this can be a chance for this region. Indeed, the future seems to be outside the borders of Chile in the major international markets. The first piece of advice is to adopt at all levels of the industry an export culture based on know-how and specific tools. In this case, a brand orientation could be more efficient than an appellation orientation.

The second focus should be a young target, uninhibited and wanting easy-to-drink wines. This is not pejorative because many productions are a single varietal, Cabernet Sauvignon or Carmenere most often.

Adapting to international markets, a volume rather than value strategy seems to be Maipo's focus. The effects of economies of scale are important here. Placed in front of professional buyers of large and international distributors, such arguments are strategic and keep the added value.

Another part of this differentiation policy is to build strong international brands. Four or five of them could be enough to serve as standard for the entire appellation. This is quite possible here because the vineyard is not fragmented. Similar to any brand, those from Maipo must be based on some fundamentals. First, focus on an

audience, such as the millennials, young, urban, socially integrated, with an income of 40,000 € on average and eager to acquire more knowledge in wine without being involved too significantly.

The second differentiator element for the Maipo brand should be based on its promise of being a New World wine, single varietal, with constant qualities. It is known indeed that one of the brand's attributes is consistency. But we also know that this quality is not the most appreciated by connoisseurs, who instead seek the stylistic differences between regions and vintages. So, it should be necessary to conduct precise market surveys in order to know who are the real consumers of Maipo wines, before positioning them.

The third element is based on the brand's commitments, such as constancy of presence, especially in the supermarket and hypermarket circuits. This consistency must be maintained at an affordable price.

Finally style is the last element of the differentiation for Maipo. Similar to Australian brands and appellations, the message should broadcast feelings of simplicity and novelty to reduce the complexity that too many consumers have vis-à-vis wine.

8.13 Orange River, South Africa

With the participation of Tom Poyet and Antoine Paques



8.13.1 Components of the Identity

With more than 300 years of grape farming in its history, South Africa is a major global wine region. In 2013 it was the ninth largest wine producer in the world. It is best known for its wines located in the Western Cape area around Cape Town. It also has another important wine area to the north of the country, called the Northern Cape. Orange River is the main appellation of Northern Cape.

The country is known worldwide for the uniqueness of Pinotage. This variety is a cross between two varieties; the Black Pinot and Cinsault. Today, Pinotage is one of the main grapes in South Africa but also in Australia and New Zealand.

In the early 1960s, investments were made to produce and ferment grapes. These investments resulted in irrigation techniques that have enabled this country to produce in large quantities on soils that were not intended originally for the production of wine. Professionalization through mechanization occurred during the 1970s.

The Orange River wine region is located in the north of South Africa, on the border of Namibia. The vines are planted along the Orange River and at the gates of the Kalahari Desert. The Namib Desert is a tourist attraction. This appellation is the most eccentric north of South Africa, but also one of the largest in the area: 17,000 ha of vines are planted along 350 km of the river.

The production is mainly directed toward white wine but the area also produces red wine and grape juice. Orange River is mostly represented by only a single large cellar, "Orange River Wine Cellars," and includes five wineries located in several cities in the region. It is a conglomerate of special caves called Keimoes, Kakamas, Groblershoop, Grootdrink, and Uppington. These five caves include 900 producers dedicated to the wines of Orange River. The Uppington location is the seat of Orange River Wine Cellars.

The average annual production is between 140,000 and 160,000 t of grapes. This makes it one of the most productive in South Africa with about 10 % of the total South African output. The most planted grape in this region is Chenin Blanc, renowned for its minerality, dryness, and fruitiness. Another white variety is increasingly used in this region: Colombard. Recently Chardonnay was launched in various farms to enhance the quality of selection more than volume.

Red varieties include Pinotage Shiraz, Merlot, Cabernet Sauvignon, and Ruby Cabernet. These varieties are used because they all have a high resistance to heat, which is a local constraint. Indeed, the climate is very hot and dry, producing a microclimate around the region, including through the river, which is a fundamental resource to irrigate the vineyards manually but also through thermo-regulating the soils in the region.

The temperature varies greatly throughout the year. In winters the temperature ranges from 3 °C at night to 16–18 °C during the day. In summer, temperatures are high and vary between 18–20 °C at night and 36–38 °C during the day.

The desert landscape of the region is filled with abundant red earth. Surrounding canyons enable acres of vines to be cultivated with care. Particular attention is given to the plant to search for shade. Pergola systems are used in some places. Nevertheless, vertical trellising is much used because it enables harvesting by machines.

Orange River is composed of highly calcareous soils with quartz deposits. The soil provides real personality to the different wines. Soils from the eastern part of the region provide vivid and refreshing wines that reflect a terroir with high acidity. To the west, wines have more character and body.

8.13.2 Apparent Positioning

The main export destinations of this appellation are Holland, the United States, and the United Kingdom. However, South African wine productions are attracting more and more Asian consumers from China, Malaysia, Singapore, and Hong Kong.

Orange River Wine Cellars produces entry-level wines. The price range is between 2 and 5 € maximum per bottle. The promise of the Orange River Cellars brand highlights the local climate: “Our wines are bottled sunshine.”

The wine market in South Africa is still in a period of growth with increases of 3 % year in value. This trend should continue until 2018. Still wines are sold the most; they represent around 80 % of total sales. The South African market is highly concentrated, with four wine companies that account for 65 % of the market share in 2013. The Distell Group alone accounts for 35 % of the country’s market share. This group has a very large number of wines but also strong spirits brands. Central Orange River is in direct competition with the appellations of the Western Cape region, which has similar strategies with aggressive pricing policies. A bottle of Central Orange River wine is sold at around 30 ZAR (2–3 €). Ten years ago these prices were at ZAR 20 (1.5–2 €).

The distribution channels are very different from many countries where a real concentration can be observed. Indeed, the main distribution channel is the equivalent of specialty stores, which is 61 % of the total distribution. On-trade with bars and restaurants is the second channel in value. Supermarket distribution is little used (4.5 %).

The target is a person older than 25 who has a purchasing power slightly higher than the average population. This is a market in which consumers currently have a limited knowledge of winemaking. Consumers are expecting wines with an attractive price and an easy-to-drink mode.

The strength of Orange River is its concentration of producers: hundreds of producers gather in a single cooperative group, Orange Wine Cellars. This enables the appellation to manage a unique strategic viewpoint with a common policy.

In the early 1980s (when appellations of origin started in South Africa), Orange River was a high-volume producer with low prices. Technological and logistical advances put in place were significant: control of production sites (five wineries, distributed to optimize transportation and winemaking according to the climate and geographical profile) and irrigation, which continues to be a challenge in the arid climate, enabling the production of large volumes at reduced production costs.

A strong product range has been developed under a single banner of Orange River Cellars, creating a brand image in the mind of the consumer. The grapes grown are mainly varietal wines (Pinotage, Chenin, Shiraz, Cabernet Sauvignon, and Chardonnay), simple and identifiable products for the consumer. With their wide range of red, white, rosé, and sparkling wines, consumers can easily attach to and try other products within the same brand.

The packaging is simple and recognizable, highlighting the grape. Quality in terms of production is pushed because the company has several certifications: ISO

22000, HACCP, and BRC. Thanks to this external controls and certifications quality problems are reduced drastically.

The market is concentrated, with few new entrants because of the existing high barriers to entry (very significant initial investment). Consumers are not faithful and are willing to try other brands based on price only. Thus, price is a real key factor of success. This extends to all South African wines, which are generally of a good quality-price ratio.

Digital communication predominates for the Orange River Cellars brand, reflected in an important presence on Twitter and Facebook with daily use of social networks to relay product information or events organized by the brand. There is an estimated brand community of 1500 people on Facebook for the group. These communication channels are an opportunity to highlight the uniqueness of the terroir and its environment. Many photos of vines with backgrounds of other mountains are posted regularly. As can be seen on the Facebook banner, Orange River Winery relies heavily on wine tours and wishes to make that known in its communication.

National and international competitions are also often used to promote wines from Orange River. Indeed they form a large presence in wine competitions in the country and have earned many distinctions. There is thus a real desire to see its quality identified.

The red and white wines were notably distinguished in a Chinese competition (China Wine Awards) with ten medals given. Recently a Muscat wine was awarded a top 10 in the world during a competition in France. The group makes sure to relay all these distinctions through social networks and websites. These awards support the goal of improved quality of the wines produced by the company.

Brand positioning seems clear: Orange River wines are mid-range wines from a unique terroir that are simple and easy to drink. They reflect the sun present throughout the year in the region. These actors stand above the global South African market and propose a real specificity of terroir and know-how. They also seek to expand their international sales to new markets and new growth drivers.

Orange River exercises an important and effective control of its viticulture, logistics, and storage. It is the creation of an innovative combination of 900 different producers under a single brand. This represents one of the most efficient factors of differentiation considering that many appellations in the world are very fragmented. As a consequence, this terroir could create a strong brand, Orange Wine Cellars, which would be easily recognizable by far-away consumers.

8.13.3 Suggestions for Differentiation

To develop at the national and international levels, the Orange River appellation could create and promote an icon wine, a brand that stands out as exceptional and could play a pivotal role for the rest of the appellation. This strategy is usually called “hierarchy of the appellation.” For this, the cooperative must select a

particular soil along the 350 km of the river for the newly designated appellation. A selection of two or three winemakers whose personal image is uncontested will provide a more rooted image for these productions.

This type of product must be truly special and consist of a higher level of taste. Significant resources in building brand awareness should accompany this choice. This investment has to be made on all elements of the value chain: soils, raw material, equipment facilities, and marketing policy. To consolidate this, they must continue to focus on wine tourism, similar to the image California has in the United States. This helps to inspire visitors and provide a unique tasting experience. As a consequence this branding process could ensure customer loyalty and a desire to share this experience.

Finally, in the coming years there likely will be an emergence of a larger middle class in South Africa because of demographic growth. Some of those people surely will be motivated to discover wine productions. The wines of Orange River seem particularly well located to face this demand, especially logistically. After attracting China and Asia, the African wine market could also be expanded during this century.

8.14 Penedes, Spain

With the participation of Julien Sefraoui and Maeva Vidonne



8.14.1 Components of the Identity

The DO (Denominacion de Origen) Penedes first appeared in 1960. Placed in a strategic position in Spain on the old Roman road known as the Via Augusta, the region of Catalonia has always had an intense trade movement within the country and with Europe. With its capital, Barcelona, the vineyard has naturally significant opportunities in addition to the local urban population. But it also showcases a

tourist lifestyle and fulfills investor expectations from abroad, thanks to the dynamism of the region.

The Penedes appellation is best known for its white wines, which are the majority in its production. About 26,000 ha, and in accordance with the specifications of the appellation, vineyards meet a planting density of 1800–4500 vines per ha and a strong yield: 12 t/ha for whites and 9 t for reds.

The climate also brings specificity to this land. Many vineyards operate at more than 500 m above sea level, near the famous Abbey of Montserrat, in a piedmont configuration. The dry Mediterranean context encourages a taste for wine. Soils, mainly composed of sand and clay, allow deep roots for the vines.

Three regions make up the appellation Penedes: Penedes Maritime, for vines planted within 200 m of sea level; Penedes Central, with altitudes ranging between 200 and 500 m and representing 60 % of the surface of the appellation; and Superior Penedes planted higher than 500 m and receiving higher rainfall and temperature differences.

According to the wine-searcher website,⁴ “red Penedes wines have traditionally been made from such classic Spanish grape varieties as [Garnacha](#), [Carinena](#), [Monastrell](#), and [Tempranillo](#) (known here as Ull de Llebre), but the local winemakers are increasingly turning to the ‘international’ Bordeaux varieties [Merlot](#) and [Cabernet Sauvignon](#). The white wines are made from the varieties otherwise used for Cava: [Macabeo](#), [Parellada](#), [Xarel-lo](#), and more recently [Chardonnay](#).”

The winemaking process doesn’t usually include maceration. Most of the wines here are not kept in consumer cellars. The Espumosos sparkling wine, made in a more traditional way, represents an alternative offer to the DO Cava, which is a very well-known sparkling wine in Catalonia. This category tries to differentiate itself, so in 2017, these wines will be made exclusively from organic viticulture, termed the “Classic Penedes.”

8.14.2 Apparent Positioning

Viticulture forms a major employment in the south and west of Barcelona and is, according to some, third activity in export. Furthermore Catalan identity is very strong in local products and brands manufactured and marketed by the region. This is of course the case of Cava, made according to the Champenoise method, and to a lesser extent, the wines from Penedes. Thus, the case of Classic Penedes is interesting for its differentiation policy: both because of its local roots and its organic orientation.

For the Penedes wine market, we must separate the still wines and sparkling wines. The former are consumed mainly locally by the entire population and positioned as mass market. They still correspond to a daily and local or regional

⁴ <http://www.wine-searcher.com/regions-penedes>

consumption, even if it has decreased here as elsewhere in Spain. Sparkling wines are in turn more often consumed at year end, nationally and abroad. Here the level of consumption seems to be holding steady.

The consumer of these wines is not really an expert but rather someone who seeks a simple wine. Far from being attached to a particular brand, this consumer remains quite faithful to the regional nature of this product.

Some heterogeneity can be observed in the Penedes bottle appearances. Large actors, such as Torres, Codorniu, and Freixenet, concentrate a large part of the production. Freixenet has a strong international presence with subsidiaries abroad. However, there seems to be no standardization of formats or codes in most packaging. Catalan wine brands work more on their own identity rather than covering a regional standard.

As for prices, a large diversity appears here, too: most white wines are priced between 2 and 7 €, but the reds are between 5 and 15 €. A few bottles—created by leaders such as Torr s—are more than 40 €.

Not surprisingly, the communication of the appellation Penedes focuses on Catalan roots. The most important market for this wine area is probably the city of Barcelona, reflecting the local language. However, it begs the question of the wine’s effectiveness for export and even to other parts of Spain.

There is nothing special to report on the choices made for current distribution channels: these are mainly oriented to supermarkets and hypermarkets. One might think that the three powerful actors that structure the product—Torres, Freixenet, and Codorniu—have an interest in moving toward volume strategies and therefore look for mass markets. This could affect the development of Penedes Classics, which would require being closer to channels with high added value: wine shops, specialty retailers, and restaurants promoting local gastronomy.

8.14.3 Suggestions for Differentiation

Three undeniable elements are powerful differentiators for Penedes Classics. First, this product has a very strong Catalan identity. This is already being highlighted in the various advertising and corporate communications in the regional media. As for the Basque Country, on the other side of the Pyrenees mountain range, the strength of local roots of regional brands, is expected by various distributors and retailers. On the other side of the border in France, Languedoc did the same with all products under the regional umbrella brand “Sud de France.” This identity is not misused; it is natural and guarantees both the maintenance of local culture and the development of employment. It is known that a significant proportion of consumers—called *locavores*—try to purchase products that come from no more than 100 km from the place of production.

The second area of differentiation is inside of the bottle itself: the Penedes Classics clearly appears as a powerful organic actor and therefore is environmentally friendly. For some, this theme is not highly advanced in Spain compared to northern European countries and represents a potential innovation. It will therefore

be necessary to persuade and educate the domestic market. However this positioning shifts Penedes Classics out of the mainstream and places it against a regional or national market segment that can probably be characterized as a niche. The LOHAS (lifestyle on health and sustainability) market segment is currently less than 10 % of the Latin market, but its influence is expected to grow in the coming years.

The third line of differentiation is based on the fact that this is a sparkling white wine. The Penedes Classics is closer to Champagne and can be offered as an alternative. Here differentiation is made on the diversification of use. The product is expected for special events and also can accompany appetizers.

A last line of differentiation is of the altitude of production: most of these wines are produced from 200 m to over 500 m. This is far from a small detail, in particular for certain varieties. Similarly, in Argentina, the vineyards of Mendoza in the foothills of the Andes use this argument to justify certain characteristics of piedmont cultures.

However, before engaging in this type of communication it is necessary to ensure that consumers would be receptive to the message. Indeed, expressing the specificities of an altitude vineyard requires the use of technical arguments to describe the effects of changes in temperature and rainfall. It is not sure that the large audience potentially interested in Penedes is able to appreciate the differentiating power of this geographic element.

8.15 Premières Côtes de Bordeaux, France

With the participation of Maxime Maiano



8.15.1 Components of the Identity

Since the consolidation of the Côtes de Bordeaux, a union that includes Blaye Côtes de Bordeaux, Castillon Côtes de Bordeaux, Côtes de Francs Bordeaux, and Premières Côtes de Bordeaux, this last appellation, created in 1937, specializes

today only in sweet and very sweet wines. The production of this wine began in ancient times and exports to the United States increased significantly during the eighteenth century.

The appellation now covers 39 villages, all located on hillsides along the right bank of the Garonne, facing south, on a strip of 5 kilometers (km) wide and 60 km long. The land is steep and stony, naturally drained. The soils are clay-type limestone or clay and gravel.

There are about 70 producers in this region. An average size of real estate is about of 3 ha. The grape varieties grown are 70 % Semillon, 25 % Sauvignon, and 5 % Muscadelle. The flavors in the wine include acacia, vanilla, peach, and lime. These wines are best tasted between 8 and 10 °C. The best dishes to serve with the wine include those with melon, foie gras, and exotic salads. They can also accompany white meat. For dessert they go well with some sorbets and fruit salads.

It is important to distinguish this appellation and the group Côtes de Bordeaux, formerly called Grandes Côtes. Since 2009 Côtes de Bordeaux has included four terroirs north and east of the Gironde. These Côtes all have common features: cultured hilly vineyards on the right bank of the Garonne and the Dordogne, with virtually the same quality of soils and similar methods of handling the vines. All Côtes (including Côtes de Bourg, which is not formally a part of the new group) comprise a tenth of the total production of Bordeaux vineyards.

The purpose of this group—which now has more than a 1000 producers and 500,000 hL annually, mainly red wines—is to acquire a better readability of its products for French and foreign consumers as well as to mutualize communication and advertising efforts. Unfortunately, the defection of Côtes de Bourg does not enable achieving this goal completely. This illustrates the antagonism between local identity and legibility of the product.

However the appellation Premières Côtes de Bordeaux no longer relates to sweet white wines. The word *Côte* may therefore in some cases designate red wines and in the case of Premières Côtes, white wines! The task still remains difficult for the consumer, so it seems the goal of a better readability has not been reached.

8.15.2 Apparent Positioning

Premières Côtes de Bordeaux has a very specific position: it made the choice to gather and promote only sweet white wines. This extremely narrow product range is original because most appellations offer red, white, dry, soft rosé, and sometimes sweet wine products.

To better understand this choice it is important to remember that in 2009 when several Côtes de Bordeaux decided to unite they chose to specialize in the Premières Côtes, which did not hinder the new Côtes group. Here, also, the strategy seems a bit complicated to follow.

Another concern appears in the positioning of this appellation: indeed, geographically, it is located a few kilometers from the prestigious Sauternes-Barsac,

which is known worldwide thanks to its Grands Crus including Châteaux d'Yquem, Rieussec, Suduiraut, and Guiraud, and has a solid place in the world of very sweet wines.

Therefore producers located in Premières Côtes must offer an alternative product, such as, for instance, the choice of the smallest appellation (in surface) of the Gironde: Loupiac. There are some Châteaux such as Loupiac-Gaudiet or Du Cros that regularly obtain high rankings and comparable awards to some of their Sauternes colleagues. Close to Premières Côtes is also the appellation Sainte Croix du Mont, where other winegrowers such as Château Loubens or Lamarque are also trying to find a special place in the universe of sweet wines.

All these players are found a few kilometers distance from each other. So, most of real estate sizes are limited to a few hectares. It is therefore difficult to express a particular character for each terroir.

For the consumer who is far away from the microcosm and is often alone in front of the wine department shelves, price then serves as a guide. The pricing policy of the Premières Côtes de Bordeaux is different from Sauternes. These wines can be found mostly between 7 and 20€, when Sauternes usually start at 15€.

Communication is another point in the market positioning of the sweet wines of Premières Côtes de Bordeaux. It is not managed actually at the appellation level but in the context of a Sweet Bordeaux website. This platform consists of 11 Gironde appellations, all focused on sweet wines. It offers, with innovative graphics, a renewal of the image of this product. Thanks to events, recipes with which to associate the wines, and innovation in the use of the product, the Sweet Bordeaux website attracts public attention in an unexpected context: it is able to deconstruct an image that is too often perceived as traditional.

8.15.3 Suggestions for Differentiation

The major problem for very sweet wines of the appellation Côtes de Bordeaux is to find a personal place and differentiate them from neighboring appellations that have already fixed their position: Loupiac, Sainte Croix du Mont, and, of course, Sauternes-Barsac.

The second problem comes from trying to differentiate another very close product: Champagne. Indeed, these two products are served at the same occasions: birthdays, Christmas, New Year's parties, and other special times, which results in a strong sense of seasonality for this product. Proximity to Champagne is also found in the dishes with which they are served. This creates real competition that is played locally but also on international markets. Ice wines from Canada are also considered to be in the same field of sweet wines.

The third issue of Premières Côtes de Bordeaux is its age. Although historically this appellation is the youngest of Bordeaux, the age of its consumers is often quite high: primarily seniors who have a taste for sweet wines in a very traditional context both in elitist circles as well as more modest social classes.

Consequently we can formulate three suggestions to differentiate Premieres Côtes de Bordeaux. First, assert its own identity by playing the card of proximity, mainly through an affordable price level below 10€. Second, develop a more youthful image than is currently shown on the Sweet Bordeaux website by proposing innovative uses of these wines. Third, focus on young adults in their 30s, who also might be attracted by the sweetness. More than others, this population appreciates a certain spicy flavor of Asian cuisine and tests have shown that sweet wines and spicy food go well together. Diversifying the uses of sweet wines is needed to find a new place in the market.

8.16 Ribera Del Guadiana, Spain

With the participation of Maxime Agostini and Maxence Moutet



8.16.1 Components of the Identity

Archaeologists have discovered the remains of Roman wine glasses and tools, dated to 550 BC, for the production of wine. A mosaic dating from the third century AD was found at Emerita Augusta, illustrating the old methods used for pressing grapes. The monasteries of the region have become medieval centers of wine production, establishing procedures and traditions that have continued to the present times.

But the nineteenth century brought many diseases. Late blight arrived in 1845 and 1878 and phylloxera in 1868. Apparently, little had been done to resurrect the wine industry until the Spanish Civil War ended in 1939. At that time, producers began to rework their vines and planted a variety of Spanish wines.

The region of Extremadura is one of the 17 administrative regions of Spain. It is located in the southwest of the country at the Portuguese border. It is separated from Andalusia in the south by the mountains of the Sierra Morena and the center of Sierra de Gata.

Extremadura is one of the major wine regions of Spain. Rather basic wines produced in the region traditionally have not attracted the attention of the outside world because local producers have failed to modernize in their techniques. The DO (Denominacion Origen—) Ribera del Guadiana was created in 1999 and established a new era in the history of Extremadura wines. This wine region is divided into six different sub-areas of production, each of which produces a different wine. When the appellation was established, its board was more concerned about the quality of the vineyards under the name than the uniformity of wines.

Climate, as a whole, is continental in the north with Mediterranean influences going south. The vines therefore receive enough sunlight during the period of maturation, and limestone and clay soils are particularly fertile because of the influence of the Guadiana River.

The six sub-regions include the following:

- *Tierra de Barros*: This sub-region extends from Merida to the southwest. The area has virtually no landforms; soils are very fertile and retain water for a long time. They are mainly composed of clay and limestone compounds. The climate is dry, characterized by high temperatures in summer. Rainfall varies between 34 and 44 cm/year. About 80 % of wines under the name come from vines planted in the area.
- *Matanegra*: This area is located in the middle of Badajoz, just below Tierra de Barros. It has very similar characteristics of the sub-region Tierra de Barros; however, the climate is slightly damp, which has the effect of delaying the harvest for a few days.
- *Ribera Alta*: Located along the Guadiana River south of Guadalupe Mountains, this sub-region is characterized by rather sandy soil. The vines enjoy a continental climate with influence from the fairly moderate Atlantic.
- *Ribera Baja*: This zone is located in the west to the Portuguese border. The Guadiana River provides clay to this soil. The climate is continental with influences from the Atlantic, which brings long summers, mild and short springs, and mild autumns and winters.
- *Canamero*: The region is located at the northern tip of Extremadura in the Sierra de Guadalupe to nearly 850 m above sea level. It enjoys a mild climate and receives about 75 in. of rain each year.
- *Montanchez*: Located in the center of the region, this sub-area has a very rugged terrain with many valleys and hills. The climate is dry and hot in summer and winters are quite mild. The soils are described as acidic.

With nearly 100,000 ha of vines, Ribera del Guadiana is the second largest wine region in Spain right behind Castilla la Mancha, but it far exceeds other more famous regions such as Rioja. The appellation of origin Ribera del Guadiana covers 34,000 ha, and the Tempranillo grape dominates (16,600 ha).

The wine industry has traditionally been an important sector in Ribera del Guadiana. To gain competitive advantage, creating a DO was initiated by a group

of wine producers and traders who wanted to convert their vineyards exclusively to producing wines from the red Tempranillo grape and focus on the wine bottle rather than bulk production.

The varieties of grapes that make up the region are atypical and reflect the character of the different sub-areas. The list of varieties approved by the regulatory agency is one of the longest and most diverse in Spain. There are no fewer than 29 types, including local varieties, Portuguese, and Andalusian wines.

Tempranillo is perhaps the most popular red wine in Spain, followed by a mixture of Spanish and international varieties. Other types of grapes allowed include, among others, Bobal, Cabernet Sauvignon, Monastrell, and Syrah. Local specialties for white grapes such as Cayetana and Pardiana are preferred, although Chardonnay and Sauvignon Blanc are also used but in smaller quantities.

The maximum production allowed per ha is 10,000 kg of grapes for red and 12,000 kg for white. During production, traditional methods are applied with modern technologies in order to improve the quality of the wines. Adequate pressure is applied to the extraction of the must and the separation of waste in order that the returns do not exceed 70 L of wine per 100 kg of crop. Only cork is used in wines subject to the aging process.

Aging in oak barrels is deeply rooted in Spain. Terms such as Crianza, Reserva, and Gran Reserva do not guarantee the quality but the aging time in barrel. In theory, Reserva and Gran Reserva are supposed to be better wines because they have been selected for longer aging. This does not mean that they are richer or more powerful wines.

Similar to other regions in Spain, Ribera del Guadiana separates its wines into four categories:

- *Vino Joven*: The term *joven* evokes a large quantity of wines for immediate consumption. Generally, these wines are aged for a short time in oak barrels (a few months), if at all. These young wines are identified with a blue mark on the Ribera del Guadiana bottles.
- *Crianza*: This indicates a cellar aging for at least 2 years, 6 months (12 in Navarra, Rioja, and Ribera del Duero) in oak barrels.
- *Reserva*: This indicates a cellar aging of at least 3 years, 18 months (24 in Navarra, Rioja, and Ribera del Duero) in oak barrels.
- *Gran Reserva*: This indicates a cellar aging of at least 5 years, 18 months (24 in Navarra, Rioja, and Ribera del Duero) in oak barrels.

From an organoleptic point of view, the wines of the appellation are very clear, bright, and have fresh fruit aromas that reflect the characteristics of the vines. The colors of the white wines vary from almost colorless to greenish shades (similar to Semillon or Sauvignon Blanc) to a deep yellow. In the red wines, color provides much more information than whites. The shades range from intense red-violet to red-brown. Unlike whites, reds gradually lose their color with age.

8.16.2 Apparent Positioning

For many years, the Spanish domestic market has been in a recession. Indeed, from 2009 to 2013, the total income generated by wine sales decreased from 7800 million euros in 2009 to 6830 million euros in 2013, representing a decrease in sales value of 3.3 %.

Sales volumes were also affected by the difficult economic situation facing Spain. Sales fell by 4 % between 2009 and 2013, from 1.03 billion L to approximately 875 million L. In comparison, the French wine market declined by only 0.6 % during the same period according to MarketLine survey 2013.

It is important to know the main trends of the Spanish wine consumer before analyzing the Ribera de Guadiana position. According to a recent survey (Pleinchamp.com, 2014), Spanish wine drinkers now consume wines in smaller quantities and spend less money on their wine purchases. The following describes the kinds of Spanish wine consumers:

- *Traditional consumers:* This group represents 8 % of consumers. Their purchases are influenced by price and brand of wine. These consumers are very sensitive to new ideas.
- *Urban consumers:* This group accounts for 8 % of consumers. They have a high level of knowledge of the wine world and are very curious and open to change and innovation. They are attracted to fresh wines, which they consume at different times of the day.
- *Trend consumers:* This group represents 25 % of consumers. For them, the purchase of wine denotes a particular occasion to the extent that they consider wine to be a prestigious concept. Price is not the first purchase criterion for them.
- *The routine consumers:* This group represents 22 % of consumers. For them, price is very important. They show a preference for rather sweet types of wine and are not very curious.
- *Occasional users:* This group represents 24 % of consumers. Although wine is not part of their daily lives, these consumers show a high degree of interest. They prefer sweet wines and white wines. They are open to innovation and change.
- *Social consumers:* This group represents 13 % of consumers. Wine is not part of their consumption patterns or their buying habits. They perceive wine as a means to attain social importance. They consume in a given context and show no interest in the world of wine.

Spanish consumers have a preference for red wine, which represents 52 % of total wine sales. Only 24 % of consumed wines are white, 17 % rosé, 4.5 % sparkling wines, and 2.5 % fortified wines. Spaniards love wines that have a woody taste, but they also like fruity, easy-to-drink wines. In 2013, about 80 % of Spaniards bought AOC wines. The Spanish consumers' selection criteria are the AOC and the price (Pleinchamp.com, 2014). However, recommendations and previous experiences are also factors that come into play in the selection process.

Some figures can represent the level of activity for 2012–2013: 25 bodegas (wineries) produced around 55,000 hL. Sales can be estimated at 6.8 million euros for the domestic market and 1.7 million euros for export. The Netherlands seems to be an important market for this appellation.

One powerful brand is part of this appellation. It belongs to the bodega called Habla, which also provides the name of the brand on the labels. Habla's marketing policy provides a positive model of how to construct a good marketing practice for Ribera de Guadiana. Habla is based on a simple idea: to become the benchmark of luxury wine in terms of viticulture and oenology. The bodega is trying to create a delicious and exuberant wine for cosmopolitan consumers and those who enjoy the pleasures of wine. Habla managers also emphasize that they exercise ecological methods of production without using chemicals, select the grapes by hand, and use new technologies.

Finally, R&D is an important element for Habla. They are pioneers, among others, in the study of the aromatic potential of the grapes to determine the date of harvest, the influence of irrigation on the aromatic potential of the grapes, and the selection of indigenous yeasts.

The bodega has three brands including Habla, Habla del Silencio, and Habla de la Tierra. Habla is an upscale red wine. This crianza is cellared for 12 months and aged in French oak barrels. This wine is produced in a limited edition because of soil and climate conditions that may not be reproduced year after year. It is therefore described as a unique work.

Each vintage refers to a number instead of the year and the grape varieties used, such as Habla No. 12, which is a 100 % Syrah, and Habla No. 11, which is a blend of Cabernet Sauvignon, Tempranillo, and Petit Verdot. To accentuate this limited edition, each wine production has a bottle with a modern and different design using Italian black glass.

The following represents the six positions for the entire appellation:

- *Simple*: Ribera del Guadiana promises to offer modern quality wines that are easy to drink. The message is simple and effective.
- *Attractive*: It promises to offer a good quality-for-price ratio. Noticeable characteristics could be conviviality and sharing, even if these points are not really advertised. Ribera del Guadiana does not sufficiently forward its culture and terroir.
- *Different*: No important differences appear when we compare this appellation with other Spanish regions, even though it has its own characteristics.
- *Profitable*: Wine tourism is an important financial source for the appellation. It also helps to provide an experience of conviviality and sharing. The region has a real potential to exploit this.
- *Credible*: This criterion has to be fortified with prospective consumers and retailers.
- *Perennial*: The name has already begun a repositioning in 2007. It must continue in this direction.

8.16.3 Suggestions for Differentiation

According to the economic climate in Spain and the specific position of Ribera de Guadiana, some strategic paths can be suggested:

- First, gain a competitive advantage through the origin. This implies that producers must demonstrate the specificities of their product range, presenting the relationship between their “position of outsider” and their characteristics. The aim is to persuade customers to pay a premium price for a wine from Extremadura.
- Second, export must become a real priority because the local market is not expanding.

The Tempranillo varietal could be developed to become the symbol of the appellation and the focus should be on Tierra de Barros, which produces the best wines. Indeed, more than traditional appellations such as Ribera del Duero and La Rioja, Ribera de Guadiana should play the role of the outsider because of its young history and present market shares in the domestic market. A specific varietal could help to differentiate the region. These associations exist for instance in other countries like Malbec-Argentina and Pinot Noir-California.

The markets can be split into three main segments. First there is a primary local market in Extremadura. Then there is a domestic market. For example, the Madrid community comprises wine consumers who enjoy discovering new labels from the Seville region. Although Seville is close to Extremadura, its consumers are very attached to La Rioja wine. The council supports the desire to try to influence various consumers in the national market to remember the Extremadura name.

Foreign markets are also a priority. New markets such as Russia and Mexico could become strategic. Cultivating Russia would take a while because right now the demand is low. Nevertheless, because of the restructuring of imports and Russian demand for quality, aiming toward their market is attractive. However, even if Mexico does not represent large volumes of sales, this is a market that is economically important because Spanish wines are recognized there.

Ribera del Guadiana must adopt a hybrid strategy of a mix between differentiation and concentration. Indeed, Ribera del Guadiana wants to target modern consumers with high average incomes who love to discover new wines, share them with family and friends, and enjoy a “Latin” lifestyle. This mix of urban and casual consumers represents 32 % of Spanish wine consumers.

Although other decisions come into play, consumers who have a high income often attach great importance to the region of origin and grape varieties. Moreover, as soon as their income rise, these consumers have more respect for the organic factor. The design of the bottle and the label are also important in their decision making. However, this type of consumer has little interest in the alcohol level.

Therefore, to achieve differentiation, it would be interesting to focus on the fact that the wines of Ribera del Guadiana have a specific terroir and origin. This region

is in a process of concentration: a few years ago 55 bodegas were part of the game. Today only 25 seem to be real actors.

More than a weakness, this could become an opportunity to really make a statement at the national and international levels: branding, being organic, communicating about the rich patrimony of cities such as Cáceres and Badajoz and villages such as Trujillo could encourage Europeans to enter the deep Spanish landscape of the conquistadores. This remains a strength, because these wines are located in the core of one of the most toured countries in Europe and could represent a concrete positioning for the appellation.

8.17 San Juan, Argentina

With the participation of Magalie Goncalves and Grégory Lasserre



8.17.1 Components of the Identity

In the region of Cuyo between La Rioja and Mendoza, the appellation San Juan is located at high altitude—between 650 and 1400 m—on the eastern slope of the Andes Cordillera. The growth area is about 45,000 ha. It is second largest in Argentina just after Mendoza and accounts for 22 % of the Argentinean area dedicated to viticulture. A special feature is the low rain rate on this slope. However, vine irrigation is possible here through rivers descended from the mountain and turned into canals. Soils are alluvial sandy sediments with gravel and clay-limestone subsoil.

The vines are mostly structured in pergola. There is a large diversity of grape varieties beyond the iconic Malbec: Syrah, Cabernet Sauvignon, Merlot, Chardonnay, Viognier, White Sauvignon, and Torrentes. The local production, about 3.3 million hL, is half-concentrated in three valleys.

8.17.2 Apparent Positioning

Argentina has been in a recession since 2014, which has resulted in a lower average purchasing power. The outlook for the domestic market thus seems limited for now. Local producers, however, benefited from foreign investments, especially from France. This was notable in 2011 when there was important progress in exports.

Even though it is declining, domestic consumption still accounts for two-thirds of production. With around 30 L per capita, Argentina is in the top 10 most wine-consuming countries. Wine is part of the national culture and supports a sense of national patrimony. As one of the countries with the best performances, Argentina has quadrupled its export since 2001, thanks to a reduction in taxes of about 5 %, but also to the dynamism of wine firms focused on North America, particularly the United States and Canada.

It seems that there is no real institutional communication policy for the San Juan appellation. The promotion is mostly made by brands, which are sometimes quite powerful. Nor are there any significant elements regarding sales force management and marketing teams dedicated to the promotion of the appellation. However, we have noted the participation of the San Juan appellation at a few international events.

If we break down the positioning of the label in its main components, the following can be highlighted: the promise of San Juan is that of an alternative product to the leading region in Argentina: Mendoza. However, the benefit for the client to move toward this designation remains to be defined. Does it offer a different quality of production? Competitive price? Closer to the end consumer? The answer to these questions is not actually known.

San Juan has real strengths: its natural heritage is undeniably attractive. Tourists sometimes come from far away to explore the desert and mountains, which provide a solid base to recruit new consumers.

The credibility of the local positioning has been brought by international investors who did not hesitate to build on the lands of San Juan. They did it probably because of exceptional climatic data, land availability, and an already trained workforce.

How to explain a real San Juan differentiation to the public, including foreigners, remains a challenge. Indeed, if a significant part of the local production is exported, this difference must be explained to retailers and consumers in the northern hemisphere. Are European or American consumers able to understand the uniqueness of the San Juan wine appellation? Most of them just speak of “Wines of Argentina.”

The profitability of the present positioning must also be proven. Indeed, we can surmise that there is a lack of economy of scale. Wineries have a modest size. Even if the cost of production (land, workforce, limited amount of pesticides) is not high, the San Juan appellation highlights a cheap selling price. This can be a marketing strength but margins of local firms are probably limited. Not much financial data are really available to verify this, however.

The sustainability of the appellation is probably one of its major strengths. Indeed, the climatic conditions are exceptional. Similar to other terroirs benefiting from low humidity, the vines of the San Juan area may be geared more easily than others to sustainable or organic viticulture. This is a definite plus and its positive impact in the global market during the coming years should increase.

Finally, is this *green* positioning defensible? Indeed, other South American appellations also have the same virtues. Beyond the specific climatic and geographical characteristics, the San Juan appellation could defend its territory by attracting and retaining powerful investors.

8.17.3 Suggestions for Differentiation

Three themes best express the power of differentiation for San Juan. The first is based on the exceptional weather conditions, which provide very low humidity. This should push the local winemakers to develop organic viticulture. So far it does not seem to live up to what nature provides. Now there is a real expectation of markets for this type of production.

A shift toward sustainable viticulture should be a priority for at least three reasons: ease of implementation, invaluable gains in productivity and quality, and an undeniable differentiator factor. More than others, such appellations with limited surface and a concentration of the number of players could become the majority in this kind of culture. Therefore this theme could be unifying for the entire region and represent a sort of green flagship for San Juan.

The second theme is based on style, which should focus on authenticity, attracting consumers or wine retailers through its simplicity. Wine owners and entrepreneurs are familiar with their staff. Team spirit and solidarity are more easily shared in this type of configuration when the number of actors is limited. This theme is less usable by leading appellations, such as the Mendoza region: its offer is fragmented into too many players.

Sometimes this style can be embodied by a man or a woman, a local entrepreneur, who more than others can invest in the promotion of his or her terroir. This is both a political role inside the appellation and also with downstream markets. For this to be successful, a capitalistic concentration is often necessary. If it does not exist internally, this windfall will need to come from the outside as a joint venture with investors looking for a different wine.

The third dimension concerns wine tourism. Indeed, far more than most appellations in the world, San Juan has an exceptional touristic heritage. The proximity to the Cordillera de las Andes and also high lands provide the type of tourism sought after today, especially by European and US youth.

There is a consistency between sustainable viticulture and type of trekking practiced here. It is known that some regions have seen their brand image grow through the stories that travelers told when they return. San Juan wines could suggest to buyers and consumers to participate in the protection of the environment, similar to what the Australian wineries used to do.

8.18 Sonoma Valley, California

With the participation of Perrine Aupetit and Mélissa Avril



8.18.1 Components of the Identity

The Sonoma Valley is an “American Viticultural Area” (AVA) in the southern part of Sonoma County, 45 miles north of San Francisco. It consists of an area of 26,000 ha and its climate and topography are among the most diverse. Adjacent to the Napa Valley, this region boasts being the birthplace of the US wine industry. It is often considered the biggest wine tourism destination in the country.

The Sonoma Valley AVA therefore enjoys a climate (both economic and weather) that strongly supports its wine production. With 14,000 ha of vineyards, the appellation indeed accumulates a wide range of grape varieties, strongly contrasting soils, and a long tradition of winemaking.

The main grape varieties are Cabernet Sauvignon, Black Pinot, Chardonnay, Sauvignon Blanc, and Zinfandel. However, there are many other varieties that guarantee a complexity and finesse of the wines.

The first winery was founded in 1823. Sonoma Valley had grown to reach about 250 wineries and 8100 ha of plantation in 1920, but Prohibition in the 1930s put a stop to this development, causing the closure of many wineries. Then in the 1970s and 1980s the wine industry started growing rapidly again until the creation in 1981 of the AVA by federal decree.

8.18.2 Apparent Positioning

Since the 1980s the United States has developed its vineyards into wine tourism destinations to satisfy the curiosity of tourists and consumers. This has been a communication tool to promote the products, enrich the customer, and of course improve its fame. Through its soil and history, Sonoma Valley has a strong tourist attraction and relies heavily on it.

The AVA highlights an image of authenticity, staying close to its consumers. It also showcases its wines thanks to its terroir and uses experiential marketing technics.

Being located in California, an important part of Sonoma Valley Wine promotion is used in Internet communications, digital marketing, and group dynamism facilitated by Facebook connections. Internet information highlights the soil, roots, tradition, and family values. The wine growers are often presented as heirs of a long line of winemakers, some present since the late nineteenth century. The history is promoted as one more reason to come and visit the region and the many wineries, gourmet restaurants, and luxurious accommodations. Vineyards are often linked with local food experiences. More than one million persons visit this region each year, showing how wine tourism seems to be a key factor for the development and awareness of local wines.

The profile of these visitors shows that 54 % come from California, 28 % come from elsewhere in the United States, and 18 % come from other countries. More than 20 % of Sonoma Valley's visitors are on a side trip from a visit to San Francisco. Approximately 40 % are day visitors. The average stay for overnight visitors is 2.2 days. The average age of visitors is 44 years old. More than half are between the ages 25 and 44. Only about 20 % are traveling with children. The mean household income of visitors is US\$96,200, and more than 60 % of visitors have an annual household income of US\$80,000 or more.

8.18.3 Suggestions for Differentiation

The vicinity of the Sonoma Valley to Napa raises the question of differentiation. Note that this same question also arises for the winemakers of Napa, in the other direction. Sonoma Valley boasts a form of seniority that it expresses in its motto: "In Sonoma Valley the roots run deep."

Similar to other major wine-growing regions worldwide Sonoma Valley has to consider whether it would be simpler and more efficient to identify its wines by the area location rather than applying sub-area locations, such as Russian River, Dry Creek Valley, Carneros, and Green Valley (all of which belong to the Sonoma Valley AVA). Thomas Atkin and Sandra Newton⁵ from the School of Business and Economics of Sonoma State University conclude that "there is a heightened awareness of the region over its own appellations. Sonoma County carries a positive image that exerts a halo effect on its products. It would be advantageous if wineries were to take this into account during the design phase when they create their labels. . . . Using and promoting grapes with the Sonoma County designation instead of the smaller appellation may lead to commanding a higher price on the final product."

The dominant competitive issue today is not whether a winery can make good wine but rather if a winery is able to market and sell its wine effectively. There are

⁵ Atkin and Newton (2012).

almost 5000 wineries⁶ producing about 7000 wine brands in the United States. Those brands have to squeeze through a distribution pipeline with half as many distributors as 10 years ago. The top 10 wineries represent 82 % of domestic wine shipments.

Producers in the Sonoma Valley seem to have no interest in communicating about their own local sub-regions, relying more on the greater regional identification. This could limit their ability to differentiate. For example, will Russian River wineries share their umbrella with those from Green River? For the novice consumer it should be better. For the connoisseur, it's not sure. Indeed, the first group needs simple messages while the second is expecting any information that could help for differentiation. But another opportunity exists for Sonoma: developing a business model based on organic vineyards and becoming one of the regions where best practices for sustainability can be found. Some wineries like Benziger Family have understood this, a long time ago: in front of the global warming trend in California, this orientation becomes more and more a key factor.

8.19 Valais, Switzerland

With the participation of Raphaël Lautrette and Simon Guillemaille



8.19.1 Components of the Identity

The canton of Valais (German “Canton Wallis”) is located in the southern part of Switzerland. The township, populated by 330,000 inhabitants, is bordered on the north by Lake Geneva, Vaud, and the canton of Bern, and to the east by the cantons of Uri and Ticino. In the south, it shares borders with Italy (Aosta Valley and Piedmont) and to the west with France (Haute-Savoie).

⁶ Mcmillan (2008).

The Valais climate is continental with a strong influence from the Alps, resulting in strong sunshine (over 2000 h) and a total rainfall of about 700 mL, making it the driest region in Switzerland. Summers are hot and dry; winters are quite cold. The arrival of the autumn Foehn, a warm wind, gives a microclimate that benefits the maturation of late varieties.

Lower Valais is characterized by poor soils of limestone in which the granites and gneisses dominate. Then, up the Rhone valley from Saillon, limestone becomes predominant. The vineyards around Zion consist of shale zones with white mica, which, on the surface, reflect sunlight. Taking the lead in the Upper Valais from Sion, there is stony soil and limestone. More generally, the plain of the vineyards soils are richer in sandstone and marl than those hills (because of the Rhône sediments).

The Valais canton, with 5259 ha of vineyards, is the largest in Switzerland. Most of the vines are planted on the right bank of the Rhone Valley in an area of 120 km in length, which extends from Martigny to Leuk. And with the exception of the vineyard of Visperterminen located at 1150 m, the growing area is located at an altitude of 450–800 m. Because of the steep terrain, many plots are found on more than 42 % inclined slopes, which naturally complicates the work of the vine, but enables excellent drainage and more sunshine.

Valais vineyards, despite their small area of planting, have rare ampelographic diversity. In fact, 59 different grape varieties are grown (26 red and 33 white), even if only four varieties (Chasselas, Pinot Noir, Gamay, and Sylvaner) occupy more than 85 % of the vineyard area. Various indigenous specialties (Cornalin, Humagne Red Amigne, Petite Arvine, and Humagne White) and international ones (white Marsanne, Chardonnay) have made a comeback in the region, and their production areas are constantly increasing. The production is close to 155,000 hL of white and 225,000 hL of red.

The Valais vineyard is particularly fragmented and diverse. More than 20,000 independent growers sell their harvest themselves. Some are supply cooperatives, but a growing number of winemakers are choosing an autonomous business model, illustrating the Swiss wine market growth and commercial development focused on export.

The Valais appellation includes 125 sub-appellations, some rather well known, such as Fully, Conthey, Vetroz, St. Leonard, and Salgesch. However, this distinction is only regional, which limits the scope of such a classification. Inside the Helvetic Confederation, the Valais region is a kind of pioneer for the development of international awareness of Swiss wines.

8.19.2 Apparent Positioning

Valais wines are consumed almost exclusively within the country. Export is estimated at less than 5 % of the national production. The following data from the Swiss market identifies consumption by the Francophone areas (Valais) and the German areas.

With a stabilized consumption in 2013 of 271 million L and despite a small population, Switzerland is an important market: 1.3 % of world consumption and a ratio of 33.25 L per capita per year. Switzerland represents the highest penetration of wine in Europe (83 %): 86 % in French-speaking Switzerland and 82 % in German-speaking Switzerland.

The Valais wines are part of everyday people's lifestyle, as well as beer and spirits. It is usually consumed when people gather together and entertain. We can say that in this country wine is one of the fundamental components of the local culture.

In Switzerland Valais wines are becoming a substitute for spirits. They offer a diversity of types that can be matched with each stage of the meal. As a result, the French part of Switzerland has a higher level of wine consumption.

Older males with high income typify the main Valais wine consumer, indeed, three out of five regular consumers. However, 53 % of occasional users (drinking a glass of wine once a week) are women. Of Swiss-German regular consumers, 48 % are over 55 years, 41 % of French-Swiss consumers.

In terms of income, 66 % of regular consumers have an annual income higher than 66,500 €. This is the case for only 46 % of occasional consumers.

According to Wine Intelligence market surveys, some trends can be identified: the average price for consumption at home is between 12 and 15 CHF (10–12.5 €) for formal occasions and between 10 and 12 CHF (8.5–10 €) for informal occasions. In restaurants, the range is between 27 and 31 CHF (22.5–26 €) for formal occasions and between 20 and 26 CHF (16.5–21.5 €) for informal occasions.

A deflationary price trend presently is affecting Valais wines because of the increase of aggressive offers in hypermarkets and supermarkets that run numerous promotions. It seems that more and more Swiss consumers are becoming aware that cheap wines does not mean poor quality. According to this trend the Valais wines generally meet this market expectation with a wide price range between 10 and 30 CHF (8.5–25 €).

One key dimension seems to structure the brand image of the Valais wines in Swiss consumers' minds: friendliness. They look for relaxing properties and beneficial effects on health. Authenticity based on tangible and subjective elements is a rising expectation, too. There is a growth in Eurocentrism (the European provenance of the wine), mainly for economic (supporting producers) and ecological (less transportation) reasons.

The packaging of Valais wines is generally not like the classical types used in France (representation of the property, Gothic script, etc.); they feature more graphic labels (just like what is done in Italy, Spain, and by some producers from the New World). Wines from Valais that meet the PGI (Geographical Identification) specifications can insert this information on the label. Some local competitions, such as Valais Excellence, try to express the most efficient and qualitative productions.

Advertising, communication, and promotion of the vineyard are based primarily on two aspects: first, the diversity of grape varieties despite a reduced area of the vineyard and second, tourism. Each of these two lines has an important power of differentiation. The first provides the impression of authenticity and local traditions.

The second is based on the uniqueness provided by the Alpine geography: landscapes, coastal cultures, sunshine, altitude, and temperature range.

These elements are also conveyed through the area communication and are similar to other aspects of the Swiss image as seen from abroad: precision, professionalization, and tradition.

8.19.3 Suggestions for Differentiation

The Valais appellation is clearly adapted to the domestic market, which remains its first target. The pricing policy is consistent with market expectations. A continuous orientation toward higher quality with more and more organic productions also should be highlighted. Even if production is fragmented, the concept of “made in Valais” makes a real impression.

However, weak points appear: without having precise financial data we can guess that the reduced size of the vineyard and its fragmentation does not allow huge profitability from the real estate. This prevents the emergence of a powerful and collective brand image of Valais. This is not a real problem inside Swiss borders, but it does represent a handicap for export activity. The power of negotiation with powerful distributors likely is limited.

Some external threats must be considered when focusing on the Valais case: this appellation is located in a country that is not part of the European Union. Some think that this is a handicap for at least two reasons: high taxes and a lack of European funding.

On the production side, some observers estimate that the Swiss positioning for white wines is close to the German framework. The forces of Swiss viticulture undoubtedly remain a domestic market with a high purchasing power that acknowledges the wine as a cultural but also daily product.

All these factors lead us to believe that the Valais area should aim for a niche strategy. The production is limited by its territory and geography, so the target must also be limited and well defined. Productions are rather upscale and should be oriented especially toward sustainable development.

However a niche strategy requires a very strong homogeneity of supply, both in terms of production and marketing policy. This raises the question of whether a brand appellation or a regional brand of “Valais Wines” would be beneficial. This approach could be combined with other products that also express the Valais terroir. This orientation would address the potential development of an export market rather than being an internal market objective.

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9.1 Cloudy Bay, New Zealand

With the participation of Nina Frey, Chelsea Ho, Alice Duvillier, and Emma Harrison.

9.1.1 Brand Identification

Cloudy Bay was established in 1985 by David Hohnen as a sister winery to Cape Mentelle Vineyards (located in Australia). As one of the first vineyards located in the Marlborough region of New Zealand, Cloudy Bay became world-renowned for its Sauvignon Blanc. The winery and vineyards are situated in the Wairau Valley at the northern end of New Zealand's South Island. Within the Marlborough region itself are 22,277 wine-producing hectares. Cloudy Bay's has four main vineyards: Cloudy Bay Estate Vineyard, Rapaura; Widow's Block Vineyard, Renwick; Mustang Vineyard, Brancott Valley; and Barracks Block, Omaka Valley.

The specific characteristics of this region are its maritime climate and long hours of sunshine, longer than those experienced anywhere else in New Zealand. The maritime influence ensures relatively cool conditions during the growing season, with temperatures rarely exceeding 30 °C. This cool temperature contributes to the defining aroma and flavor of the grapes. The terroir of Cloudy Bay's vineyards is composed of deep, sedimentary soil, containing mainly washed stone, gravel, alluvial silt, and clay. Sauvignon Blanc is grown mainly in the Cloudy Bay Estate and Widow's Block vineyards, which contain free-draining stony soils.

Cloudy Bay produces the following wines: Sauvignon Blanc, Chardonnay, Pinot Noir, Te Koko Sauvignon Blanc, Te Wahi Pinot Noir, and Pelorus. Small amounts of Pinot Gris are also produced. Riesling and late harvest Riesling are sold mostly to the international market. The harvesting process for Cloudy Bay is done via machines. Usually the harvest happens during the day because of the low

temperatures during the harvest period (usually 14 °C). Cloudy Bay uses barrels that are purchased ready-made from France.

The company has developed a turnover of about NZD 50 million (US\$35 million) and exports 80 % of its products to Australia, Brazil, China, Canada, Denmark, France, Germany, Hong Kong, India, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Poland, Singapore, Sweden, South Africa, Taiwan, Thailand, the United Kingdom, the United States, and the Pacific Islands.

9.1.2 Apparent Marketing Policy

Cloudy Bay's strategy emphasizes a welcoming and attentive hospitality. It highlights that it is possible to combine business with passionate creativity. To ensure that their customers have a unique experience drinking their wine, Cloudy Bay focuses on viticulture and what the grapes can achieve. The wine is priced higher than some of its competitors; however, because it belongs to the LVMH (Louis Vuitton Moët Hennessey) empire, it can be seen as more of a luxury product. This is illustrated by the events that are run at the vineyard itself and internationally, emphasizing tourism strategies that identify Cloudy Bay as a luxurious and different product.

Cloudy Bay vineyards comprise various types of wines: Te Koko, Te Wahi, Pelorus Brut, Pelorus Rosé, and Pelorus. Te Koko can be thought of as the icon of the brand. Te Wahi, meaning "the place" in Maori, was chosen because Cloudy Bay believes that Pinot Noir expressively represents its place of origin. The name Pelorus refers the famous dolphin of Cook Strait. According to the legend, Pelorus Jack, which was the first dolphin to receive world protection, used to guide ships through the waters around New Zealand. By choosing this name for its product, Cloudy Bay wanted to reveal the pure and lively spirit of its products. In addition to the main varieties, small quantities of the late harvest Riesling, the Pinot Gris, the Riesling, and the Gewürztraminer are available on international markets.

The main wines of the brand are priced at a premium level NZD 25 (approx. US\$16). Therefore, these wines are made to appeal to connoisseurs, wine lovers who are ready to pay a higher price to discover the impressiveness of these wines.

The bottle design is extremely sober and bare. Is this a specific characteristics of this wine? On the right side of the bottle the motto "Cloudy Bay—The defining taste of New Zealand" specifies the quality of this country's wine. Other phrases on the bottle support the same message: "ultimate expression of the region" and "uncompromising approach to quality."

The idea of coming home can also be observed. The new label shows a watercolor of the nearby Richmond Ranges. In order to represent the artisan nature of the wine, premium inks on textured stock have been used to showcase the watercolor. And the label shape is more elegant.

9.1.3 Suggestions for Differentiation

As part of the LVMH French luxury group Cloudy Bay has adopted a strong premium positioning. This is a major strength for the company. The brand identity appears clear with its heritage of “the defining taste of New Zealand.” The marketing policy supports a story that highlights the wines’ geographic roots and local terroir.

Numerous worldwide events are imagined. Recently the brand won a silver medal at the Chelsea Flower Show in the United Kingdom. The idea was to create a garden that visualizes the “sensations of your experience when you drink a wine.”

The brand is positioned in the mid-range of the market at the moment. For some, the price could be a little too high if this is the real position of the brand. A benchmark with similar competitors would be needed to confirm the legitimacy of such a pricing policy, even if being part of the LVMH universe provides a luxurious touch to the product.

There’s very little information about the company’s distribution channels. The wine is available for online purchase in high-end domestic wine retailers, but in the United Kingdom it is available on the shelves of low-end supermarkets. Such diversity of channels could be confusing. Ideally, the brand should maintain a premium image. The diversity in distribution makes this premium brand less readable. Are we facing a niche strategy like we use to see in the luxury industry, or a more daily brand?

For this segment, the loyalty of the consumer is more important than in the mass market. Cloudy Bay should focus more on niche strategy. Indeed, making part of the LVMH portfolio of brands, is one of the most effective factor of success here. This kind of partnership, between a pure player of the wine industry and another one from the luxury world has developed for instance in South America between Chilean brands and famous Bordeaux merchants. But the logic should have a clearer message and a coherent marketing mix, especially in the choice of distribution channels and advertising campaigns.

Cloudy Bay has achieved tremendous global success in its 30 years. The brand has developed a strong position in the market and a loyal following. Its image seems particularly strong because of the use of events and public relations initiatives. However, since the economic crisis and the loss of one of its winemakers, the company has to rethink its future: what will the next step of the product life cycle be? It’s the perfect moment to think about the repositioning of its products. Relaunching Cloudy Bay could be a successful focus of marketing managers. Without erasing its roots, managers could maybe take time to think about this fundamental question: who is the real consumer of the brand and do we really speak to him or her with our current messages?

9.2 Casillero del Diablo, Chile

With the participation of Soyoung Lee, Everton Medeiros, and Julie Pean.

9.2.1 Brand Identification

Concha y Toro was founded in 1883 by Chilean politician and businessman Don Melchor de Concha y Toro, who brought grape vines from Bordeaux to plant in the Rio Maipo Valley. He also hired the French enologist to craft his wines. In those days, the wine industry was just starting in South America. The story tells that in 1891, Don Melchor de Concha y Toro reserved for himself an exclusive batch of the best wines his company produced. He spread a rumor that the devil lived in his cellar to keep prying eyes and pilfering hands from his private reserve—hence, the name Casillero del Diablo (Devil’s Cellar).

Today Concha y Toro is a leader of the Latin American viticulture and one of the ten main wine companies of the world for this industry. Casillero del Diablo is a wine brand recognized around the world, with a presence in more than 135 countries. For some this firm expresses “La Leyenda del Vino” and is characterized by its wide range of premium and super premium wine creations. The Concha y Toro vineyards are located about one hour south of Santiago, Chile. According to the financial report (2014) the consolidated revenue is (USD) 1073 million, 33 million cases have been sold and the EBITDA is at (USD) 84 million.

Casillero del Diablo, a brand of this company, comprises a portfolio that includes mono-varietal products such as Casillero del Diablo with Carmenere from Rapel Valley, Chardonnay from Casablanca and Limari Valleys, Merlot from Central Valley (vintage 2013), and Cabernet Sauvignon from Central Valley, which is the most famous variety of Casillero del Diablo. Other varietals in the portfolio include Shiraz Rosé, Pinot Noir, Pinot Grigio, Malbec, Viognier, and Sauvignon Blanc.

9.2.2 Apparent Marketing Policy

An important part of the marketing policy of the brand is based on partnerships with soccer teams such as Manchester United for instance in UK. A strong narrative and storytelling has developed through this relationship. According to Casillero del Diablo’s marketing manager Jason Duggan, the target is a specific group of wine-savvy consumers, or lifestyle conscious consumers, who are rather new drinkers of Cabernet Sauvignon (for this specific product) and non-European or South American wine. The price depends on the country and the vintage but is generally between 5.50 and 9.50 € a bottle.

Today the advertising campaign seeks to increase the importance of the old aspects of this “ancestral wine” in the minds of European and North American consumers and deemphasize the New World origins of the wine. Paradoxically, the brand targets an active, young, and male audience, which is likely the reason why Concha y Toro has chosen Manchester United’s soccer team—the “Red Devils”—to be the campaign’s face. Using expressions such as “legends of soccer” and “a new devil in the team,” the brand maintains an image that mixes an old legend with the modern world.

The website is clean and highlights the wine legend campaign but also illustrates the main information of the wine through its “winemakers,” “news,” and “around the world” sections. The website has also links with social media.

Casillero del Diablo’s competitive pricing and wide distribution results in visibility throughout the world. The company has invested heavily in the brand and quotes figures that suggest this is paying off, with sale volumes of 3.8 million cases and 12.2 % volume growth rate in 2012. The brand has sales partners all over the world and the wine is sold in many different supermarkets and hypermarkets.

In terms of e-business, the brand lacks online information on how to buy its wines. It is not that easy to find a link or even a partner. Although you can buy the wine from different sites on the Internet and all the information about the wine brand and its products are available on the official website, the price or any information on directly buying the wine online is missing.

9.2.3 Suggestions for Differentiation

Initially the brand embodied the growth and development of Chilean wines. More than other Argentine productions, this brand developed a globalized presence quickly. The wine was first thought of as an outsider but was able to gain market share with consumers willing to take risks and to think outside the traditional codes of major European productions. Innovation in the image and competitive prices were its first key success factors.

Casillero Diablo then determined that it wanted a stronger presence in the Anglo Saxon markets, particularly in the United Kingdom. The strong integration among production, logistics, and distribution enabled economies of scale and the Concha y Toro brand was able to reach a top 10 status, which was reinvested in marketing. Allocating heavy investments and partnerships with the world of stars, including sports, the company has become a major player. Part of this success is through a very strong sales force in the field that can address and negotiate with distributors such as Tesco or Sainsbury in the United Kingdom.

As the strategic orientation of Concha Y Toro seems to be a real global brand, the question on managing an international supply chain and a real standardization of the offer, is central. Indeed, to be global a brand has to standardize the taste and consistency of its attributes so consumers who want to find it in London, New York, or Hong Kong are not surprised by any differences. If Concha Y Toro really wants to attain global leadership, it needs to adopt and work with the codes and tools of global brands, as seen in other business areas such as new technologies, clothing, and cars.

For some, the aim of such wine brands is to attract people who are “nomads of consumption,” accustomed to trendy restaurants in international and conventional contexts. That is why proximity is not the first attribute communicated by these actors. Indeed, the link between a producer from Maipo, Chile, and Manchester United in the United Kingdom shows that it aims to be a more global brand. Success with this kind of brand could be gained by streamlining international and

standardized messages. Aiming to be a global leader in the wine industry, the differentiation of this brand has to come from its ability to standardize its offer all around the Planet. With a revenue close to US\$1 billion, we can estimate that the Chilean company will have resources to invest huge communication budgets and create a real gap with regional brands. That is why, this orientation is not only a possible choice. It is a necessity, even if we know that standardization is not the criterion number sought by passionate consumers.

9.3 Collection Privée: Cordier Mestrezat, France

With the participation of Adriele de Medeiros, Charlotte Fontana, and Sungho Cheon.

9.3.1 Brand Identification

Cordier owes its origin to a man named Desirée Cordier. According to David Bolzan, the present CEO of this merchant, Désiré Cordier was “visionary. When its competitors were betting on volumes, he had acquired a nice medley of châteaux that served as his vanguard: Lafaurie-Peyraguey, Meyney, Talbot, Gruaud-Larose and many others”.¹ The maison Cordier-Mestrezat has two main missions in the traditional Bordeaux system: first, creating brands with wines coming from a selection of Bordeaux châteaux. Second selling wines including Grands Crus to various actors in France and abroad. The idea of Désiré Cordier is still present in the offer: it is the image of collections with an Elite Club bringing together 12 highly selected wines, sometimes from classified growths.

Before focusing on the Cordier Collection Privée, it is important to understand the basics of this firm’s specific business model. Working for more than a century in the atmosphere of Bordeaux fine wines, this company owns a series of châteaux and develops its own brands by blending productions coming from various plots. Cordier-Mestrezat owns hundreds of hectares of vineyards in the Bordeaux region in addition to its several châteaux. Moreover, all estates are united by a common aim: the desire to produce high-quality wine, thanks to a rigorous selection of vineyards and carefully checking all aspects of the grape varieties and the soils in which they are grown.

Part of the equity of the group belongs to TAG, an aircraft company; SODICA, a subsidiary of Credit Agricole Bank; and Val d’Orbieu, a leader in the French wine industry and owners of 16,000 ha in the south of France. Of the châteaux’s wine activity 70 % is dedicated to Grand Crus, 15 % to Cordier brands, and 15 % to trading other wines.

¹ From: Le Point February 2th—2012

Some key figures clearly illustrate the business model of Cordier Mestrezat. Fifty people work permanently in this company. It turns over almost 50 million euros and has 42 million euros of equity. The inventory represents half of the total assets, 80 million euros. Last, 65 % of sales are in export.

Three main departments structure the firm. The first is sales and export. Indeed Cordier Mestrezat products are present in more than 135 countries around the world thanks to a network mixing an integrated sales forces and commercial agents. The second department is dedicated to Grands Cru activity: similar to many other merchants in the Bordeaux region, Cordier has close relationships with prestigious châteaux and a specialized sales force. The third department comprises marketing, operations, and digital communication. Cordier designs and produces its own brands.

Indeed, Cordier-Mestrezat has developed a portfolio of brands whose basic emphasis is being rooted in Bordeaux. This portfolio consists of eight main brands: Club Elite Cordier, Belle Epoque, Désirée Cordier, Cordier Prestige, Cordier Labottière Réserve, Collection Privée, Cordier Labottière, and Club Cordier.

9.3.2 Apparent Marketing Policy

The Cordier Collection Privée brand is offered in red, white, and rosé. The red has a beautiful ruby color with a fruity bouquet that reveals cherry and blackberry notes. Merlot dominates the vine, giving it fullness and charm, and Cabernet Sauvignon provides the tannin and is needed to ensure a harmoniously balanced wine. The rosé is a beautiful salmon-pink color with shades of fuchsia. Its intense nose offers soft fruit notes with hints of cherry, pink grapefruit, and blackberry. The white is a blend of Sauvignon and Semillon. It has a glowing, pale yellow hue. Semillon provides a nose with pear and aromas of white flowers. Sauvignon offers notes of citrus fruits and peaches.

Part of the apparent storytelling of the Cordier Collection Privée is expressed on its website: “The Cordier Collection Privée attests to the spiritual heritage and passion for fine wines of its legendary founder, Désirée Cordier, owner of prestigious châteaux since 1886. The spirit of the great Cordier house is reflected in the magnificent eighteenth century building, the former stables of Napoleon III.”

It is important to note some information about the winemaker who manages the selections of wines and their blendings and who gives each brand of the Cordier-Mestrezat portfolio a specific place. Olivier Leblans, an oenologist who obtained his DNO (Diplôme National d’Oenologie) from the Bordeaux University, was responsible for wine techniques for 8 years at Laurent Miquel, a producer-trader in St Chinian, and left Languedoc for Bordeaux. He is presently the technical director of Maison Cordier, replacing Paz Espejo, who took charge of the Castle Lanessan, Cru Bourgeois Supérieur of the Haut-Médoc, owned by the family Bouteiller. It is important to note this information about winemakers: in Bordeaux—this little world where everybody knows everybody—mentioning the

names of men or women who really make the wine is an important component of the product positioning.

The company's development model is therefore based on a being luxury product and having a selective distribution strategy. The orientation of Cordier Collection Privée is "very Bordeaux": the products are made of Bordeaux wines with Merlot, Cabernet Sauvignon, and Cabernet Franc grapes; they are aged in oak barrels; and they are stored in classical Bordeaux bottles and labels.

Most of the time the price of a bottle of Cordier Collection Privée is between 9 and 22 €, depending on the country and channel of distribution.

9.3.3 Suggestion for Differentiation

The main aspect of the Cordier Collection Privée is doubtless its Bordeaux roots. Similar to many local trading houses, Cordier-Mestrezat rightly uses its Bordeaux origins to promote values that the world still seems to consider a respected reference.

Of course, blending several wines from various properties has been a handicap for Bordeaux wine merchants when facing non-connoisseur markets. Another issue was raised in the past in the domestic market: the rule that allows only real estate to mention "*Mis en bouteille à la propriété*" (bottled on the property). It was indeed perceived as an attribute that most of the producers put forward to express the purity and uniqueness of their wines' provenance.

But today the question seems to be more complex. Instead, some merchants highlight their quality and their added value by their ability to select varieties and the plots of various vineyards to fully optimize the quality of supplies. This optimization is not possible for a château that, by definition, must produce only with its own vineyards. However, it is necessary to undertake consumer education to explain this somewhat complex idea: blending means optimizing. Indeed, it is necessary for a merchant to develop added value to the wines and be able to express it in simple words. This is a less important question in the New World—the Americas and Australia—where a far more integrated system exists with a higher control of the process.

The export market requires another type of explanation. Blending varieties is a French habit, including in Bordeaux, but this is not the case in many other countries, so it's important to offer a clear explanation of why this is done.

Another area of differentiation characterizes Cordier Collection Privée. Although the price positioning is affordable, this brand and others that are part of the Mestrezat-Cordier portfolio are close to another business model: the Grands Crus, which is really a quite different kind of activity. For a non-connoisseur or foreign consumer, this proximity can cause some confusion. Mouton Cadet, another Bordeaux brand (made with wines from Bordeaux and Bordeaux Supérieurs wines) belonging to the famous Rothschild family, uses this proximity of names with its wines that carry a Bordeaux appellation but are not specifically Pauillac, as is the case for Mouton Rothschild Grand Cru. It is therefore important that the Cordier Collection Privée clearly differentiates itself from other groups' activities to

position itself as a real Bordeaux wine, one that knows all about Grands Crus but has retained an affordable price.

Recently—May 2015—In Vivo (an agro industrial group, 5.5 billion € revenue) a new investor bought an important part of Cordier-Mestrezat equity. In Vivo Wine (part of In Vivo Group that owns also shares in the Vinadeis wine actor - 268 M€) took 78 % stake in Bordeaux merchant. His general manager, Thierry Blandinières, is presented as “a man of brands”. He has a real project for Cordier-Mestrezat: “Faced with mono varietal wines from the New World, Bordeaux must impose strong brands on a premium positioning between 8 and 10€.” *Les Echos* (June 8th 2015).

We can imagine that Cordier will be dedicated to this branding orientation meanwhile Mestrezat will focus on business based on châteaux. In Vivo has real ambition in the sector: being at 500 M€ in 2025, in order to compete with French leaders like Castel or Grands Chais de France.

So we can think that Collection Privée and other Cordier’s brands are going to receive an important marketing push in the coming years.

9.4 El Coto de Rioja, Spain

With the participation of Varun Banthia, Katie Bruce, and Maria Florencia Desiervi.

9.4.1 Brand Identification

El Coto is a well-known and popular brand in Spain. Although it is relatively new, it has gained significant attention since its launching during the 1970s. However, it will have continued potential for the coming years.

The plants that produce this brand are located in La Rioja, which is one of the most famous and historical appellations in Spain. Indeed, this region is managed through strong rules for the harvesting and winemaking processes. The region is characterized by a continental climate, with effects from the Atlantic Ocean and Mediterranean Sea. Three different types of soils can be found there: limestone clay, ferrous clay, and alluvial. This wide-ranging terroir enables vineyards to diversify their growing techniques and successfully use and experiment with many grape varieties.

Baron de Ley, the firm that owns El Coto, offers six wines. Three are under the El Coto name—a rosé, a white, and a red. According to corporate communications, these wines are sold in 50 countries around the world. The logo of the brand is very familiar to Spanish people. The label colors are deep red and dark cream. The El Coto reds belong to the Crianza category. In Spain, there are four kinds of wine: Joven (for immediate consumption), Crianza, Reserva, and Gran Reserva.

Several varieties are used for this red: Tempranillo, Graciano, Garnacha, and Mazuelo. Most of the red wine ferments in modern stainless steel but some of it ferments in concrete tanks. What sets these reds apart, though, is a 1 year of aging in

Bordeaux-style oak barrels, and often more. Because of the volumes sold, this represents one of the most important barrel stocks in La Rioja. The entire process occurs in climate-regulated buildings to ensure complete control and consistency. Taste testing is also done in laboratories throughout the process to ensure quality control. In 2014, the Baron de Ley Group reported revenues of 87 million euros. It is estimated that 14–16 million bottles of El Coto Crianza are sold each year. The closing stock represents 1 year of sales. A screwcap version of this product is dedicated to export. However, 62 % of the sales are domestic, making it the second largest brand in the Spanish market. Germany, Sweden, and Switzerland are the largest importing countries of El Coto.

9.4.2 Apparent Marketing Policy

El Coto is a very popular and affordable brand. It is dedicated to the daily market: a majority of consumers drink the wine each day, mainly two to four glasses of 12.5 cl of wine. But El Coto also addresses another segment: people who also like white and rosé wines. Here, women and export segments seem to dominate. It also has a higher end of product, El Coto de Imaz, which attracts those who are ready to pay a little bit more for a higher quality.

Nevertheless, it seems that the key focus for El Coto is to provide standardization of production and regularity in its flavor, regardless of the vintage. In this sense El Coto applies the fundamental principles of a leader or an international brand. Its concern is not innovation or diversity first but rather the idea that its brand community has a clear perception of the product and does not like change. Loyalty could be a basic characteristic of the average consumer of this brand.

El Coto is an umbrella brand that addresses very diverse markets. El Coto Rosé is mostly made from Tempranillo and Garnacha. El Coto Crianza is made with Tempranillo that comes from three famous sub regions of La Rioja and expresses a balance between acidity and sugar concentration. Its quality is attained through being aged for 12 months in selected American oaks. El Coto's Imaz Reserva is a white wine that has received several awards, such as the Concours Mondial de Bruxelles and the Mundus Vini. El Coto Real is made of Tempranillo and also Mazuelo and Garnacha, but its place, role, and mission within the El Coto portfolio is unclear, even if it has received international prizes. Last, Coto Mayor Anniversary Selection and Coto Vintage are the premium or ultra-premium wines of the portfolio.

Average prices for the wines range from 7 € for El Coto White to 21 € for some of the El Coto Gran Reserva.

One of El Coto's latest advertising strategies is "Mi Coto, Mi vino" (My Coto, My Wine). This campaign uses a very popular Spanish actor as a brand ambassador who seems to personify the values of the firm: professionalism, empathy, and seriousness. This actor is also known to be a huge fan of Spanish foods. Through this strategy El Coto managers apply experiential marketing techniques to engage

people. The campaign suggests an entire environment that the wine can create, including the place, people, and the moment.

The El Coto website is both classical and complete. The company seems to be aware that some of its digital visitors are Spanish and others are foreign. The presentation separates the winery, the vineyards, the wine portfolio, the group Baron de Ley, and the awards and newspapers information provided about the brand during important professional events. A classical extension of this digital communication can be found on Facebook and YouTube.

As one of the most popular wineries of the La Rioja region, El Coto wines can be found easily in hypermarkets and supermarkets, retail outlets, and online stores. This multi channels strategy is in line with a leader positioning that intends to address the mass market without any segmentation.

We could not estimate the size of the sales force, but it seems that, similar to other international brands, one key factor of success is based on the presence on the field, with category managers and commercial agents whose first mission is to negotiate on volume, prices, and financial conditions with purchasers for the main global distributors in the world.

9.4.3 Suggestions for Differentiation

One of the brand's constraints is a result of current times. Worldwide consumption of wine, and in Europe in particular, is less than in the past. This raises a question about the future of current business model. As a corollary we can assume that in Spain today, the average age of El Coto's type of consumer is increasing, which will negatively affect the market size if corrective measures are not defined.

Therefore, a different path might best suit El Coto. This new axis would be based on a diversification of product use. One of the challenges is to move from a strategy based on volume, cheap pricing, and standardization of a product that is made available to the end consumer through hypermarkets and through national advertising campaign to another one based on value, specific targets, higher prices, and diversified messages.

Additionally, we believe that El Coto would benefit from expanding its international presence. Currently, El Coto has a small but limited presence in Asia. Given the emerging middle class and large young demographic, China could be the new mass marketplace for standardized brands such as El Coto. Of course this Spanish brand would not be alone in this area and would be joined mostly by Australian and South American actors. But Baron de Ley has already proven its ability to play this sort of game and find its product a solid place.

Another question appears: is the semantic proximity of La Rioja and El Coto efficient? For some, La Rioja is more likely to be considered an elitist wine, which contrasts with being such a popular brand. For this reason, perhaps the El Coto brand should follow its own way without associating its image with its appellation, especially when addressing foreign markets. If El Coto is to rejuvenate its image

and send messages more directly to 30- to 40-year-old consumers, a very open-minded tone has to be used to illustrate the El Coto experience.

We can imagine that selling El Coto in Spain means belonging to food and beverage industry, this is not the same for China for instance: for the Chinese middle class, tasting a wine is quite a new experience. More: for part of them is almost luxury. In these countries, El Coto—and other European brands—have a completely different image.

9.5 Enate, Spain

With the participation of James Newsome, Felix Schüler, and Antonin Rivoal.

9.5.1 Brand Identification

Enate wine is from the Somontano region, in the southern part of the Pyrenees Mountains. It is located in a scenic area full of medieval villages, castles, monasteries, and vineyards. Enate wine is different from other wines from iconic regions such as La Rioja and Ribera Del Duero. Julian Jeffs, the author of *The Wines of Spain*,² estimates that “the aim of this Enate *bodega* is to produce modern and top-quality wines thanks to 400 hectares on chalky-clay soil.”

The Somontano DO-controlled appellation of origin (Denominacion de Origen) is one of the most recently created in Spain. Established in 1984, it is located in the Province of Huesca, in Upper Aragon. Since its start, there has been steady growth in its influence in three ways: an expansion in the planted surface area, the creation or consolidation of new businesses (bodegas, or wineries), and the creation of robust brands. Subsequently, the region has 4310 ha of vines, 13.5 million bottles produced each year on average, with a value of about 40 million euros. Of the volume produced by this appellation 67 % is sold in the domestic market and 33 % is exported. Thirty wineries combine to belong to this appellation. Enate is one of three most important according to its turnover and volume sold.

In June, when the grapes begin to grow, they rely on cool winds to ensure lower temperatures (around 18 °C at night contrasting with 30 °C in the daytime). The altitude is quite high at the foot of the Pyrenees, roughly 500–600 m above sea level, and therefore it is easier to develop an ecological viticulture because of this rather dry and sunny climate, one of the characteristics of piedmont regions. Most of the time, wines from Somontano DO and Enate in particular have a quite high level of alcohol: from 13 to 14 %.

Currently the Enate bodega is divided up into producing 85 % red, 10 % white, and 5 % rosé wines. Several varietals and grapes are used in Somontano, such as Macabeo, Gewurztraminer, Chardonnay, Cabernet Sauvignon, Merlot, Syrah,

² Julian Jeffs (1999), p. 445.

Garnacha, and Tempranillo. An indigenous red grape called Moristel is also grown. This number of grape varieties is unusual given that the Somontano region and Enate are not large.

9.5.2 Apparent Marketing Policy

Enate's market is quite large because the brand is distributed on three continents: Europe, Asia, and North America. Enate seems to be targeting young (25- to 45-year-olds) and educated people who already have a good knowledge about wine but are not willing to spend a lot of money for a bottle. Enate is a wine meant to be contemporary and high quality.

Art is an important part of Enate's communication. Its labels are created by contemporary painters and every type of bottle has a specific label that makes it unique. These unusual labels are part of Enate's marketing strategy because they differentiate the brand from other "ordinary" bottles. At the time Enate began its business, wine labels were very traditional and conservative: landscapes and castles. Then Enate wanted to distinguish itself from the classic wineries. According to Teresa Lorresa, brand image and communication manager at Enate, by using art in their image, this Spanish brand wants its products to be seen as contemporary and high quality and be able to tell stories, because they think that the biggest mistake when communicating about wines is the "excessive use of technical language, which makes the consumer run away." Wine is a "product of sharing that represents happiness and friendship." Enate's winery also follows this modern positioning in the architecture of its design.

Teresa Lorresa also says that consumer information has been a constant work in progress at Enate and is organized through its facilities—two tasting rooms and one conference room—but also through seminars and tastings outside of the winery. The Spanish winery is open all year long. Additionally, public presentations are made in other places related to art, such as the Thyssen Museum in Madrid, the MACBA or the Tapies Foundation in Barcelona, as well as the IVAM in Valencia. Other important communication points are made through social media, advertisement in general, and specialized press worldwide.

Although Enate claims to be a brand of the twenty-first century, modern and sophisticated, its website is rather "easy to read". First, it is available only in two languages, Spanish and English, even though the winery is very close to France—lot of French tourists come to Somontano during summer—and Enate wines are distributed throughout the world. Then, it is rather difficult to see any kind of personality on the website. Maybe this is a choice: communicating exclusively about technical aspects, without offering any interactive experiences.

The Enate name is often associated with artists such as Antonio Saura, Eduardo Chillida, Salvador Victoria and Antoni Tapies, but is art an efficient way to promote wine on a label? Despite the changing logos the art style remains the same, allowing returning, as well as new customers, to identify it easily.

When Jesus Arjona, the winemaker of Enate, talks about his wines, he expresses their specific character: the location of the bodega and their proximity to the Pyrenees, which supply the vineyard with an important fluctuation of temperature and provide winds that give the wines enough acidity to lighten their taste. The oenologist identifies two types of Enate products: “*prêt à porter*” wines for daily consumption and exclusive wines such as Enate Numero Uno.

The online price range confirms the large range of pricing: from 7.7 € for a 2009 Enate Crianza to 90 € for a 2005 Enate Numero Uno.

9.5.3 Suggestions for Differentiation

Because Enate is located in the Somontano region, the brand and the Somontano DO should adopt the same niche strategy for at least four reasons: (1) it is a trend in market expectations abroad, (2) their limited production volumes enable it, (3) marketing budgets are accessible, and (4) there is a real expectation that Enate consumers belong to higher socio-professional groups.

Indeed, Somontano DO is a small-sized designation. This is a strength during times of economic crisis, such as is presently the case in Spain, when, despite the quality of their production, larger operators frequently have to reduce production volumes. This move is easier when the production’s initial size is smaller.

The second advantage to niche positioning comes from the idea that since the 1980s, the domestic market in Spain, similar to others in Europe, has consistently shifted from low-priced daily consumption fronted by the main consumer brands to occasional consumption (weekends, festive events, business meals, etc.) when higher prices are acceptable if a minimum reputation is acquired. This selective strategy requires more restricted marketing budgets than large national communication campaigns.

In addition, in periods of crisis, higher socio-professional groups maintain their consumption habits more easily. We know, in fact, that two types of products resist periods of economic crises better than others: those that position themselves as basic products and premium brands. At the opposite end, mainstream and undifferentiated brands suffer more as do the middle classes to which they are geared.

Finally, a niche marketing policy focused on a limited domestic market segment is, without doubt, more within this wine brand’s reach. The distribution channels required will therefore be selective (e.g., specialized boutiques in the city center) and quality restaurant outlets. Communication through advertising will be directed at professional influencers and opinion leaders.

For Enate, there are four types of customer expectations: first, the value of proximity, which is the easiest to accomplish. A comprehensive study will be undertaken to increase the consumption of Enate products in the Province of Aragon itself.

The second segment will be more focused on events. It is not really Enate’s role to fight the market with aggressive prices. On the contrary these wines are often destined for celebrations and special parties. Even during a period of economic

crisis, social events, particularly traditional feasts and local festivals, play a large part in Spanish social life.

A third customer expectation is that the wine is made for drinking in a professional setting. The three main operators (Vinos del Vero, Pyrineos, and Enate) that account for 80 % of Somontano DO production have product ranges that cater to this type of expectation with prices in excess of 10 € per bottle.

A fourth consumer expectation could focus on organic wines for a clientele concerned about moderate and healthy consumption. Environmental conditions are favourable to grow this type of product. Nevertheless, even if foreign markets (e.g., Northern Europe) eagerly await the benefit that organic wines provide, it is not yet a key reliable factor of success in the Spanish market. Educational efforts must therefore be made on this level to enjoy this opportunity of differentiation.

Individual reputation of a brand or collective reputation of an appellation? Enate and Somontano are a good illustration of this issue in the context of differentiation. Enate, one of the leaders of an appellation whose size is limited, should play the starring role to embody the specific values of the entire region.

9.6 First Cape, South Africa

With the participation of Madeline McGown, Pauline Nardo, and Amina Wandao.

9.6.1 Brand Identification

First Cape wines are some of the best-selling South African wine brands in the United Kingdom. Originally, the First Cape brand consisted of 38 grape growers and three British wine traders. In 2002, First Cape was formed as a joint venture and is held today by five co-operative shareholders.

First Cape wines are produced mostly in South Africa in the Breede River Valley. Chardonnay, Cabernet Sauvignon, Pinotage, and Shiraz are grown in this part of the Western Cape. Other types of wines are produced in other parts of the world, such as in Germany (First Cape Light White Zinfandel and First Cape White Sparkling Rosé with 5.5 % alcohol).

The mountains surrounding the Breede River Valley protect it from oceanic influences of the southern coast. Different soil types can be found there: alluvial, with some sandy loam in certain areas, or rocky and stony in other areas. Shale and sandstone soils also can be found. The area is suitable for bulk production as well as for the production of premium wines. Summers are hot and dry, which makes irrigation a necessity. However, the winter is colder than in more coastal regions. Furthermore, there is a lot of rainfall, which enables the grapes to build some resources for the summer.

Different methods are applied to the winemaking. The First Cape Selection Sauvignon Blanc grapes are fermented at a low temperature and left unoaked, whereas the majority of the First Cape limited release Merlot is also fermented at

a low temperature, but a small percentage is fermented in oak barrels. First Cape wines grapes are hand-picked or machine harvested depending on the wine brand.

In almost all brand labels there are some tangible, recognizable emblems, namely, the golden symbol representing a sun, a ship and an anchor, a symbol of family tradition. “First Cape Wines” is written in the same font on all labels and the First Cape logo is done in a simple blue and white combination in many labels on this company.

9.6.2 Apparent Marketing Policy

First Cape Wines seems to target mass market alcoholic beverage consumers in the United Kingdom, people looking for easy-to-drink wines with a rapid purchasing process. This consumer base is broad, between the ages of 19 and 50, and tends to include new wine drinkers. The attractive colors and label designs draw in and engage new wine consumers.

The consumers driving First Cape’s business holds a level of sophistication. To meet their needs, First Cape provides stylish and unique labeling, a helpful and easy-to-use website, and a brand image that well represents this market segment. This consumer is likely to purchase First Cape wine for social gatherings with friends, drinks with a partner, or as a gift. The majority of consumers who comprise this market segment are not necessarily wine drinkers; they may be cocktail or beer drinkers who are looking to expand their range and begin consuming wine. This consumer acts with a medium level of involvement. First Cape has an adapted website that enables consumers to live the brand experience.

First Cape carries 13 collections of wines that convey the different aspects of their brand and offer the consumer a wide variety of light and affordable wines. Each wine collection seems to have its own personality and story, fostering a different feeling or theme from one to the other. A few of the collections that First Cape carries are Coral Tree, Hawkland Bay, Mangrove Jack, and Warra Bay. The labeling of the bottles is very simple but well designed, easy to read, and easy to identify. The brand and place of origin is clearly printed on the label, along with the wine collection, the type of wine, and year. Each collection has its own theme, which is portrayed through the wine labels. Some collections present a more sophisticated and expensive personality, which is often a characteristic of the limited edition bottles. First Cape uses twist cap bottles, which adds to their easy-to-drink brand reputation.

This brand tries to be eco-friendly: lighter bottles indeed allow a reduction of carbon emissions, because they are more efficient in terms of fuel use with shipments from South Africa.

First Cape wines range between £4 and £10 in the United Kingdom. Their main sales are made through the mass market in large grocery stores and online.

Most of the communication initiatives of First Cape Wines rely on one message: simplicity. Being close to the customers, exchanging with them, and educating newcomers are three expressions of this simplicity. First Cape wants to be different

from the usual wine image (complex, just for connoisseurs). An important part of the communication is dedicated to educating customers through suggested pairings of wines and food to make customers more comfortable before picking a wine.

To this end, First Cape has dedicated one page on its website to food and wine matching. The customers can choose their wines easily according to the type of meal they want to cook. First Cape is also very present on social media, providing them with a strong way to communicate directly with their customers (on Facebook they have more than 3500 followers; on Twitter, 440 followers) and they regularly post news, events, and wine reviews. Even if the main message is simplicity First Cape also wants to be considered a qualitative brand. To this end, a part of the communication seems to be focused on winemakers: their specificities and their history.

First Cape Wines has sponsored the British and Irish Lions Rugby Tour since 2009. These tours are every 4 years in Australia, New Zealand, and South Africa and are always a great success, providing the brand with a large exposure.

First Cape Wines' main distribution is in United Kingdom where the brand is the fourth largest brand with £90 million in sales. Brand Phoenix (owner of First Cape) works directly with multiple retailers and has used SHS Sales & Marketing since 2007 to cover a large part of the on- and off-trade market but at the same time. In December 2014, Kingsland signed a deal to distribute Brand Phoenix's First Cape wines ranges throughout the impulse, convenience, and wholesale markets giving to the brand a huge push. This company claims to be "the premier independent UK supplier of wine and spirits specializing in providing a complete category solution." Their mission is "Using our consumer understanding and drinks experience" and providing "innovative, bespoke solutions to become the partner of choice as we create value for our customers."

After establishing itself as the number one South African wine brand in the United Kingdom, First Cape's mission appears to become an internationally recognized wine brand. With the collaborative assistance of Tesco, First Cape hopes to be introduced into European markets that Tesco addresses.

For the US market, Brand Phoenix has recently announced structural changes as it looks to grow business in this country. Steve Barton, the UK Director spent 15 months trying to develop a network for First Cape in the United States, but the first mission of First Cape is to serve the UK market and priorities for investments will be focused there.

9.6.3 Suggestions for Differentiation

Young consumers suggest that First Cape should focus on young consumers, presently at a discovery step of the wine culture, ranging from 18 to 45 years old, who work in upper middle class jobs and live in the United Kingdom or the United States. This brand could benefit from removing any unprofitable, replicated wines from its portfolio to ensure consistent, good-quality wine, and provide a clear distinction among their collection brands. Thus, First Cape will continue to

maintain a strong relationship with their farmers, and uphold its reputation of being the perfect mix of an Old and New World wine from South Africa. They will bring their success in the United Kingdom to the US market and offer their quality, well-known wines to Americans at a low cost. They are trying to achieve this through market surveys and having a robust presence of sale force to develop a strong local and national network.

The business is actively analyzing the profitability and success of all product lines. Removing collections that are causing First Cape to waste resources would surely be a good strategy. Once these unprofitable collections have been removed from First Cape's management, the company will be able to concentrate marketing efforts and a revised budget on the core wine products. The target market will be directly reached with the improved marketing campaign, and adjustments will be made for the switch to the US market. The difference in lifestyle from the United Kingdom has been recognized and demonstrated in the new advertising campaign.

This marketing and business improvement will be carried out internally and externally with First Cape wines. Advertisements targeting young people who are middle class and new wine drinkers should be implemented in the United States to bring attention to a foreign brand that wants to be different and innovative. For this, First Cape would have to tell a story with a light, fun, and uninhibited tone. The story also has to be adapted to US consumers, who would be motivated to discover a successful wine that has proved its ability in a really educated market: the United Kingdom.

9.7 Ménage à Trois, United States

With the participation of Caroline Hayes and Aimee Huang.

9.7.1 Brand Identification

Established in 1981, Folie à Deux is a US boutique wine company known for producing Ménage à Trois, which was named the best-selling red wine in the United States in 2010. Folie à Deux is owned by a holding company called Trinchero Family Estates Wines.

Trinchero manages approximately 30 other wine brands as well as five brands of spirits. Trinchero wine brands include Angove, a Southern Australian winemaker, and many California-based wines such as Sutter Home and Napa Cellars. The Folie à Deux brand is fragmented, with the Ménage à Trois red wine blends taking on a very different brand identity as compared to Folie à Deux products, such as the Russian River Valley Chardonnay and the Sonoma Coast Pinot Noir.

We will focus on the Ménage à Trois brand and more specifically the product Ménage à Trois: California Red Wine, which was named the “wine brand of the year” by industry magazine *Market Watch* in 2009. The Folie à Deux winery is

located in the St. Helena area of Napa Valley, California, home to more than 450 wineries.

Napa is known for its Mediterranean climate and has 14 American viticultural areas, including the sub-appellation St. Helena. This area is approximately an hour and a half from San Francisco and is warm with less fog and wind through protection from the western hills. The narrowing of the valley floor provides more heat reflection off the hillsides and summer temperatures peak at 35 °C.

The elevation of the area is 31–217 m and the principle varieties are Cabernet Sauvignon, Cabernet Franc, Merlot, Syrah, Zinfandel, and Viognier. In comparison to other wine regions, Napa Valley is considered small, with the valley area being roughly 50 km long and 8 km wide, approximately an eighth of the Bordeaux region.

The Ménage à Trois California Red Wine varietal is a blend with 46 % Zinfandel, 36 % Merlot, and 18 % Cabernet Sauvignon. This blend is considered to be an unlikely combination, and Folie à Deux marketers go as far to claim that “Ménage à Trois examines what happens when you put three attractive, single, young grapes in one exquisite bottle.”

Each variety is fermented separately to add complexity and then the three are blended together before bottling. The Zinfandel provides notes of blackberry and raspberry, the Merlot adds mouthfeel and red fruits, and the Cabernet Sauvignon adds “rich flavors and firm tannins.” One of the largest purchasers of alcohol in the world, the Liquor Control Board of Ontario (LCBO) in Canada,³ describes this wine as “medium ruby colour; ripe blackberry fruit and raspberry jam aromas; medium-bodied with rich, ripe fruit flavours.”

Within the context of the Ménage à Trois brand, Folie à Deux uses a logo that features two red pixies dancing together—playing off of the term Folie à Deux, which means a fantasy or delusion shared by two people. The label is white with a colored border and bold “Ménage à Trois” text. The label copy urges drinkers to “take a walk on the wild side and explore the pleasures of our Ménage à Trois. Surrender to the seduction of dark, rich berry with a hint of pepper and a lush lingering finish leaving you wishing for more”

When Folie à Deux was first purchased by Trinchero Family Estates Wines in 2004, Ménage à Trois was selling at a rate of merely 15,000–18,000 cases per year. With the marketing power of Trinchero, sales quickly grew to 1 million cases per year in 2010. Trinchero Estates as a whole sold 19 million cases of wine in 2013 making them the US wine company with the fifth highest sales volume. In 2009, Trinchero exported to 47 countries including many countries in the European Union as well as China, South Korea, Mexico, and Canada. California as a whole exports roughly a fifth of its wine. Trinchero Family Estates is a private company, and access to financial data is difficult. However, Treasury Winery Estates, the company with the sixth highest sales volume, has annual revenues of US\$2 billion. For some, Folie à Deux’s annual revenue could be about US\$10 million.

³ <http://www.lcbo.com/lcbo/produit/menage-a-trois-red>

9.7.2 Apparent Marketing Policy

Ménage à Trois California Red Wine is a mass market wine that resonates most with North American females. Through analyzing Ménage à Trois's communication platforms, especially Twitter and Facebook, it is evident that this brand is targeted at females ages 26–40.

Let's take a look at 32-year-old Janet Sanderson, a resident of San Francisco, California, and the ideal Ménage à Trois woman. Janet lives with her 4-year-old daughter and husband in a suburban area. She is employed by a local dentist as a hygienist and works relatively structured hours giving her lots of time to spend with her family. She enjoys being creative and constantly has a home renovation project on the go—she also loves to read tabloid magazines and follow her favorite pop music artists. Similar to other millennial-aged women, Janet wouldn't consider herself to be a wine connoisseur but she does enjoy a bottle or two with friends at a dinner party or on the back porch while watching her daughter play in the backyard. This target consumer has seen enough success professionally to buy something better than the cheap stuff, but she's not serious or drawn to luxury wines with more prestige. Retailing at the equivalent of 12.00€, Ménage à Trois is financially accessible for Janet, but aims to price itself slightly above the traditional mass market. The Ménage à Trois woman is a bit quirky, has a great sense of humor, and is anything but pretentious. When it comes to making wine purchases Janet's involvement is limited; she often selects wines based on the name or label and loves that Ménage à Trois takes a cheeky approach and does not present itself as another boring wine.

The Ménage à Trois packaging makes target consumers such as Janet feel as if they've moved past the fruity-flavored wine from their college days. The cork and elegant labelling set a mature tone with the gold and red color scheme giving the bottle a bold presence. Ménage à Trois keeps things very simple for consumers like Janet who aren't wine experts—blended wines are just described as “white” or “red” rather than breaking them down by varietals. The 12.00€ price tag means that Ménage à Trois can be Janet's go-to-wine that she drinks a few times a week, as opposed to a luxury wine she splurges on a few times a year.

Ménage à Trois's communication strategy focuses on community-based initiatives, such as cultivating its Facebook and Twitter fan base, as opposed to traditional magazine or TV advertising. Ménage à Trois is all about word-of-mouth, but the brand also uses point-of-purchase displays, banner ads, and the occasional print ad.

Ménage à Trois is using digital marketing and co-creation in some powerful ways—including social promotions on Facebook—to generate buzz in partnership with Social Candy's collage application. Megan Steffen, social media marketing manager at Trinchero Family Estates, explains that the brand is “really user-generated content focused, because Ménage fans really like to talk about each other and themselves.” For example, the website celebrates the “Ménage Weekend,” “Pool Season,” and “Wine O'Clock.” The brand faces some legal challenges

related to promotion because California residents cannot enter contests held by alcohol companies.

Ménage à Trois is often featured at tasting and lifestyle events in the United States and connects with consumers via a variety of Facebook events. Notable events include Twitter parties (Grammy themed, New Year's themed) or food truck parties held in California. Ménage à Trois also made an appearance at Outside Lands Music and Arts Festival in San Francisco's Golden Gate Park with a branded tent.

With regards to public relations, Ménage à Trois receives a lot of earned media attention—everything from reviews printed in *Food & Wine Magazine* to appearances on TV programs such as the “Today Show” (in a segment entitled four fall wines for less than US\$40 a bottle).

Ménage à Trois has its own microsite separate from the Folie à Deux website. The site features profiles and factsheets for each of its products as well as news and events. The site is e-commerce capable, and the brand's Facebook page also prompts the customer to shop through both embedded links and “shop now” page buttons. Ménage à Trois is primarily distributed through US chain retailers and grocers such as Trader Joe's, Target, and Safeway. The typical consumer prefers to purchase her wine at the grocery store or the liquor store while she is running errands as opposed to ordering it separately online. A network of regional managers (stationed in key US states) collaborate with wholesalers and work on business development initiatives. Ménage à Trois does sampling in many grocery and liquor stores and uses a team of brand ambassadors employed by Trincherro Family Estates rather than an experiential agency. The regional teams adapt direct-selling efforts in their territories.

9.7.3 Suggestions for Differentiation

Within the Folie à Deux brand portfolio, Ménage à Trois currently presents a complex array of product offerings to a consumer who ultimately craves simplicity and playfulness, resulting in low-involvement decision makers with little wine knowledge deserting the brand for competitors.

Folie à Deux has a strong brand story to fall back on, created by the founders, psychiatric professionals Eve and Larry Dismang, whose friends reacted to the news that they were establishing a winery by jokingly suggested that the couple was exhibiting the symptoms of “Folie à Deux.”

As a blended wine product, communications often tell lighthearted stories about mixing wine into your day or your routine. Ménage à Trois places a focus on mystery, romance, and adventure rather than the taste or specifications of the wine, which is an important strategy to continue using. The dancing pixie mascots featured on the bottle and cork have potential to be a unique aspect of the wine's storytelling and campaigns could be built that feature the pixies doing random acts of kindness and bringing adventure and fun to Ménage consumers. The Ménage women is all about the little things that make life fun, so using fun characters would

align well and also skew the products younger to reach that elusive millennial market.

The target market should shift from 28- to 40-year-old American females to the slightly younger cohort of 28- to 35-year-old females. With an increase in younger wine drinkers it would be wise for *Ménage* to focus on this market, considering they value brand prestige less and appreciate the brand's quirky humor more.

Ménage à Trois can provide a lot of value to their consumers by building brand communities and communicating wine education information. *Folie à Deux* should create a *Ménage à Trois* Wine a microsite focused on recipes that use wine as well as wine pairings. The main goal is to share the winemaking process, food pairings, as well as how to taste wine, all in an easy and non-pretentious manner. There are also tremendous opportunities in bundling to provide an easier purchase experience for the customer—an idea we call “Trois Packs” in which a multipack of wine or even three different kinds of, say, white wine could be paired together to create a bundle called a “White Trois Pack.” The goal is to no longer be a brand and a consumer but rather friends sharing their love of wine.

9.8 Mendocino Castle Rock, United States

With the participation of Lauren Sudeyko, Emilie Wiseman, and Lulu Tong.

9.8.1 Brand Identification

Greg Popovitch is the founder of Castle Rock as well as the president. He has more than 35 years of experience in the wine industry. As of June 2014, the director of winemaking, Eric Laumann, also boasts of more than 30 years of expertise and experience as a winemaker. It is Eric's personal responsibility to oversee all activities and procedures at the 40 different vineyards that contribute to Castle Rock's wines in order to be able to have the consistent level of quality that Castle Rock is known for.

Castle Rock's wines come from the US West Coast, with vineyards in California, Washington, and Oregon: Napa Valley, Monterey County, Willamette Valley, and Columbia Valley, to name a few. Castle Rock Mendocino comes from the Mendocino County in Northern California. The area has been praised for its ability to produce grapes similar to that of Burgundy region in France because of similar climate. This has enabled Castle Rock Mendocino to produce an award-winning Pinot Noir. Indeed, this varietal has always been the main concentration for Castle Rock; only in recent years have they began producing Merlot and Cabernet.

Castle Rock has evaded the myth of wine industry that “it takes a fortune to make a small fortune.” Unlike other wineries, Castle Rock forwent the hefty investment of buying land and real estate and opted to focus their efforts on forming strong and long-lasting relationships with many different successful growers and operate virtually. They have also been innovative by leasing their production space

from companies looking to make use of their own excess space. These are some of the ways they are able to produce a high-quality product while still remaining at a competitive price point. The brand saves the cost of marketing and fixed costs in order to provide a great value wine. Eric Laumann makes sure that standards are met and upheld and guidance is given to the individual growers, which keeps a level of consistency and quality across the company. Mendocino County itself is one of the worldwide certified leaders of organically grown grapes.

9.8.2 Apparent Marketing Policy

Pinot Noir represents 65 % of the sales of the group. With this level of production and sales, Castle Rock is in the 25th largest wine company in the United States with 600,000 cases sold. The main market segment for Castle Rock Mendocino is of the middle-aged bracket, roughly 35–50 years old. Castle Rock Mendocino segments this way by marketing to those who appreciate wine but are not experts in the wine industry. Being able to target this group of people enables Castle Rock to be successful because they can capture a large segment of the market without having to spend an excessive amount in commercial investment.

Castle Rock Mendocino is aimed at wine drinkers who are price sensitive but still know the difference between a low- and high-quality bottle of wine. They are quality seekers but only as long as price is kept low. Therefore, they are willing to pay above the lowest price in the market, but nowhere near the highest price for a bottle of wine.

This consumer may be health conscious or interested in environmentally friendly wines; Castle Rock Mendocino grapes are certified organically grown. In fact the Castle Rock website describes this consumer as “novices” with “disconcerting palates.” Castle Rock also offers competitive pricing on all their wines. In essence, this consumer enjoys wine but does not spend too much time thinking about it. A good glass of wine is an accessory to life but not a main part of it.

The three types of Castle Rock Mendocino wine include Castle Rock Central Cost Merlot, Castle Rock Mendocino County Sauvignon Blanc, and Castle Rock Mendocino County Pinot Noir. All three bottle types have a screw cap as opposed to a cork.

The brand has a very clear labelling with gold font, which gives it a prestigious look. The clear labelling exemplifies that the wine is easy to understand and not complex—hence anyone who appreciates wine will appreciate a simple Castle Rock Mendocino. The price of Castle Rock Mendocino is competitive: between US\$7 and US\$11.

For advertising, Castle Rock uses the line “lovely for the pallet, easy for the wallet.” This is aligned with their marketing strategy because they operate with a low overhead, even stating that they have no marketing teams or large groups of staff. Their focus is simplicity so they are able to pass the savings right on to the consumer. This simplicity comes through the stunning imagery on their website and from their bottles of wine that have a beautiful background on the labels.

The website itself appears to be very well done. It is easy to use and describes perfectly what an average consumer needs to know, without “boring details for a non-connoisseur.” It is possible to order wines, which means that direct selling is one of the channels used. In terms of public relations, a tab of the website is dedicated to news and press and includes various articles in which Castle Rock has been mentioned or rated. This serves a very strong purpose on their website because interested consumers are able to learn more about the Castle Rock collection before purchasing their wines. Castle Rock also operates a Facebook page.

Castle Rock Mendocino does not operate with brick-and-mortar stores. Instead, the wines are distributed to restaurants and retail stores by a network of high-quality, fine wine distributors. All of their major distributors can be located on Castle Rock’s website, where consumers can contact them in order to purchase the wine. They have also included their wine tasting notes and images on their website for consumer reference.

There are no precise figures about the size of the sales force available, but it seems that this commercial team has expanded rapidly during the past 5 years alongside the growth of the winery. With the winery selling approximately 500,000 cases of wine per year, it is possible the winery has modified the sales force management style to address restaurants and retail stores.

9.8.3 Suggestions for Differentiation

Current weaknesses in Castle Rock’s marketing policy include how it doesn’t own brick-and-mortar stores. Although the brand wanted to focus on its wine growing, this can be considered a weakness because of missed opportunities. Low staff and limited promotional budgets could also be seen as a weakness, which could result in Castle Rock having some difficulties attracting young consumers.

Another issue arises: the proximity of well-known Californian brands that also position themselves as value wines and also have won awards and appear in national rankings. US actors (consumers but also retailers and sommeliers) like to check performances of wines and use those as a guide to make their selection, even if most of time it is just a consequence of individual wine journalists’ opinions.

Recently California experienced a shortage in wine production because of various phenomena, particularly climate change. In addition to this consequence to the supply, winemakers also have to face an increasing US demand. Therefore, the US consumer is not really loyal to a certain brand or winery, which is more the case in Europe, for instance.

Because of its geographical location and its volume sold, some consider Castle Rock Mendocino as an outsider. So the firm should have to position its product accordingly. That is why a value more than volume strategy seems to be the best type of positioning for this wine brand. In the future Castle Rock Mendocino could offer quality wines that satisfy the demand of younger consumers, but that would be a mistake—and maybe a dangerous strategy—to set up a business model based mainly on volume. Instead, positioning Castle Rock Mendocino definitively as a

healthy, organic wine with moderate volumes dedicated to future generations seems to be the best way to differentiate this brand.

9.9 Penfolds, Australia

With the participation of Bianka Chevrier, Cherrie Chick, and Lucie Drillot.

9.9.1 Brand Identification

Penfolds is an Australian wine producer that was founded in Adelaide in 1844 by Christopher Rawson Penfold, an English physician who immigrated to Australia. It is one of Australia's oldest wineries and is part of Treasury Wine Estates, an Australian-based global winemaking and distribution business. Penfolds has taken Australian wine to the world on a grand stage and forged a reputation for quality.

According to the website of the firm, The Penfolds wines offer several specific and different aspects of the Australian viticulture. The Penfolds wine company is divided into six lines, all of which are aimed at the connoisseur: The Penfolds Collection, the Limited Edition, the Koonunga Hill, the Cellar Reserve, the Special Bins, and the Fortifieds. Each wine has its own consistent style, and oak treatment is used in a wide variety of small production wines. The company is the cornerstone of Australia's wine heritage: it blends tradition with modern techniques that highlights evolving and refining styles. It accesses ever older and more varied vineyard sites. Penfolds' vineyards are located primarily in South Australia on prime land throughout the country's most esteemed viticultural regions. Three styles of wines compose the products: the single vineyard, the single region wines, and the multi-regional blends. The single region or sub region includes RWT Barossa Valley Shiraz, Bin 128 Coonawarra Shiraz, and Reserve Bin A Adelaide Hills Chardonnay.

Penfolds' single vineyard and simple block wines focus their unique terroir and sense of place using Cabernet Sauvignon and Shiraz varieties. Subregional wines are regarded for their optimized character and microclimate variants. Multi-regional and multi-varietal blending exemplify what Penfolds is best known for from a winemaking perspective—crafting wines to a house style. Penfolds Grange is the original and most powerful expression of this blending philosophy. Even if Penfolds's vineyards are mostly in South Australia, cool climate regions such as found in Tumbarumba in New South Wales are significant sources for white wine. Penfolds grapes are sourced from more than 220 vineyards and grapes growers around Australia.

9.9.2 Apparent Marketing Policy

According to the Financial Review (Feb 19th, 2014), "Penfolds itself is a highly profitable business and the jewel in the crown of Treasury Wine Estates. Penfolds is

estimated to make about \$180 million in profits annually. That's about three-quarters of the total profits of Treasury's sprawling wine business, which also includes the Beringer brands in the US and Wolf Blass, Rosemount, Seppelt, Lindemans and Wynns in Australia."

A strategy clearly focused on a segment appears here: this segment is composed of wine connoisseurs. Penfolds' customers usually are established men with a good profession and a high level of knowledge about the wine industry. They are able to talk about winemaking and vineyards; they know how to appreciate boldness and diversity; they know the difference between a good wine and a cheap one; and they have enough purchasing power to afford the price of a good bottle. Also, Penfolds' Special Bins and Fortified lines attract collectors, who connect with the high level of knowledge that Penfolds' consumers need to have.

All the bottles have something in common: the same red logo of Penfolds, the same white label, and the same black script. Penfolds has also created a unique package for certain products. For their 50-year-old Rare Tawny, the Australian company collaborated with glass artist Nick Mount to create a hand-crafted blown bottle to suit the rarity of the wine.

The Penfolds price position can be illustrated through the Tesco website in the United Kingdom. It presents a large range of prices: Penfolds Cellar Reserve 2007 Pinot Noir is £30 per bottle, Penfold RWT Shiraz 2008 from Barossa is £200 (1.5 L), and Penfold Koonunga Hill—Shiraz is £9.50.

In 2014, Penfolds released its 60th consecutive vintage of Grange in order to celebrate the first secretly bottled wine that has become Australia's most iconic wine. Aiming at becoming a global luxury icon, Penfolds launched the "Numbers Can Be Extraordinary" brand campaign around the globe. The advertisement was shot in Paris by renowned luxury brands photographer Maud Rémy Lonvis. Penfolds connected its brand with a luxurious lifestyle relating to various objects that represent indulgence. As a result, the campaign has successfully aroused worldwide attention. Associating Penfolds with Paris, could be risky. But here, one of the messages consists in explaining that this Australian wine has really its place close to Grands Crus, for French consumers.

Penfolds seems to be trying to attract experienced wine drinkers by presenting a professional image on its website with some detailed information. All pages on the website are shown in black and red. Also the website offers online shopping for some countries. It updates all worldwide events regularly, including the cellar door tours it holds and offers information about food pairings to their customers. The website invites visitors to join the Penfolds community in order to receive information. But to fit in the ever-changing technological world, Penfolds has been promoting itself through various social media platforms such as Instagram, Twitter, and LinkedIn.

Penfolds has publicized its products through various methods such as launching games on the web in order to attract younger people. The latest information is no longer provided through print sources but through Twitter or Instagram with short videos and snap shots. This customer relationship management (CRM) strategy has improved its relationship with customers.

Since 2012, Penfolds has made use of the cloud computing company Salesforce.com for its CRM. To reach stellar performances, Penfolds has begun using Chatter, the free corporate social networking tool to develop constant sales and marketing campaigns for each customer segment.

9.9.3 Suggestions for Differentiation

The reputation, history, and vineyards are Penfolds' strengths. Penfolds developed its wine under its company-owned and independently grown vineyards with experienced viticulturists and grape growers. The unique style of multi-regional vineyard blending of different wines from different vineyards across South Australia has made Penfolds successful.

The company invented a sort of star system to classify the vineyards and their grape quality to identify the best blend for a certain category of wine. This system also solved the principal agent problem by handing out bonuses to wine growers in line with the quality of their grapes.

Penfolds may face strong competition in the South Australian wine regions from other powerful brands such as Wolf Blass and Jacob's Creek. Another threat comes from the quality of grapes being affected by the weather and the environment: indeed, global warming has affected this region of the world in alarming dimensions. Economy is another possible threat because export pricing can be high during recessions. Changing consumer preferences can be a threat because there are always up-and-coming wine brands and products. Last but not least, with many international brands, negative word of mouth can affect Penfolds if a too-standardized image is broadcasted because Penfolds specializes in distinct groups of consumers.

The specific promise of Penfolds is not only about drinking a wine but also tasting it as a source of pleasure, highlighting its know-how and originality. It is a complete Australian tasting experience. Indeed, Penfolds aims to source the best grapes of its regions and likes to show its distinctive and recognized house style. The balance between its winemaking heritage and modern techniques enhances the identity of all Australian terroirs. Insisting more on the rooted aspect of the brand would be helpful to reduce a too-international and standardized image of the brand. Something along the lines of "the Australian Heritage" or "Australian touch from our portfolio of local terroirs" could illustrate this position. But, because the brand is aimed at connoisseurs, it also will have to prove, with more technical messages that also remain simple, that this rootedness is a reality.

9.10 Stamp of Australia, Australia

With the participation of Charmaine Naomi Koh, Juho Kosola, and Samy Nouchy.

9.10.1 Brand Identification

Stamp of Australia is a brand owned by Hardy's, a fifth-generation firm, now making part of Accolade Wines Company. This huge company aims to become the world leader of New World wines. Hardy's Stamp of Australia is settled in South Australia, more specifically in the south of Adelaide in McLaren Vale. The valley is one of the most important wine regions in Australia with many vineyards.

As it is the case with most wine actors, there are many grape varieties in Hardy's portfolio: Merlot, Cabernet Franc, Chardonnay, Semillon, Riesling, Pinot Noir, Shiraz, and Sauvignon Blanc. Stamp of Australia wines are made by blending many different Australian grape varieties. The wine is meant for immediate consumption or can be kept for up to 3 years following the vintage.

9.10.2 Apparent Marketing Policy

Stamp of Australia is composed of a range of very classical wines from this country with several varietal (red, white, rosé, sparkling). The brand was launched during the 1988 World Expo in Brisbane. The specificity of this brand is maybe its integration in the Hardy's portfolio. This way, Stamp of Australia is surely more identified as "making part of the Hardy's offer", than for itself. That is the reason why, we prefer discuss at the Hardy's corporate branding than at the Stamp of Australia itself.

Hardy's logo is quite simple: the name of the company and the phrase "established since 1853," which shows the venerable character of its business, as is often the case in New World wines. Hardy's wine can be found in most of western countries. This firm is often ranked number one in volume in Australia, Germany, and the United Kingdom. At the corporate level—Hardy's brand portfolio in general—the targeted group is people who like diversity of grapes because most of Hardy's wines are blended.

Hardy's has a large range of products: more than 60 kinds. The promotion and advertising campaigns are quite global: ads on TV, press, e-business, and sponsoring of important events. A very Australian design has been chosen for the packaging. On average, prices of Hardy's brands are about US\$10–15. Stamp of Australia is frequently US\$13, which is a little above the average of Australian wines. In 2013, Hardy's launched a huge marketing campaign named "Five Generations of Devotion" for the 160th anniversary of the firm. The company invested US\$2.6 billion for five ads that have been seen in the 200 largest cities around the world. It may be one of the most expensive campaigns ever done in the wine industry. The brand also uses social networks. The messages intend to show that Australian wines are different from Californian and French wines, especially the Chardonnay.

Wine brands have a more ephemeral image than appellations. Hardy's sets up events every 10 years to recall the longevity of its brands. Parties, dinners, and feast are organized and advertised with opinion leaders and experts but also people from sports and the media.

The website of the brand is not very innovative but it is not so easy to find any specific elements. Indeed, the long history of the company and its owners, brand portfolios, grape varieties, winemaking techniques, food to be associated can be found, similar to most of the international brands in the world.

In terms of distribution and sales forces management, it is important to know that Hardy's wines is part of Accolade wines. According to the database MarketLine Advantage this company is "the largest wine company by volume in the UK and Australia, with a portfolio ranging from the historic Hardy's (the number one Australian wine brand in the UK and a significant wine brand in mainland Europe), through to 'Kumala,' the UK's number two South African wine brand."

The UK portfolio includes Echo Falls, the third largest wine brand in the United Kingdom. The portfolio also includes other premium branded wines and a wine fusion portfolio including Stone's Ginger Wine, Stone's Ginger Joe alcoholic ginger beer, and Babycham perry. The US portfolio includes Californian brands Geyser Peak, Atlas Peak, and XYZin, drawing on the respected Sonoma. The Australian portfolio includes Hardy's (the 175-year-old Houghton label), Banrock Station, Omni, Goundrey, Brookland Valley, Berri Estates, Stanley, Amberley, Moondah Brook, Leasingham, Tintara, the Tasmanian label Bay of Fires, as well as sparkling wine brands House of Arras and Yarra Burn.

9.10.3 Suggestion for Differentiation

There are 1600 people who work in Accolade Wines to produce wines and, above all, implement international marketing policies. This group has a very large and diversified portfolio, maybe one of the largest in this industry, similar to Constellation Brands of E. J. Gallo in the United States. With such a strong international group, economies of scale enable a global retail approach and effective negotiations with powerful actors such as Tesco in the United Kingdom. This confirms the mass market positioning of Stamp of Australia and, more generally, the Hardy's portfolio.

Some strengths are the company's wide range of wine for all kinds of expectations, the ability to transform local products into international brands for the "average consumer" who shops at hypermarkets and supermarkets, and strong financial resources to set up powerful advertising campaigns. But with 66 different types of wines, this brand could be confusing for some consumers. How are the unique mission and vision of the Hardy's business model really accomplished? Another point of concern is the price position. Is the consumer able to evaluate the quality-for-price ratio of the company in general and Stamp of Australia in particular?

For some, most of the Hardy's wines belong to the easy-to-drink market, which is competitive. Once again, thanks to economy of scales for promotion and distribution, the bottom line of the income statement of the company seems strong. But what about the individual margin of contribution—direct margin—supplied by

each brand? We have not been able to divine information about volumes, turnover, and operation margin for Stamp of Australia itself to answer to this question.

It would be good to narrow the targeted market promotion group to young adults ages 21–28 to introduce Hardy's to newcomers and also to position Hardy's Stamp Australia Shiraz as one of the main products. These young adults are starting their careers and might not have knowledge and expertise about wine so this would be a good fit. Stamp of Australia wines should be positioned as a beginning product that is affordable and easy to drink. The target market is also at a stage in which PR, events, and promotions offer a too-narrow target in emerging countries and those without any wine culture, as is most often the case in Asia, which could be interested in this international brand. These new consumers would be motivated to consume products that could help boost their social image. Indeed, Hardy's brand image is well regarded internationally. Stamp of Australia could benefit from this reputation.

Did we talk about the Stamp of Australia, Hardy's marketing of Accolades wines business model? It is difficult to separate the topics. And this is maybe one of the main strengths of the Australian viticulture when branding its production.

9.11 Ruffino Lumina, Italy

With the participation of Maxime Lillet, Lo Shu Yan, and Matsumoto Aya.

9.11.1 Brand Identification

Ruffino Lumina is an Italian white wine produced by the Ruffino Company, founded by Llarío and Leopoldo Ruffino in 1877. The vineyards are based in Tuscany, an iconic wine region in Italy. According to the product information, this Italian white wine offers golden apple, honeyed pear, and citrus notes, along with a pleasant touch of minerality. Medium-bodied, lively, and clean, this is a well-balanced wine with crisp acidity and a satisfying finish. Pinot Grigio, the only varietal in Ruffino Lumina, is best grown in the Delle Venezie IGT region, specifically Veneto and Friuli-Venezia Giulia. It is located in northeastern Italy, with the Alps and mountains in the north and the Adriatic Sea in the south, which contribute to a perfect weather for grapes. Grapes like direct sunlight with nighttime cool breezes from the Adriatic. The very warm days and cold nights help maintain a balance between acidity and sugar levels, as well as enable the grape to have a long and slow growing season. The soil in Delle Venezie IGT is rich in calcium and sandstone, which nurtures good-quality grapes.

These carefully selected grapes are harvested between the end of August and the first half of September. They are destemmed, crushed, and lightly pressed. Fermentation takes place at 16 °C in stainless steel approximately for a week. Afterward, it rests in other stainless steel vats until bottling. A bottle of Lumina contains on average 12 % alcohol.

9.11.2 Apparent Marketing Policy

White wines, unlike sparkling or red wines, are mostly consumed with meals because their refreshing taste makes them a perfect match with different cuisines. White wine acidity is reduced by slightly salty or sweet dishes and can be drunk with cheese; they also can be used as a dessert wine. Therefore, Lumina seems to be adapted to consumers that drink light wine for specific occasions, such as for family events. Ruffino's Facebook page shows that Lumina is quite attractive to young women probably because of its light texture.

Despite the two identified segments (families and women), Lumina's markets are divided into local and export, but the segments most likely remain the same around the world. In Italy, many families consider wine to be a key component of the main meal of the day. This sector makes a large contribution to the sales of white wines. Even though Italy has experienced an economic downturn in recent years, families still consider wine to be an integral part of their meals, but they are now paying more attention to the quality.

The type on the label is mainly gold and navy blue, which is in harmony with the golden screw cap on the ordinary wine bottle. The label's quarter-moon, representing the ancient alchemist's symbol for the satellite of the earth, echoes the meaning of Lumina ("illumination of the moon" in Italian), which hopes to bring attention to the importance of moonlight during a grapevine's life.

The price is coherent with its apparent positioning at 7–8€ most of time, depending on the channel of distribution.

Ruffino also produces a wide range of red and white wines, the majority of which is exported to North America and Europe as part of the Constellation Brand portfolio. This explains why Ruffino's largest market is the United States, where it is recognized as one of the leading Chianti brands. Similar to many other brands Ruffino participates in various professional events and wine exhibitions.

9.11.3 Suggestions for Differentiation

When Constellation Brand announced its purchase of the remaining 50.1 % of Ruffino's capital in 2011 for approximately US\$69 million, the firm explained that the wines continue to be produced on 600 ha in Tuscany, close to Florence. 130 employees are working there but are now employed by the American giant. This iconic wine now makes part of a portfolio where other icons can be found, like Robert Mondavi, from USA. The Italian manager Adolfo Folonari remained at the head of the Ruffino Department and expressed its opinion about this acquisition: "I am confident that Constellation will leverage its global best practices to take Ruffino brand to an entirely new level, while carefully preserving the heritage of the wines." As Ruffino annual production is at around 1.3 million cases, the project was to entrust 50 % of this sales to Constellation Brands in the US market.

Is the goal of this acquisition strategic or financial? It seems that buying Ruffino represented an opportunity of differentiation for Constellation and a diversification

on an *Italian touch*: communicating about Italian entrepreneurs, insisting on the distinctive qualities of Pinot Grigio, illustrating the image of Tuscany as the most iconic wine region of Italy, and strengthening Italian products for the US market where Italian cuisine seems to be so successful.

Some similarities with the case “Stamp of Australia”, included in the Hardy’s Group can be found: a vineyard, a brand, a local winery, a region and finally an international group as parent company make part of this story. Is it not too complex for the actors, and especially for the wine markers? Is it not too confusing for the consumer? For some connoisseurs the question of maintaining of the identity has to be evocated in such a circumstance. Is it possible to maintain the same tradition on wine growing and wine making when a winery or a brand has to accept international ratio that do not make part of its usual balance scorecard?

We know that this needs time. And we know also that long-term approaches are not always the usual practices in the New World where ephemeral brands have to prove their profitability during a very reduce product life cycle. Differentiating Ruffino will be possible if Constellation managers take time to care about the local habits and do not apply in a standardized way a kind of governance that maybe works in California, but not in Tuscany.

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Part III

Conclusion

Is the successful positioning of a brand or appellation really possible outside the context of elite wines and international brands? After this general overview the answer is clearly “yes” even if this opinion is not so obvious and presents several dimensions.

10.1 Positioning: Defined or Perceived?

To present the various facets, we have deliberately chosen not to give voice to experts but to anonymous reviewers. Most of time our analysis of the positioning of wine brands and appellations comes from observations of young consumers who may become amateurs or connoisseurs or who may end up consuming wine only occasionally.

The selection of case studies is not what experts would have chosen. Indeed, these experts would probably have chosen more radical positioned cases. This is also true for the method we employed. Indeed, marketing theories and common sense teach that it is better to give the floor first to the market and the final consumer and not to industry players. In other words, it is more interesting and useful to discuss the effects of the perception of a positioning and not one forecasted by actors in the wine industry. That is the reason why the second part of this book focused on perceptions of young people who soon will be in the heart of the market and will remain so for the next 30 years. They will remember their first impressions, which will influence their experiences and future choices.

New devices such as smartphones will help them form their opinion, enabling them autonomously to acquire two types of immediate knowledge: (1) the characteristics of products, components, styles, and food matching and (2) opportunities to meet directly—albeit virtually—winemakers or retailers via evocative or technical short videos and online discussions. Other ways to distinguish particular wines will appear then, including the personality of the winemaker and the winegrower and also marketing choices of the retailers.

10.2 The Issue of Proximity

Behind all brands and appellations we always find the personalities of the men and women who make the wine. This theme is particularly highlighted by Jonathan Nossiter in his book *Le Goût du pouvoir* (Grasset Edition, 2007): “In a terroir the winemaker finds a singularly concrete expression of inheritance and transmission problems. (...) How [to] affirm our identity, our individuality without falling into a disastrous and destructive narcissism? (...) A ‘terroir wine’ is an act of love toward one’s background and the person to whom the expression of this work is intended” (p. 97).

Terroir has been likened to old-fashioned nationalism. It appears to be resistant to the values of progress that international markets are supposed to create. But today standardization of products and behaviors has created a globalized conformism. The mass market calibrates effects, perceptions, and opinions—and with it some wine brands that seek to please the public at any cost.

An ancestral type of friendship can develop between the amateur wine drinker and the producer. Unfortunately for most of us, this is not possible and anonymity remains the rule. That is why for some, despite its relevance, the Nossiter’s posture can result in a form of elitism: amateurs whose affinities and relationships in the world of wine allow more relevant and personal choices.

Territory, roots, long-standing relationships, aesthetics allowed by proximity . . . all these factors support a local connection. However, market reality shows that about 60–80% of wine bottles are purchased anonymously, away from the land of production and far from the winemaker’s culture. So, is this the end of the territories?

10.3 The Future Positioning of Products

Globalization of the wine industry has extended terroir distances, and for a wine producer it is more difficult to express and explain one’s positioning to the end user, especially when the producer and consumer are not from the same culture. So often the mission of marketing teams consists of positioning a product and finding a place on the shelves of the “great bazaar of globalization”. Most of the time, marketers do their work with promotional budgets, strategic price fixing via benchmark approaches, aggressive ads, flashy labels, or packaging innovations. Does this mean that positioning a wine consists of first using extrinsic elements?

Indeed, several managers of international groups think that the alternative to the lack of proximity is wine branding. Do we need brands? The French market, one the largest in the world, has no real powerful wine brands. French consumers seem to be more confident of châteaux and appellations. But the utility of a wine brand is not a question for French consumers only.

What would happen if wines were marketed without any emphasis on source location or brand name? To attempt an answer, we have to remember the four main stages of maturation in the wine industry. First, producers dominated: products were positioned by their origin, their appellation. Then the sector became an industry: merchants and industrial groups fixed and fortified their positions thanks

to strong brands. Third, supermarkets took over, reducing supply and offering their own brands. They picked up the most important share of the added value. For that, they chose aggressive price positioning, such as three-for-two price promotions. This initiative concerns often mono-varietal wines, especially in the New World, far from any expression of local identity. Fourth is e-business, which will restore power to the consumer and allow direct contact with the winemaker. The interrupted dialogue between the producer and the consumer could restart and standardization would not be mandatory. The concept of positioning could then regain its meaning, provided that actors know how to formulate their products in a comprehensive manner and that consumers are motivated to get involved in the purchase.

10.4 Four Positioning Approaches

Four criteria can summarize the basics of wine positioning. These criteria can be placed at the extremities of two perpendicular axes. On one side of the horizontal axis is the winemaker who, in practice, makes the wine through the choice of vineyards, vineyard management, blending, and all winemaking techniques; on the other side is the brand, which focuses instead on the extrinsic value of the product.

On the vertical axis we juxtapose location and grape varieties. This division is observed often in market surveys: consumers reason that territories have a loyalty that comes from a geographical or cultural proximity. Consumers position wines according to grape varieties and are confident in the fact that this Pinot Noir or Merlot gives it a distinctive sign without any consideration of its origin. Figure 10.1 shows the four expectations for positioning.

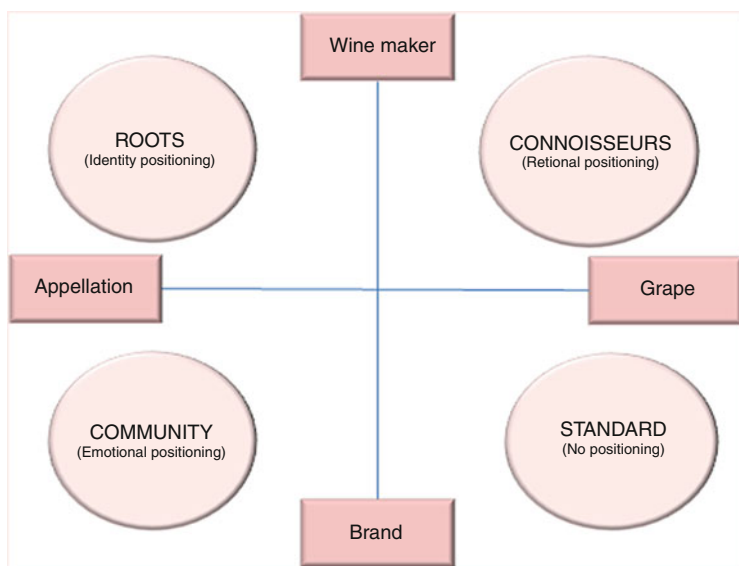


Fig. 10.1 Four positioning expectations

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- *Community*. Mixing brand and territory, this group positions products according to their origin and the ability of the soil to provide a simple, credible message. These consumers are sensitive to the techniques of brand community whose aim it to develop a sense of belonging to the group. We call it *emotional positioning*.
 - *Roots*. These consumers know the specificities of the territory, its soil, its climate, its geography, and techniques used locally by winegrowers who maintain the vines and produce their wine. Sometimes these consumers have direct contact with the winegrowers. This positioning is particularly relevant for markets that are close to production sites, such as the Mediterranean region but also Californian wineries and more generally vineyards close to all major cities in the world. We call this in-depth *identity positioning*.
 - *Connoisseurs*. These group members also position products in their own way. At the highest level, can easily imagine that someday wine labels will highlight the name of the winemaker and not the brand, the appellation, the château, or the merchant. This *rational positioning* is based on a high level of knowledge and involvement by the consumer.
 - *Standard*. Finally let's leave room for all those who do not expect much from the actual suppliers but wish instead for constant tastes and sensations and therefore present a position of *no positioning*. These consumers want little involvement in the purchasing act so the concept of positioning is not that relevant.

10.5 Expression du Terroir

In this book we think it is more efficient to discuss positioning through the consumer's perception rather than the producers' vision, even if we know that this is a great debate. Let's remember that good positioning is measured by six criteria: simple, attractive, profitable, different, perennial, and credible. With this in mind, truly organic or sustainable wines that respect their environment will have the best chance of being well positioned in the public's mind for emotional and rational reasons. These wines will also express the best identity of their terroir. Given climatic constraints and consumer expectations, offering tasty, healthy, and fairly grown wines is probably the best guarantee for an efficient positioning.

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