

Challenges in the wine industry



The record for growth of wine industry and nature of product shows that country of origin plays an effective role in this industry. It's due to its association with European culture from past many centuries. Wine is comes under alcohol category and there has been dramatic transformation on international level. By analysing Porter five forces[1], we find that all five quadrants are posing as major forces for growth (Porter, 2004). These resultant dynamic changes are transforming traditionally used wine marketing strategies to a newly adopted strategic control global marketing. The case study of marketing Château Margaux indicates to adopt similar modern marketing strategy be competitive in wine industry.

Challenges in Wine Industry (For Corinne Mentzelopoulos):

Basically, changes in five aspects have an impact on wine industry. These characteristics are modernization in consumption pattern; diversification in purchasing behaviour; variation in distribution; industry transformation; governmental rules and regulations (Spawton, 1990). These issues are further analysed with their implication on marketing of Château Margaux.

2. 1 Modernization in consumption pattern:

The studies of Spawton (1990) on world alcohol consumption pattern the from 1960 to 1980 shows decline in the total volume of alcohol consumed with homogenous per capita consumption in all countries[2](Brewers Association of Canada, 2007).

2. 2 Diversification in purchasing behaviour:

Consumer purchasing behaviour world wide are changing with new technological developments, comprehensive branding mechanism and access to different flavours available worldwide in retail supermarkets. Purchasing behaviour is subject to changes in culture, social class, reference groups, personal and psychological status on consumers (Kotler, 1997). The trend of buying quality products rather than bulk has given rise to strategy of branding resulting in increased value, trust and profits for companies[3].

2.3 Variation in distribution:

Product distribution structure of a company has an important function which includes middlemen whose activities and functions are important for product development. Differences in traditional distribution channels of selling in open markets have been transformed to direct supply to retail stores and supermarkets (Cateora and Graham, 2005; Kotler, 1997; Quelch and Bartlett, 1999). With increasing concentration of wine industry across globe led to concentration of distribution segments into the hands of few established wine traders dominating the industry. Increasingly this has led to concentration of few premium brands in established retail stores and supermarkets. The retail and wholesale market concentrates on stocking of volume brands, premium brands are stocked to limited quantity and increasing cost of distribution makes it much more difficult of premium brands to survive in market (Spawton, 1990). This poses challenges before premium brand like Chateau Bordeaux to establish distribution channels. They find better to hide behind wine merchants and concentrate on core quality of wine.

2. 4 Industry transformation:

The concentration and formation of alliance with spirit industry players as well as acquisition and joint ventures in wine industry has led to consolidation in wine industry and are moving towards global marketing[4]. The competitive push to be a favoured supplier has led alcoholic beverage companies to match the standards and conditions of retailer and distributors. Although characteristic of world wine industry is changing, no changes are noticed in Bordeaux wine industry (Landon and Smith, 1997).

2. 5 Government rules and regulations:

The inclusion of wine in an alcohol category has been a target for anti-alcohol lobby resulting in high taxation level similar to beer and spirits. Taxation levels are expected to be reconsidered and levied on the basis of alcohol content in drinks (Spawton, 1990).

Chateau Margaux: Marketing Implication

The major forces discussed have pushed wine industry to take a serious note on strategic marketing of products. By analysing case, it is evidential that wine market is categorised into premium segment recognised by fine neatly labelled bottle wines and beverage industry recognised by mass productions of wines similar to beers, spirits (Spawton, 1990). The differences are summarised in exhibit 2. Some special attention needs to be rendered:

3. 1 Branding:

Château Margaux has long been a connoisseurs brand in North American and Western Europe market for its sublime quality and heritage – A Wabi Sabi

brand (Berthon et. al., 2009) . Wine industry has defiant towards branding and protect quality wines and underestimated the global advantages of branding. Wine branding can be used to leverage on distribution of lesser known brands irrespective of volume or quota (Spawton, 1990).

3. 2 Packaging:

Product packaging plays an important role in buying behaviour of consumers. But “ Laws of Vine and Wine” play a major role in labelling on wine bottles. So it is difficult for any changes in packaging of wines.

3. 3 Product:

In past, research and development in wine industry has been carried out only in vineyards but with technological developments more efficient wineries can be established. Chateau Margaux should concentrate future brand enhancement from the consumer viewpoint. It has tough competition from beer and spirits marketers and to keep its market consumption, it has to more consumers driven and but brand extension in lower priced wines will diminish its quality and brand recognition. For this innovative wine making techniques needs to adopted for making special appeal in niche segment.

3. 4 Distribution:

Chateau Margaux should follow focus differentiation strategy by concentrating to premium class segments across the world. Innovation in distribution can gain competitive advantage for future sales growth. Such as use of internet technology for ordering wines on quota basis for a particular region. Distribution channels to retain fine wines and maintaining scarcity

techniques to create rise in price. Future marketing techniques could be special product pricing[5], availability in limited quantities and with recognised exclusive retailers across different markets.

Role of Robert Parker:

Robert Parker[6]acts as an influencer for consumer buying behaviour. Kotler (1997) has analysed the role of personal influencer on other's attitude or purchase probability. Late adopters are much influenced by knowledgeable individual in industry.

Learning for International Business:

The evolution of Wine marketing has been a new phenomenon and should be tackled differently due to effective role played by nature and country of origin effect. In order to wine industry to prosper, it has to mix marketing with its production techniques since it is an industry where vintage are costlier than new products.