

1986-2016: Are we still playing the same (marketing) song?

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Wine marketing - what has changed in 30 years and what should wineries aim for in the next 30?

“...marketing is not merely a sales push once the wine has been made, but part of an overall attitude to getting the best product to suit current tastes of consumers...”

This is what Seppelt fine wines manager Brian Miller wrote exactly 30 years ago in an article published in the *Australian Wine Industry Journal*, as this publication was then known, about the role of wine marketing. Now that three decades have gone by, we thought it would be nice to ask ourselves what has changed about our knowledge of wine marketing and what principles we believe should be guiding wine stakeholders at all levels of the supply chain.

The first consideration we would like to share is that the basic principles of marketing have not changed much. We still have two main schools of thoughts (Kotler versus Ehrenberg), whose fundamental principles – the ‘roots’ – are still taught by the believers of each school. The differences between these approaches would take a much longer essay to discuss, but the key ones are illustrated in Table 1.

In particular, if you, like us, believe the Ehrenberg model, you should be aware of the fact that buying things does not cognitively engage people. Indeed, people tend to:

- base their purchases on past learned behaviour
- purchase several brands in a category over time, even though they usually have ‘favourite’ brands
- use ‘rules of thumb’ to make decisions rather than deep comparative thinking

- are influenced slightly to change behaviour and buy different brands through the weak force of advertising and other communications.

Interestingly enough, while Ehrenberg’s principles all derive from the observation and analysis of actual purchase data, the Kotler’s model is based on theories, which often contradict sales. This tells us something about a die-hard attitude in the marketing discipline, that is the diffidence towards a scientific approach to marketing. We use science in virtually all aspects of wine production, from viticulture to oenology, from microbiology to supply chain management, but, somehow, when it comes to marketing, science doesn’t seem to be required for many wineries. “We know better,” we often hear marketing managers say.

The third consideration is that we expanded our knowledge about the ‘branches’, the ‘corollaries’ of the fundamental marketing principles. For example, in the last 30 years we have learnt more about:

PURCHASE BEHAVIOUR AND LOYALTY PATTERNS

Most buyers of consumer goods, including wine and other complex categories, learn by doing. They try different products based on their family, their friends, various communications from producers, and finding them on the shelf, wine list or website. Typically, their (purchase) behaviour precedes their attitude toward a product. We tend to try things based on prompts like those listed above and then decide whether we like it and would buy it again. Loyalty is really just repurchasing; it doesn’t have much

of a cognitive basis, and most people buy multiple brands in any single category. In wine, high involvement consumers buy a wider range of wines than low involvement ones.

CONSUMER BEHAVIOUR IN DIFFERENT PURCHASING SITUATIONS

The same consumer buys different wines for different occasions, which is why it is difficult to segment consumers. More important and more formal consumption situations require more scrutiny of the wine purchased. So, buyers move up in price for these occasions, but their starting point is their ‘normal’ purchase. If the normal purchase is a \$10-12 bottle, then the special occasion might be \$18-20 bottle. If regular purchasing is around \$15-20, then the special occasion price might move to \$25-30. Of course, higher involvement buyers and very special occasions can result in purchases at much higher price points, but the evidence is that the same factors, including learned behaviour, influence these purchases too.

EFFECTS AND CHARACTERISTICS OF PACKAGING

About 80 percent of all wine is purchased through retail stores or online. The packaging is the main identification in these circumstances. Wine producers need to create packaging that is distinctive but still fits with the price point and character of their wines. There should be identifiable colours, logos, brand names and fonts. Most wine purchase decision are made in about 40 seconds, so there is little time for consumers to think about their choices or read back labels. High involvement consumers will

Table 1. The Kotler model vs. the Ehrenberg model.

Kotler Model	Attitudes drive behaviour	Brand loyals and switchers	Deeply committed buyers	Involvement	Rational involved viewers
Ehrenberg Model	Behaviour drives attitude	Loyal switchers	Cognitive misers	Heuristics	Emotional distracted viewers



An article on wine marketing from the first issue of the Australian Wine Industry Journal, May, 1986.

use more information on the package, including cues like the region of origin and the vintage. These should be in large enough print to be seen on the shelf. Packaging should only be changed if it is clear that this is causing poor sales, otherwise consumers who have purchased previously will find it hard to identify the new packaging.

EFFECT OF PRICING/PROMOTIONS

In the wine category consumers view prices as indications of quality. Higher involved consumers, who use more information to make purchase decisions, are often willing to pay lower prices for a wine they consider a bargain, and higher prices for a wine they prize, compared with low involvement consumers. Price discounting lowers the expectation of quality and, over time, sets a lower standard for the wine. At the same time, price discounts usually promote stocking up by already existing customers and fail to engage very many new customers. Retailers push wine producers to offer discounts, but the evidence shows wineries are better off to avoid discounting whenever possible.

ATTITUDES AND PERCEPTIONS TOWARDS ORGANIC/SUSTAINABLE WINES

There is a small segment of consumers who actively seek out organic, biodynamic, and sustainably made wines and are willing to pay a slight premium to buy

them. Some countries, like Germany and regions like Scandinavia, have slightly larger segments than markets like Australia, the US, the UK, and China. Most consumers already view wine as a natural product and don't respond to information touting the special production methods.

ROLE OF REGIONALITY

In the New World, grape variety and brand name are the key drivers of purchase for wines under \$15. Above this point, a well-known region can enhance the probability of sale. In the Old World, of course, wines are identified by region and not grape variety. For small wineries, it is often more effective to work together with others in the region to build the identity and quality perceptions associated with the region, than to focus solely on the proprietary brand name. Research shows that building a region and grape variety specialisation is paramount to creating a strong regional identity for all wines produced in the area.

ROLE OF SOCIAL MEDIA

Social media offers another channel to create awareness and link to buyers (consumers and trade). However, research shows it cannot operate well without attention paid to all aspects of communication. Social media is good at reminding existing consumers about the winery, but it is not very good at finding new buyers who have never tried the brand. Social media also takes a regular and programmed time commitment to use it to advantage.

RELATIONSHIP BETWEEN MARKETING AND SENSORY SCIENCE

Many winemakers consider the sensory aspects of their wine to be paramount. Research shows consumers' purchase decisions are based more on the packaging and price than on the characteristics of the wine. Most cannot distinguish top wines from average wines without prices and labels. This does not mean winemakers need to ignore quality, far from it actually. However, show medals, wine scores, and recommendations are important cues consumers use in their purchasing to verify quality.

ROLE OF DIRECT SALES

It is not a secret that wineries producing less than 20,000 cases should

be trying to sell as much of their wine directly as possible. Cellar door visitations are generally perceived as very positive, and end up with three out of four visitors spending an average of \$90 on wine and non-wine items. More importantly, cellar door visitations are critical for future repurchase, with approximately 50% of those who visit cellar doors likely to buy wines again in the following three months.

WINE AND SOCIETY

Thirty years ago we were at the dawn of the golden era of wine, which changed from being a beverage to a status symbol. We are now witnessing the same dynamics applying to craft beers. We should, however, work to prevent wine ending up with the same media meat-grinder, which sees alcohol as the source of all the problems of mankind. Studies are actually showing the opposite, if we only read and communicate the results properly.

Now that we have shed some light about what happened in the last 30 years, what should we aim for in the next 30 years?

EMBRACE THE IDEA OF MARKETING AS A SCIENCE, AND NOT JUST AS AN ACT OF CREATIVITY BASED ON UNVERIFIED ASSUMPTIONS

How many discoveries have been made in virtually every area of wine production, from vineyard management to bottling, from oenology to sensory analysis? All these little bricks of knowledge allow us to make better wines than we used to 30 years ago. And, more often than not, this advancement in technical knowledge has been the result of multiple studies conducted under various conditions and repeated several times to ensure the results were valid and reliable. Why shouldn't it be the case when it comes to marketing? Would a winemaker change yeast strains from one day to the next, simply because of 'gut feeling'? Would a grapegrower plant new vines, and then not care about the way they are growing? If you have answered 'no' to these questions, then, by the same token, why would you change wine labels so easily? Why would you send your wines to a foreign market, and then not care where and how they are sold? Marketing is (must be) scientific, so, work with marketing advisors who can give you a scientific reason for why you should engage in certain marketing activities. ▶

AIM FOR A HOLISTIC UNDERSTANDING OF THE BUSINESS OF WINE

The majority of marketing studies have looked at only one group of stakeholders at a time – consumers, retailers, distributors, communicators, producers, etc. This was a necessary step to build the foundation of marketing knowledge, but it is now time to move beyond this ‘silo’ approach. We need to be brave enough to explore a more holistic and simultaneous understanding of the needs and wants of the various stakeholders, to generate that minimum common denominator of factors, which will ultimately lead to brand growth.

IMPROVE OUR KNOWLEDGE ABOUT THE DYNAMICS LEADING TO THE PRODUCTION AND COMMERCIALISATION OF PREMIUM WINES

As hard as it might be to accept it, the world is demanding better wines, not more wines, so, unless something changes so dramatically that is beyond any forecast we have seen so far, we should really focus on understanding how to improve the image of Australian wines both domestically and internationally,

and convince customers to pay a higher premium for our wines. The good news is that extant literature suggests that the same underlying principles governing brand growth for regular products also apply in the premium space. This is good as it means we are not starting from zero. The bad news is to convince stakeholders that this is actually the case. We have all been brought up with a very romantic, and somehow poetic vision that premium wines don’t fight the same battles regular wines have to face to land on a supermarket or wine shop shelf. Are we ready to accept that there are similarities in the way we market premium wines to the way we market fast-moving-consumer-goods wines? If we do, then the results might be that premium wines are indeed different, but we would then know it based on scientific findings, not intuition.

INCREASE AND IMPROVE THE INTERACTION BETWEEN WINERIES AND CONSUMERS IN THE DIGITAL SPACE

In the beginning, webpages were essentially a space for uploading information about the story and

characteristics of a winery. Online sales closely followed, making it easier but not necessarily cheaper for consumers to buy wines. We are now in the third era of the digital revolution, where the internet should be embraced as space where wineries can interact more directly with customers. Each winery can transform its digital platforms into a 24/7 front desk, which can be visited by every person around the world connected to the internet. This may be the most relevant marketing innovation we have ever witnessed, as it will allow even the smallest winery with appropriate and well-designed digital platforms to potentially reach the same number of customers as large corporations. Reach helps penetration, which is the base of brand growth.

It will be fun, and utterly scary, to read this article in 30 years time, and see how much of what we have written actually happened. In the meanwhile, we have stored the file in a time capsule, and uploaded to the cloud.

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