



MARKETING STRATEGY

Company X Entering the Australian Wine Market

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ABSTRACT

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The main objective of this thesis was to identify which marketing strategy is most effective for wine producing companies to enter and compete on the Australian wine market with excessive supply and diminishing demand. The purpose of the thesis was to create a marketing strategy for the commissioner, a case company, referred to as Company X for confidential reasons.

Secondary research, predominantly based on marketing literature and governmental statistics, was conducted to create the theoretical framework. It was also used in the empirical part of the thesis, mainly in analyses related to the external environment. Primary research was conducted in two forms: an interview with the director of the case company and a customer survey conducted by external researchers.

The theoretical framework was synthesised from various concepts related to marketing strategy and designed to be potentially usable for companies operating in different industries globally. The synthesis resulted in a structure of the theoretical framework that contains three main parts: core strategy establishment, competitive positioning and the marketing mix.

The marketing strategy for Company X was created in accordance with the theoretical framework. The core strategy was selected based on internal, external and SWOT analyses of the company. The positioning was established based on analyses of the target segment and competitors identified by customers that belong to that segment. Finally, the marketing mix was built on the outcome of the chosen core strategy and positioning. This particular sequence of actions was chosen to ensure relevance for any company that operates in the Australian wine industry.

The commissioner was extremely satisfied with the outcome and is planning to implement the proposed marketing strategy in the nearest future.

Key words: marketing strategy, market entry, core strategy, competitive positioning, Australian wine industry

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1 INTRODUCTION

1.1 Background of the research problem

1.1.1 Australian wine industry

The Australian wine industry's success was fairly significant from 1991 until 2007. The industry has more than tripled in size from under 400 million to 1.2 billion litres. Its total revenue is estimated to be of A\$ 5 billion in 2007. Throughout these years the industry had built a globally admirable reputation for producing high quality wines and established itself as a strong exporter in international markets. (Kansil & Roberts 2013.)

As a result of a major increase in international demand, combined with generous government incentives, vineyard plantings and wine production had become excessive (Foundation for Alcohol Research... 2013). However, from 2007 onwards, the profitability of the Australian wine industry had significantly declined, leading to a sharp decrease in export returns and domestic margins, ultimately resulting in an over-supply and under-demand of grapes and wine in certain quality segments. (Kansil & Roberts 2013.)

1.1.2 Case Company X

Company X owns a vineyard in the Mudgee region of New South Wales (NSW), Australia that is just over 200 hectares wide. The land, previously a farm that planted wheat and other crops, was bought in 1997. After removing the sheds, rocks and dams, a pipeline from the nearby river was constructed for the purpose of irrigating the vines. The grapes were first planted in 1998. Ever since then, the company has been producing premium organic grapes, most of which are sold under contract to large wine companies, and only a small percentage of the grapes produced are retained to make own wine.

Like many other Australian grape producers and winemakers, the company faced the problem of under-demand and had to diversify into production of cherries to stay in operation. The diversification resulted in a substantial cost bearing as the company had to replace the existing vineyard plantings with cherry orchards.

Although the outcome of the diversification was positive in general, the wine production still has to be made profitable to generate return on the invested capital. At present, *Company X* is attempting to shift the focus from selling its grapes to producing and selling own wine. This has been attempted before, but the results were unpromising in light of fierce competition.

Being a student of international business management with a background in marketing who collaborated with *Company X* during my practical training in Australia, I proposed creating a marketing strategy that is aimed at helping the company to enter the Australian wine market and secure a decent market share. My proposal was accepted and *Company X* became the commissioner of my thesis.

1.2 Research objectives

As agreed with the commissioner, the main objective of the research is to answer the research question:

“Which marketing strategy is most effective for entering and competing on the Australian wine market with excessive supply and diminishing demand?”

The answer to the main research question will be used as a base for creation of a marketing strategy that is expected to create a competitive advantage and allow the company to successfully establish itself on the market upon implementation. In order to answer the main research question, several sub-questions will be answered first:

1. Which core strategy is most appropriate for *Company X*?
2. Which competitive positioning in the wine market of Australia is most suitable for the company?
3. In accordance with the competitive positioning, what marketing mix will create a competitive advantage for the company?

1.3 Research scope

For the purpose of this thesis, the framework does not cover any financial aspects of the marketing strategy. It also excludes the parts related to organisation and control of the marketing effort, and is limited to the development of the marketing mix that is required to achieve the planned positioning in the implementation stage.

The theoretical framework is designed to be potentially usable for companies operating in different industries globally; the empirical framework on the other hand is tailored to companies that operate in the Australian wine industry.

2 RESEARCH METHODOLOGY

The research strategy of the thesis is predominantly in the form of a case study as the focus is quite specific.

2.1 Data collection

In theory, data can be collected through 2 types of research based on the approach:

1. **Qualitative** research – unstructured or partially structured approach that encourages respondents to express their real feelings and explain why they behave in the way they do. Qualitative research answers the “why?” questions.
2. **Quantitative** research – mostly structured approach that is used to collect information that can be expressed in numbers. Quantitative research answers the “what?” and “how?” questions. (Hooley, et al. 2008, 102 – 104; Blythe 2012, 103 – 113.)

Both approaches have advantages and disadvantages; the choice heavily depends on the company’ situation and the nature of information it requires. Detailed comparison of qualitative and quantitative approaches can be found in table 1.

TABLE 1. Comparison of qualitative and quantitative research. Adapted from Hair, Bush and Ortinau (2009, 153).

	Qualitative Research	Quantitative Research
Goals / objectives	Discovery of new ideas or thoughts; preliminary understanding of ideas or objects	Validation of facts, relationships and estimates
Type of research	Exploratory	Descriptive and causal
Type of questions	Open-ended, unstructured	Mostly structured
Type of execution	Relatively short time frame	Relatively long time frame
Representativeness	Small samples	Large samples
Type of analysis	Subjective, interpretive	Statistical, descriptive, and causal predictions
Researcher skills	Interpersonal communications, observation, interpretation of text or visual data	Statistical analysis and interpretation of numbers
Generalizability	Limited	Generally very high

In addition, the research can also be divided into another 2 types based on research method:

1. **Primary** research or field research – use of questionnaires, interviews, experiments or tests with consumers. Primary research is used to obtain original or new data.
2. **Secondary** research or desk research – use of information that has already been published in newspapers, journals, government statistics, commercially published market research, the Internet or other similar sources. Secondary research is conducted to obtain secondary data or second-hand data. (Hooley, Piercy & Nicoulaud 2008, 100 – 101; Blythe 2012, 100.)

Experts recommend the use of both primary and secondary types of data in proportion that depends on the company's situation and goals of research. They also state that secondary data, if existent and relevant, is normally cheaper to obtain as it is readily available. (Proctor 2005, 138 – 154, 190 – 209; Brown & Suter 2012, 43 – 81, Kotler & Keller 2012, 122 – 126.)

The theoretical framework of this thesis is constructed through secondary research, mainly with the use of literature written by marketing experts starting from the middle of the twentieth century and ending with recent publications. Secondary sources such as government statistics and commercially published marketing research are also used in the empirical research, mainly in external environment and competitor analyses.

Empirical primary research is conducted in two main forms:

1. Interviews – qualitative

The director of *Company X* was interviewed to obtain qualitative data used for the internal situation analysis. Collected information includes the brief history of the company and its mission, a description of the vineyard, grapes and wine, and detailed assessment of human resources. The interview questionnaire can be found in appendix 1.

2. Survey – quantitative

As the target segment is located in Australia, the initial idea was to conduct the survey online. However, to ensure that the results are more reliable, I decided to hire researchers to conduct the research on my behalf. The commissioner offered professional help and guaranteed a minimum of 100 respondents. To improve the quality of research even further, I arranged collection of additional responses with 5 voluntary research assistants. Although these people are not marketing professionals, they are native speakers who live in Sydney. As all of them are rather social and charismatic by nature, and they all know quite a lot about wine, they were comfortable with assisting me with the research once I provided them with clear instructions and a bit of training. The main concern was related to putting the responses together in an easily readable form. However, the commissioner agreed to collect the raw data from the volunteers and send it to me together with the responses collected by professionals, and the problem was solved. All the arrangements were set before the end of March 2014.

The survey questionnaire consists of 10 questions, 3 of which are general background questions. Only one question: “Which Australian wine brands do you favour most?” was open-ended. The questions were checked by a marketing expert, approved by my supervisor and tested on 5 people who potentially belong to the target segment, with the exception of living in Finland.

No questions related to promotion or buying channels and locations were included in the questionnaire because I find them to be rather complicated, particularly when the survey is conducted by external researchers. Instead, I chose to evaluate these aspects using observation and personal experience in working with wine in Australia and Europe. The finalised questionnaire can be found in appendix 2.

The survey was conducted on the premises of 2 organic food markets between the 10th and 21st of April. A total of 320 responses were collected: 170 from the King’s Cross market located in central Sydney with the help of the volunteers, and 150 from the Double Bay market in an Eastern suburb of Sydney by marketing professionals hired by the commissioner.

Both marketing professionals and volunteer research assistants were instructed to approach any customer that is shopping in the organic food market and ask the questions. As the survey is related to wine consumption, the researchers were told to ask adults only. Apart from this natural exception, no respondents were excluded from the sample as long as they were willing to cooperate

2.2 Data analysis

The combined raw data collected by the commissioner was sent to me in an Excel spreadsheet. I have tabulated and cross-tabulated it using Microsoft Office, analysed the results and created graphs for visual representation. These are used in target segment and competitor analyses and serve as a base for the suggested marketing mix and recommendations. Tabulations can be found in appendix 3, cross-tabulations can be found in appendix 4.

3 THEORETICAL FRAMEWORK

3.1 Marketing strategy

Dibb, Simkin, Pride and Ferrell (2006, 37), quote Day and Wensley (1988, 1 – 20) who defined marketing strategy as the efficient way of using the resources and tactics of a particular company with the goal of achieving its marketing objectives. The marketing strategy specifies which opportunities the company is going to pursue. It focuses on specific markets that are to be targeted, and shapes the competitive advantage that is to be created and exploited. Dwyer and Tanner (2002, 162 – 185) identify marketing strategy as company's resource allocation in line with its opportunities and selection of target markets.

Definitions that are more recent also take the external environment into consideration. Dibb et al. (2006, 35) define marketing strategy as a long-term process that involves planning and decision-making. Its goal is to effectively select and pursue the opportunities in the market, and create a competitive advantage. The process requires knowledge of the external trading environment, the market trends, a good understanding of the company's resources and capabilities, and the ability to create strategies that are appropriate to the target market. Marketing mix programmes should be developed in a way that reflects the conditions of the market, internal characteristics and target market strategies.

Lehmann and Winer (2002, 79 – 81) distinguish three major components of a marketing strategy: target market selection, core strategy establishment and implementation through marketing mix. The first major component is the analysis of targeted market segment or segments. The second component is the basis on which the company competes, its differential advantage or advantages. The final strategy component is the supporting marketing mix that provides an insight into the strategy.

Hooley et al. (2008, 30 – 54) use the same key words in their definition, but give first two parts different priorities:

1. **The establishment of a core strategy.** First part of the process involves defining the business purpose, assessing the options available to a company based on internal and external analyses, and deciding on the strategic focus.
2. **The creation of competitive positioning for a company.** Second part of the process is related to the selection of target markets, which indicates where the company will compete, and to the establishment of a competitive advantage, which indicates how it will compete.
3. **Implementation through marketing effort.** Three main components of the last part of the process being: achievement of positioning through the use of marketing mix, organisation and control of the marketing effort.

The latter option will be used as foundation for the theoretical framework of the thesis as it appears to be more suitable in this particular case. However, in line with other marketing strategy related literature written by other authors, the original sequence of actions or analyses will be altered and modified when appropriate. In addition, the theoretical framework of this thesis excludes the last two parts of the implementation stage and will be limited to tailoring the marketing mix in accordance with competitive positioning.

3.2 Internal situation analysis

The first part of core strategy establishment is related to assessment of the company's internal situation. Although internal and external analyses are equally important, evaluation of the company's possibilities and limitations is the suggested starting point.

3.2.1 Mission

Levitt (1960) designed the two fundamental questions that some companies still ask themselves today to define their mission. Those questions are: "What business are we in?" and "What business do we want to be in?" Over a decade later, Drucker (1974, 74 – 94) expanded the questions posed by Levitt in order to attempt defining the mission more accurately.

His full list consists of the following eight questions:

- What is our business?
- Who is our customer?
- Where is the customer?
- What does he buy?
- What is value to the customer?
- What is price?
- What will our business be?
- What should our business be?

Bart, Bontis and Taggar (2001, 19 – 35) have conducted extensive research and came to a conclusion that a mission statement positively contributes to the overall performance of a company, when it includes decent rationale and organisational alignment, and brings sufficient behavioural change in the desired direction.

Authors that have written about mission formulation more recently also support the importance of defining a company's mission. Dwyer and Tanner (2002, 164) see mission formulation as a logical starting point, without which, a company cannot proceed with strategy creation; while according to Dibb et al. (2006, 41), a clear view of a company's mission and goals is central to market strategy planning. Hooley et al. (2008, 31) further support these points of view by suggesting that defining a mission as a useful starting point in strategy formulation.

Kotler and Keller (2012, 60) quote Drucker's questions and add that a clear and precise mission statement is the key to a shared sense of meaning, direction and pursuit of opportunities within the company.

Based on these opinions that seem to support and complement one another, it is safe to conclude that defining the company's mission is a reasonable way to start the process of marketing strategy creation.

3.2.2 Internal resources

The purpose of this part of the analysis is to identify the resources of a company that can be used to create a sustainable competitive advantage. These may include tangible and intangible assets, competencies and capabilities. Hooley et al. (2008, 144) use the term “advantage creating resources” and define them as resources that contribute to providing value to the customers, are unique to the firm, and are hard for the competitors to imitate. A similar point is made by Kotler and Keller (2006, 24 – 25) who see the resources of a company as core competencies that should be: a source of competitive advantage that contributes to benefits from the customer’s perspective, applicable to a diverse variety of markets, and difficult for competitors to imitate.

Collins and Montgomery (1997) have proposed the use of resource imitability ladder that consists of 4 levels (table 2). This ladder may be used when evaluating the uniqueness of company’s resources and the ease of their imitation by competitors.

TABLE 2. Resource imitability ladder. Adapted from Collis & Montgomery (1997).

Resources that cannot be imitated:	legal copyrights and patents, unique locations, unique physical assets
Resources that are difficult to imitate:	brand reputation, customer loyalty, networks and alliances, corporate culture and employee motivation
Resources that can be imitated at a cost:	physical capacity, plant and machinery
Resources that are easy to imitate:	unskilled workforce, undifferentiated products and services, cash in hand

In addition, Dwyer and Tanner (2002, 166 – 167) suggest analysing the resources of a company by focusing on the value of invested capital and potential outcome of divestment when required.

As there are no contradictions in opinions of these authors and as it is logical to start the assessment of the competitive advantage enabling components early in the process; research on resources is chosen as the second step of the internal situation analysis.

3.2.3 Other aspects of internal situation analysis

As can be seen in the first two parts of the internal situation analysis, different authors agreed on the importance of both mission formulation and resource assessment throughout the last three decades at the least. Although the same conclusions were reached in different ways and phrased using different words, the points made are highly similar. On the other hand, some of the following parts of the internal situation analysis proposed by different authors seem to differ greatly. Kotler and Keller (2006, 28 – 29) follow up with assessment of growth opportunities that includes planning, downsizing and terminating certain units of the company, and continue with an analysis of the corporate culture. Blythe (2012, 42 – 43) also suggests analysing the corporate culture, which from his point of view breaks down to political agendas, formation of pressure groups, rules, hierarchy and traditions. Although the points are valid, they will not be included in this framework as they are too wide and possess too many angles; hence, the internal situation analysis will stop here.

3.3 External environment analysis

Analysing the external environment often results in discovery of many opportunities and identification of possible threats. The external environment can be broken down to two main parts: micro-environment and macro-environment (Hooley et al 2008, 59 – 78; Blythe 2012, 24 – 36; Kotler & Keller 2012, 70 – 71). The micro-environment analysis is essentially derived from the five forces of competition theory by Porter (1980, 3 – 29) which will be covered in detail after.

The macro-environment is said to be ruled by major, broad, competitive or non-controllable forces that are also referred to as trends by the majority of authors including Dwyer and Tanner (2002, 169 – 170), Dibb et al. (2006, 66 – 89) and Wood (2013, 34).

The analysis of social, technological, economic and political forces or trends that affect the activities and performance of an organisation is often referred to as STEP or PEST analyses (Thompson & Martin 2010, 86-88). Other variations like PESTEL analysis also include environmental and legal factors of the external environment. More information on these variations can be found in figure 1.

STEP = PEST in more positive approach.
PESTEL = PEST + Environmental + Legal
PESTELI = PESTEL + Industry analysis
STEEP = PEST + Ethical
SLEPT = PEST + Legal
STEEPLE = PEST + Environmental + Legal + Ethical
STEEPLED = STEEPLE + Demographic
PESTLIED = PEST + Legal + International + Environmental + Demographic
LONGPEST = Local + National + Global factors + PEST

FIGURE 1. Variations of STEP analysis. Source: Strategic Management Insight (2013).

Although different authors describe the external environmental aspects with different words, their opinions are fairly similar and they all agree on their importance and impact. Table 3 shows the agreement or disagreement with the analyses of a particular aspect of the macro-environment by different authors.

TABLE 3. Macro-environmental forces. X represents agreement, whether in exact words or synonyms, O represents disagreement or the lack of acknowledgment of a particular aspect or force.

	Dwyer and Tanner (2002)	Dibb et al. (2006)	Hooley et al. (2011)	Blythe (2012)	Wood (2013)	Solomon et al. (2013)
Economic	X	X	X	X	X	X
Technological	X	X	X	X	X	X
Political-Legal	X	X	X	X	X	X
Cultural	X	O	X	X	X	X
Demographic	X	O	O	X	O	X
Ecological	O	X	X	X	X	X

As can be seen in table 3, the differences in opinions regarding the macro-environment are quite small. Dwyer and Tanner (2002) do not cover the ecological aspect of macro-environmental analysis in their theory, that much can be explained by relatively more stable conditions of the environment twelve years ago. Dibb et al. (2006, 229 – 240) do suggest analysing the cultural and demographic aspects on a lesser scale, but as a part of the customer segmentation process. Same is true for Hooley et al. (2008, 213 – 220) and Wood (2013, 68) who also cover the demographical aspect in the customer segmentation part of their strategies.

Because the information obtained by analysing the cultural and demographic aspects is extremely valuable for the assessment of the market and its customers, and is required at one point or another; all six macro-environmental environments will be analysed.

Economic environment - understanding the economy of the country in which a company operates is vital to the success of a marketing strategy. One of the ways to assess the market potential of a product is to analyse the country's economic health. The most commonly used measure of the country's economic health is the gross domestic product (GDP) – the total value of goods and services produced within the country in a year. (Solomon et al. 2012, 55 – 58.)

Technological environment - changes in technology can transform an industry dramatically. Technology released mobile phones, laptops and the Internet that created new markets and opportunities, such as online shopping. However, it also creates threats as every new technology replaces an older one. (Armstrong, Kotler, Harker & Brennan 2012, 89 – 90.)

Political-Legal environment - a variety of political and legal regulations apply to business and marketing practices. Violating these guidelines can be costly in terms of fines, reputation and time. Companies have to be aware of all relevant political and regulatory trends in every country where they operate and consider how the government may affect their plans and implementation (Wood 2013, 34 – 35.)

Cultural environment - the cultural environment is affected by the society's behaviour, preferences and perceptions. For marketers of consumer products, the trends and characteristics of a population suggest the size of the potential market. (Wood 2013, 36.)

Demographic environment - demography is the study of the population in terms of size, density, location, race, age, gender and other statistics. World's current large and highly diverse population poses both opportunities and threats. Changes in the demographic environment have major implications for businesses. (Armstrong et al. 2012, 79 – 80.)

Ecological environment - the ecological environment can influence a company in a variety of ways. Shortages of raw materials can cause major problems. Marketers should also examine different environmental issues that affect their companies because of social attitudes or government regulations. Marketers that want to earn the public's trust must be transparent about the green benefits of their offerings and offer solid support for claims of environmental safety. (Wood 2013, 38.)

Once both internal and external analyses are complete, the findings can be used in the SWOT analysis.

3.4 SWOT analysis

SWOT analysis can be defined as the overall assessment of a company's strengths, weaknesses, opportunities and threats, and is essentially a summary of results found through internal situation and external environment analyses (Kotler & Keller 2012, 70 – 72; Blythe 2012, 24 – 25). Table 4 depicts the standard layout of a SWOT analysis .

TABLE 4. SWOT Analysis. Adapted from Wood (2013, 29).

	Helpful	Harmful
Internal	Strengths S	Weaknesses W
External	Opportunities O	Threats T

Once the SWOT analysis is complete, Dwyer and Tanner (2002, 178 – 188) suggest proceeding to the analysis of competition using the five forces of competition framework proposed by Porter (1980, 3 – 29). Kotler and Keller (2006, 31; 2012, 72 – 73) and Hooley et al. (2008, 42 – 50) follow the outcomes of SWOT analysis with goal and strategy formulation using the three generic strategies proposed by Porter (1980, 34 – 46).

Both the five forces of competition theory and the three generic strategies, all proposed by Porter (1980, 3 – 46) will be covered in the next part, core strategy establishment.

3.5 Core strategy establishment

The purpose of core strategy establishment is to competitively position a company in the target market or markets and create a competitive advantage (Dibb et al. 2006, 49; Hooley et al. 2008, 42 – 44). A good starting point is to assess the competitive situation in a particular industry by using the classic industry competition model, invented by Porter (1980, 3 – 29). According to this model, the state of competition in an industry depends on five basic competitive forces, which determine that industry's profitability and attractiveness (Wood 2013, 39). Figure 2 shows the relationship of these forces.

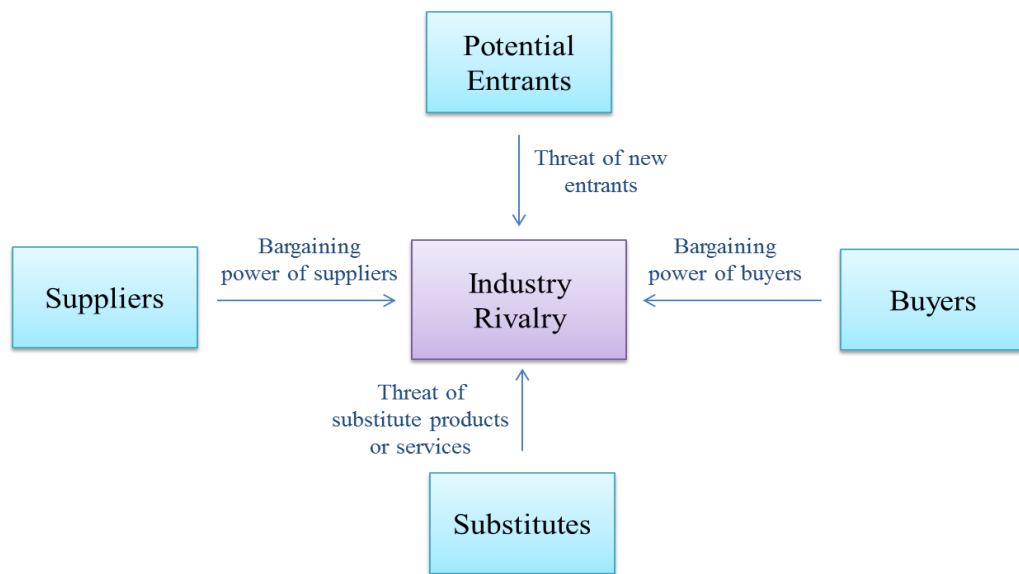


FIGURE 2. Forces driving industry competition. Adapted from Porter (1980, 4).

The forces can be defined as follows:

1. **Industry rivalry** – the intensity of rivalry within the industry determines the level of profitability a company can achieve. The industry is considered to be unattractive if numerous strong or aggressive competitors are already present, particularly if their stakes and exit barriers are high.
2. **The threat of new entrants** – an attractive industry, particularly with low entry barriers, brings new players to the marketplace; however, over time, the competition intensity will increase and gradually reduce the attractiveness of the industry. The companies can create considerable entry barriers by using strong brand images, cost advantages, government regulations and patents on know-how.

3. **Bargaining power of buyers** – buyers have many shapes and sizes, their relative strengths and weaknesses depend on the desirability of products and services and their buyer utility. The attractiveness of the industry declines as the buyer's bargaining power grows.
4. **Bargaining power of the suppliers** – similarly to the power of buyers, the power of suppliers varies in accordance with the attractiveness and utility of products and services. The attractiveness of the industry increases as the power of supplier's diminishes.
5. **The threat of substitutes** – the industry is most attractive when there are no actual or potential substitutes for products or services. Appearance of substitutes places limits on prices and profits. (Porter 1980, 3 – 29; Ranchhod & Gurău 2007, 41 – 48; Kotler, Keller, Brady, Goodman & Hansen 2012, 332.)

Porter (1980, 34 – 46) also identified three generic strategies that can be used to outperform other companies in the industry:

1. **Overall cost leadership** – this strategy requires vigorous pursuit of cost reduction in order to price the offerings lower than competitors and increase the market share, while also paying attention to other aspects, such as quality and standards.
2. **Differentiation** – the second generic strategy entails creating an offering that is perceived industrywide as being unique. Differentiation can be achieved in many ways, including through design of brand image, technology or customer service. Ideally, a company should differentiate itself through several aspects.
3. **Focus** – the final generic strategy is related to focusing on particular buyer groups or market segments in order to serve them better than others and efficiently achieve differentiation, cost leadership or both within that segment.

The majority of authors including Hooley et al. (2008, 48 – 50), Kotler and Keller (2012, 73) and Wood (2013, 40) among many others, all use these generic strategies as a base, which proves that they are still relevant more than three decades later.

Once the core strategy is established, the next step is to create competitive positioning in the target market.

3.6 Market analysis

The market can be described as group of people who as consumers or representatives of other companies with particular needs and wants have the ability to purchase products and services (Dwyer and Tanner 2002, 130 – 147; Dibb et al. 2006, 220 – 254; Blythe 2012, 76 – 94). Hooley et al. (2008, 275) quote Day (1992, 37 – 52) and suggest two ways of defining the market: on a basis of customers as proposed by other authors, or on the basis of competitors.

The customer analysis is chosen as the next step as the majority of authors are referring to its use when defining the market, while the competitor analysis will follow closely.

3.7 Customer analysis

Customer analysis involves examining consumer behaviour to better understand both existing and future customers (Kotler & Keller 2012, 173 – 199; Blythe 2012, 50 – 68). Marketers need to understand where and why customers buy the product. They also need to know how and when the product is consumed. (Solomon et al 2012, 150 – 151).

The company needs to determine how it wants the customers to think of their product compared to products offered by its competitors. Next, it should select customer segments or target segments based on the belief that its offerings are best suited for winning the customers that belong to them. (Solomon et al 2012, 76 – 77).

3.7.1 Customer segmentation

Dwyer and Tanner (2002, 147 – 148) define customer segmentation as a strategy that entails partitioning the general needs and wants into smaller segments that share similar traits, buying patterns, benefits sought, industry participation and other similar qualities.

Kotler and Keller (2006, 117) support this point of view and add that marketers do not create these segments, but identify them and then decide which to target.

The shift from perfect to imperfect competition resulting in the need to emphasise appeal to selective, as oppose to general buying motives, was described by Smith (1956, 3 – 8) already in the middle of the twentieth century. He analysed the emergence of differentiation and segmentation strategies and concluded that utilisation of both is required for a successful marketing strategy.

As the majority of companies have limited resources and are not able to satisfy all needs and wants; they have to make trade-off choices and determine which segments to prioritise (Dibb et al. 2006, 220).

Blythe (2012, 78 – 81) states that a segment has to fulfil five requirements in order to be successfully exploitable; these are:

1. Being **measurable** or definable – there must be a way to identify the members of the segment and to know how many of them there are
2. Being **accessible** – there must be a way to communicate with the members of the segment
3. Being **substantial** – the segment must be worth aiming for
4. Being **congruent** – the members of the segment must have a clear agreement on their needs
5. Being **constant** – the nature and membership of the segment must be stable

According to Kotler and Keller (2006, 120 – 125; 2012, 236 – 253), some researchers define segments by paying attention to descriptive characteristics, such as geographic, demographic and psychographic; while others look at behavioural considerations. On the other hand, Solomon (2004, 5 – 13) divides behavioural consideration into demographic or psychographic. Taking all these options into consideration results in four main segmentation variables: behavioural, geographic, demographic and psychographic. Information on these variables can be found in table 5.

TABLE 5. Segmentation variables. Adapted from Kotler and Keller (2006).

Geographic	Region, City size, Density, Climate
Demographic	Age, Family size, Family life cycle, Gender, Income, Occupation, Education, Religion, Race, Generation, Nationality, Social class
Psychographic	Lifestyle, Personality
Behavioural	Occasions, Benefits, User status, Usage rate, Loyalty status, Attitude toward product, Readiness stage

Once the target segment or segments are chosen, the next step is to conduct marketing research within the target segment or segments for the purpose of successful positioning.

3.8 Marketing research

Regardless of the nature or form of products or services offered, all companies need information to effectively reach their objectives. In order to collect the required information, companies use marketing research. This can be seen as their formal communication connection with the environment (Brown & Suter 2012, 3 – 4). Proctor (2005, 9 – 13) and Blythe (2012, 98) both distinguish six different types of marketing research: customer, promotion, product, distribution, sales and marketing environment.

According to Proctor (2005, 7) the first step of marketing research is the identification of needed information; correct specification of requirements is crucial because failure to do so will result in poor or misleading information that not only costs time and money, but also generates confusion and leads to bad decisions. Hooley et al. (2008, 98) suggest starting the data collection through the company's own records as often large amounts of useful data that can be used to aid strategic marketing decisions are held in unlikely places within the company, for example in the accounts department.

Once the required information is identified, the company has to choose the appropriate type of marketing research to achieve maximum possible efficiency. As mentioned earlier, marketing research can be divided into primary and secondary, based on the sources, and into qualitative and quantitative, based on the approach.

The theoretical framework of this thesis will continue with the competitor analysis. Having covered the classic industry competition model earlier, the competitor analysis can be further complemented with the use of blue ocean strategy.

3.9 Blue ocean strategy

The name of the blue ocean strategy symbolises company operations in an uncontested “blue ocean” that has no competition, as oppose to competing in the “red ocean” that gets its name from fierce battles among the competitors (Kim & Mauborgne 2005, Preface: 10). Table 6 shows the key differences between blue and red oceans.

TABLE 6. Red ocean versus blue ocean strategy. Adapted from Kim and Mauborgne (2005, 18)

Red Ocean Strategy	Blue Ocean Strategy
Competition in existing markets	Creation of uncontested markets
Beat the competitors	Make the competitors irrelevant
Exploit the existing demand	Create and exploit new demand
Make the trade-off between cost and value	Break the cost-value trade-off
Align the entire system of company’s activities with its strategic choice of either low cost or differentiation	Align the entire system of company’s activities in pursuit of both low cost and differentiation

The classic industry competition model created by Porter (1980, 3 – 29) is in fact the red ocean strategy in this comparison. Blue ocean strategy states that the competition can be made irrelevant and a company can pursue both low cost and differentiation simultaneously. Companies that apply the blue ocean strategy do not focus on beating the competition; instead, they create a leap in value for buyers through value innovation and open new, uncontested market space. (Kim & Mauborgne 2005, 12 – 16.)

Value innovation can be defined as the creation or an increase in value for buyers, simultaneous with the elimination or a reduction in costs. In other words, it denies the conventional belief that companies can create either great value at higher costs or reasonable value at lower costs, and breaks the trade-off between cost and value. Value innovation equally emphasises both value and innovation, as value without innovation or innovation without value only result in benefits that are temporary or expensive. Figure 3 depicts value innovation. (Kim & Mauborgne 2005, 12 – 18.)

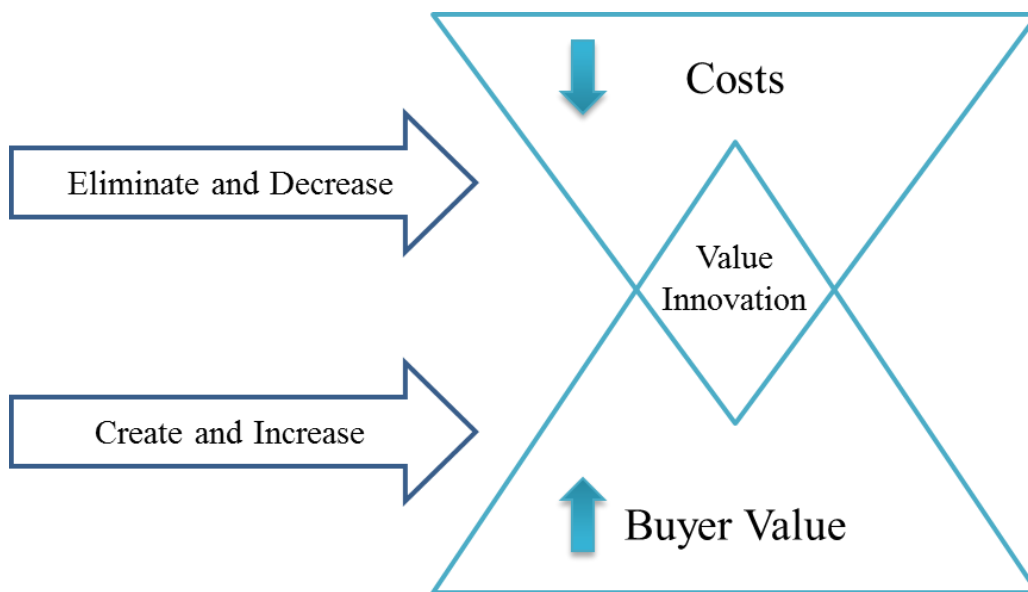


FIGURE 3. Value Innovation. Adapted from Kim and Mauborgne (2005, 16).

Several analytical tools and frameworks can be used to make the creation and execution of blue ocean strategy systematic and actionable. The strategy canvas captures the current state of competition in the known market space. This canvas helps to understand the factors the industry currently competes on, and what customers receive from the competitors' offerings. (Kim & Mauborgne 2005, 23 – 26.)

Kim and Mauborgne (2005) provide several examples of companies that created blue oceans. The case of Yellow Tale, an Australian wine producing company that entered the U.S. wine market in the beginning of the twenty first century will be used as the prime example, being most suitable for this thesis. In this example, a total of seven factors the industry competes on are identified:

- Price per bottle of wine
- The use of oenological terminology and acknowledgement of wine awards won
- Above-the-line marketing to increase awareness of consumers and distributors
- Aging qualities of the wine
- The prestige and legacy of a wine's vineyard
- The complexity and sophistication of the taste, including tannins and oak
- The diversity in range

Figure 4 shows the competing factors of the U.S wine industry in the horizontal axis and the offering level that buyers receive in the vertical axis.

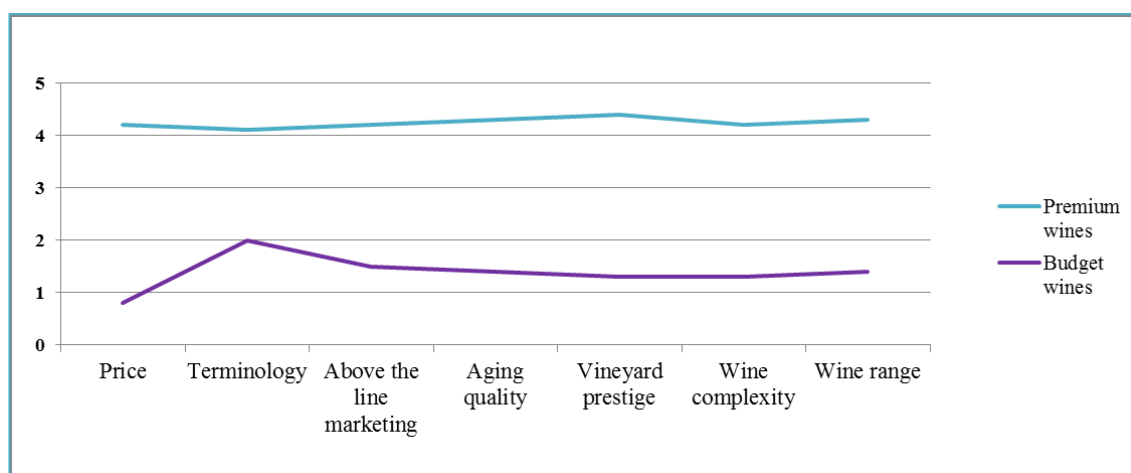


FIGURE 4. Strategy canvas representing the U.S. wine industry. Adapted from Kim and Mauborgne (2005, 26).

According to the strategy canvas depicted in figure 3, all companies that produce premium wines are quite convergent from the buyer's point of view, and have essentially the same strategic profile that follows a classic differentiation strategy from the market point of view. Companies that produce budget wines also have the same strategic profile, and are classic low-cost players. (Kim & Mauborgne 2005, 27.)

The four actions framework is used to reconstruct buyer value elements and craft a unique value curve. Four key questions that challenge an industry's strategic logic and business model are designed to break the trade-off between differentiation and low-cost:

- Which factors that are taken for granted in the industry should be **eliminated**?
- Which factors should be **reduced** below the standard in the industry?
- Which factors should be **raised** above the standard in the industry?
- Which factors that the industry has never offered should be **created**?

When applied to the industry's strategy canvas, the four actions framework slows to systematically explore how to reconstruct buyer value, offer entirely new experiences and simultaneously keep the cost structure low. (Kim & Mauborgne 2005, 29 – 30.)

Yellow Tale acted on all four actions. It created three new factors: easy drinking, ease of selection, and fun and adventure; and eliminated or reduced all other competing factors. Details can be found in figure 5.

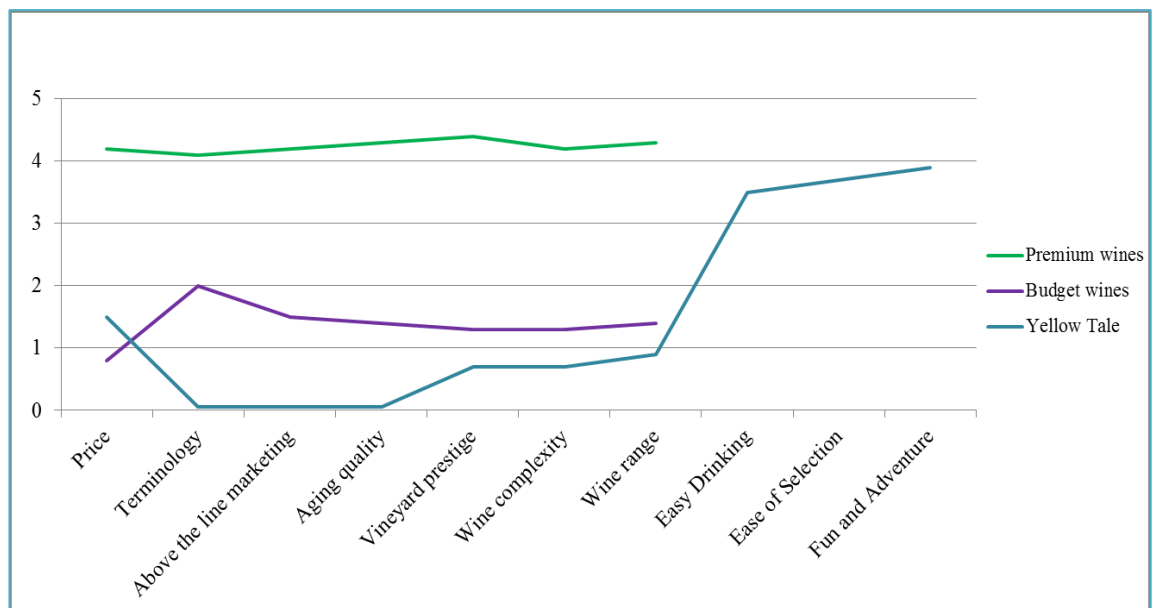


FIGURE 5. Strategy canvas representing the U.S. wine industry, highlighting the clear distinction of Yellow Tale's strategy. Adapted from Kim and Mauborgne (2005, 26).

In addition to everything covered so far, a blue ocean strategy has to:

- **Have a clear focus** – emphasise only certain factors and invest only in them
- **Be divergent** – stand apart from competition and be unique
- **Have a compelling tagline** – deliver a clear message and truthfully advertise offerings of the company. (Kim & Mauborgne 2005, 39 – 40.)

There are many contradictions between the classic industry competition model and the blue ocean strategy; as a result, one cannot be implemented without partially dismissing the other. However, it is advised to look into both options and decide which works best for a particular case.

Once the selection of core strategy and competitive positioning is complete, the next task is to implement the chosen decisions through marketing mix.

3.10 Marketing mix

The marketing mix can be defined as a set of controllable tools blended by the company to produce the desired response in the target market; it consists of everything the company can do in order to influence the demand. These possibilities belong to 4 groups of variables, known as the four Ps': product, price, promotion and place. (Kotler, Armstrong, Wong & Saunders 2008, 49.)

It can also be defined as the means in which a company translates the chosen strategy from intent to an effort in the market; the decisions or elements of the mix cannot be isolated from the pursued strategy (Hooley et al. 2008, 50). Detailed information can be found in table 7.

TABLE 7. Possible decisions and activities associated with Marketing Mix Variables.
Adapted from Dibb et al. (2006).

	Possible Decisions and Activities
Product	Develop new and modify existing products; eliminate products that do not satisfy customers' needs; create product guarantees and establish procedures for fulfilling guarantees; plan packaging including sizes, shapes, colours, materials and designs; construct brand names and policies.
Price	Analyse prices of competitors; formulate own pricing policies; determine the method or methods used to set prices; set the prices; determine various discounts; establish terms and conditions of sales; determine credit terms; understand the consumers' notion of value
Promotion	Set promotional activities; select and schedule advertising media; develop advertising messages; measure the effectiveness of advertisements; recruit and train salespeople; establish sales territories; plan and implement sales promotion efforts such as coupons, free samples, displays, competitions, and cooperative advertising programmes; prepare and disseminate publicity releases; evaluate sponsorships; and establish websites or Internet facilities.
Place	Analyse various distribution channels, choose and design appropriate distribution channels; select appropriate channel members and partners; establish distribution centres; implement procedures for efficient product handling; set up inventory controls; analyse transportation methods and minimise total distribution costs.

The traditional 4Ps' of the marketing mix can be extended to 7Ps' when marketing services. As the provision of services is mostly an intangible service, three subsequent Ps' consisting of people, process and physical evidence can be added.

- **People** who deliver services often play a significant role in the customer experience
- **Process** relates to procedures and routines put in place by companies to deliver value to a customer. Experience and extensive employee training is required to maintain effective processes
- **Physical evidence** – this relates to the environment where the service delivery takes place including age and quality of the decor, cleanliness of the surroundings, lighting, appearance of the employees etc. (Zeithaml, Bitner & Gremler 2013, 23 – 25; Solomon et al. 2013, 352 – 353.)

However these additional variables will not be included in the framework of this thesis as it is focused on product marketing.

4 MARKETING STRATEGY FOR COMPANY X

Having covered the theoretical components of a marketing strategy in the previous chapter, this part of the thesis is focused on creation of a practical marketing strategy for *Company X* in line with the theoretical framework. The current internal situation of the company is evaluated by interviewing the director of *Company X*.

4.1 Mission

The mission of *Company X* is to provide its customers with organic wine of high quality and to ensure that their experience is as healthy as it is enjoyable. *Company X* encourages and promotes:

- Sensible drinking
- Consumption of organic produce
- Protection of the environment and “green” ways of thinking and operating

4.2 Resources

The company has a total of five full-time employees: two owners, two managers and a mechanic. All of these have been working for *Company X* from the beginning, and have over 15 years of experience in the industry. General workers such as pruners are outsourced. All full-time employees have outstanding skills in vineyard management and production of grapes and wine. However, their experience in sales and marketing is rather limited. The director is considering hiring additional employees to be in charge of sales and marketing if entry to the Australian wine market will be successful.

The vineyard is located in the Mudgee region, which is quite famous among Australian wine producers and tourists who enjoy wine tasting events. A total of 64 wineries, 2 of which are organic, operate in the region (Mudgee Business Directory 2013). The climate and soil in Mudgee region are particularly favourable to growing premium grapes (Mudgee Wine 2013). At present, it is very difficult to buy land in the Mudgee region because few people would consider selling it. As a result, the entry barriers are high, while the exit barriers are relatively low.

The produced grapes are sold to some of the top wine makers of Australia, the experts in charge of purchasing consider them to be of exceptionally high quality. The company sees this as a valuable intangible asset. High quality of organic production and the possession of a unique location also results to relatively high production and capital investment costs.

The actual grapes can be easily imitated. However, switching to organic production which excludes use of chemicals and involves manual labour is rather expensive and results in high prices.

The resources of the company can be described as advantage-creating as they are:

1. **Providing value to the customers** – mostly in terms of taste quality and health benefits
2. **Are relatively unique to the firm** – only 2 other companies in the region are focused on organic production
3. **Are relatively hard for the competitors to imitate** – as the land in the Mudgee region is difficult to obtain and switching to organic production is rather expensive. Same is true for internal competencies and external networks

The last point can be further expanded with the use of resource imitability ladder proposed by Collis and Montgomery (1997). Table 8 contains detailed information.

TABLE 8. Resource imitability ladder for *Company X*. Adapted from Collis & Montgomery (1997).

Resources that cannot be imitated :	To a degree, the unique land location cannot be imitated, or is at least hard to imitate
Resources that are difficult to imitate :	The expertise and competencies of the full-time employees, quality production, and the reputation within the network are definitely outstanding and hard to imitate.
Resources that can be imitated at a cost :	A vineyard covering over 200 hectares and organic production can be imitated, but at a high cost
Resources that are easy to imitate :	Outsourced workers, such as pruners and the grape varieties are easy to imitate

4.3 External environment analysis

Following the theoretical framework, the external environment of *Company X* is analysed in line with six major forces.

Economic environment

Over the last two decades, the Australian economy greatly benefitted from monetary stability, low public debt, and a rich employment market. It is open to global trade and investment, and well supported by an efficient entrepreneurial framework. Australia had endured the global economic uncertainty remarkably well and is currently one of the Asia Pacific's richest countries. (The Heritage Foundation 2014.)

Key figures of 2014 include:

- GDP of \$970.8 billion
- GDP growth of 3.6%
- GDP per capita of \$42,640
- Unemployment: 5.2%
- Inflation 1.8% (The Heritage Foundation 2014.)

Figure 6 depicts the Australian GDP per capita over the last two decades. This particular economic indicator was chosen over GDP as it is more reliable in my opinion.

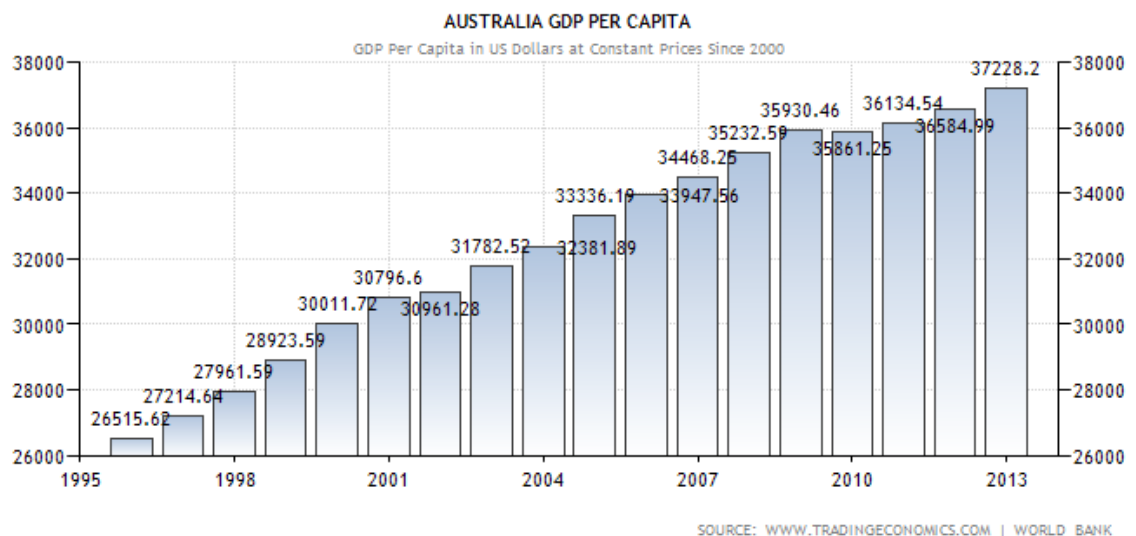


FIGURE 6: Australian GDP per capita, 1995 – 2013. Source: Trade Economics (2013).

The reason why I find the GDP per capita indicator more reliable than the general GDP indicator is related to personal experience in comparing economic indicators of Australia and China. According to the statistics of 2013, Chinese GDP is estimated to be of \$8230 billion, which is more than 5 times higher than that of Australia, \$1520.6 billion. On the other hand, Chinese GDP per capita is estimated to be of about \$3348, which is more than 11 times lower than that of Australia, \$37228. (Trading Economics 2013.)

GDP per capita may sometimes be deceptive because the wealth of a country may be distributed unevenly (Solomon et al. 2012, 56). Additional research was conducted to uncover the levels of personal income in Australia. According to the Australian bureau of statistics (2012), the average gross weekly personal income of Australians between the age of 25 and 59 is quite similar. The average gross weekly personal income of men is significantly higher than that of women. Details can be found in figure 7.

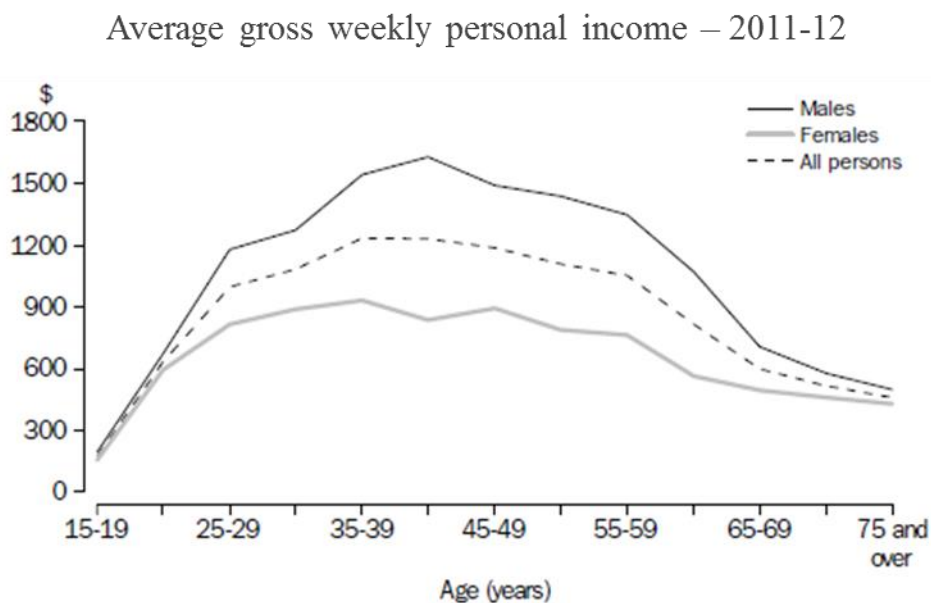


FIGURE 7. Average gross weekly personal income in Australia 2011-12. Adapted from Australian bureau of statistics (2012).

Both GDP per capita and personal income in Australia are relatively high. This also translates to relatively high levels of disposable income among residents of Australia and their ability to buy premium products that are more expensive.

Technological environment

As the company is focused on organic wine production that requires minimal chemical and technological intervention, and already has modern technology related to irrigation, the main point of focus in the technological aspect is related to online operations.

In 2012-13, over three quarters (76%) of Australia's 15.4 million internet users made a purchase or order over the internet. Use of social networks is very common for younger people: 92% of 18 to 24 year olds performed this activity. (Australian Bureau of Statistics 2014.)

No relevant information on Australian online wine shopping was found. However, research conducted by the British Wine Intelligence revealed that 25% of people buy wine online. The main thrill of online wine shopping is the chance to make new discoveries, get in touch with people who made them wine for you, and buy the wine you want, do it when you want and have it delivered with great ease. (Moore, 2013.)

Special attention must be paid to the company's website, online presence through social media, and most importantly, online selling.

Political-Legal environment

A license is required to sell wine as it is an alcoholic beverage. The Australian state of NSW distinguishes 7 categories of liquor licenses:

- Hotel licence (includes general bar hotel licence)
- Club licence
- Small bar licence
- Packaged liquor licence
- On-premises licence
- Producer/wholesaler licence
- Limited licence (Office of Liquor, Gaming... 2013.)

Company X is permitted to apply for the producer / wholesaler license, as the wine is made from fruit grown on vineyard that it owns (Office of Liquor, Gaming... 2009). Once the license is obtained, the company can sell wine to people over the age of 18, in accordance with the law.

Wine is subject to two types of taxes:

- Wine Equalisation Tax (WET), currently 29% of the wine's wholesale price; this tax is refundable (Australian Taxation Office 2003).
- Goods and Services Tax (GST), currently 10% (Australian Taxation Office 2014).

Other political-legal aspects are quite standard and do not impact the wine industry significantly.

Cultural environment

Wine consumption

Over the last two centuries, the Australian wine industry has developed from a few small plantings to an industry that is globally renowned for quality, depth and innovation. At present, Australia is among the top ten wine producing countries in the world, and is one of very few countries that produce wine of every major style. As there were no native grapes suitable for wine making, they were imported from Europe. The first successful production of European grapes in Australia is recorded in 1791. At present, the main wine producing regions of Australia are located in the south east of the country, where the climate is cooler. About 60 regions in Australia produce wine. Vineyards located in South Australia (e.g. Clare Valley, Barossa Valley), Victoria (e.g. Yarra Valley, Swan Hill) and New South Wales (e.g. Mudgee, Hunter Valley) produce the majority of Australian wine. (Wells 2007.)

Over time, wine has become a part of the Australian culture. The increase in popularity of wine bars, boutique wineries and wine courses has proved that Australians take wine seriously. Many of them now prefer to spend their weekends on tours of regional wineries or attending winemaking demonstrations and tastings, as oppose to heading off to the beach. In the major wine producing regions of Australia, wine festivals play an important role in the cultural life and attract many Australian and international visitors each year. (Wells 2007.)

Organic consumption

Increasingly, Australians are choosing to consume food that is produced organically. Only a part consumes organic food exclusively, and it is hard to find relevant information that describes their actual level of intake in the scientific literature. In order to provide a more meaningful description of Australian organic consumers, 2 surveys: the “Organic Food Intake Survey” and the “Organic Consumption Survey” were conducted online in 2010. The aim was to obtain information about the characteristics of regular organic consumers and quantify their organic consumption. (Oats, Cohen & Braun 2012.)

The majority of participants (N = 318) consumed at least 65% organic food in their diet. Most of them were female (80.3%), born in Australia (68.9%), 25-55 years old (80.3%), living in urban areas (61.2%), and were in a healthy weight range (55.5%). Organic fruit and vegetables had the highest uptake by organic consumers, and meat products the lowest. (Oats, Cohen & Braun 2012.)

Organic wine consumption

Research conducted in 2008 revealed that a small portion of wine consumers (14% of the sample) were clearly environmentally conscious with eco-friendly claims accounting for almost 40% (30% + 9%) of the decision making process. Organic production is less valued (9%) compared to an environmental claim (30%). This situation was explained with the physical availability of organic wines on the shelves. The production of organic wines was quite small and it was difficult for consumers to easily find them in stores. Production and commercialization of organic wines in 2008 was relatively unknown in Australia. (Remaud, Mueller, Chvyl & Lockshin 2008)

Consumers that formed 14% of the sample were willing to pay a price premium of 22% for organic wine; however an “average” Australian wine consumer would only pay a 1% premium. (Remaud, Mueller, Chvyl & Lockshin 2008)

Demographic environment

Information on the Australian population at the end of the third quarter of 2013 can be found in figure 8. It is worth mentioning that the largest portion of population is registered in the state of NSW.

PRELIMINARY DATA	Population at end Sep qtr 2013 '000	Change over previous year '000	Change over previous year %
New South Wales	7 439.2	108.1	1.5
Victoria	5 768.6	110.5	2.0
Queensland	4 676.4	83.7	1.8
South Australia	1 674.7	15.3	0.9
Western Australia	2 535.7	76.3	3.1
Tasmania	513.4	1.2	0.2
Northern Territory	241.8	4.3	1.8
Australian Capital Territory	382.9	5.9	1.6
Australia(a)	23 235.8	405.4	1.8

(a) Includes Other Territories comprising Jervis Bay Territory, Christmas Island and the Cocos (Keeling) Islands.

FIGURE 8: Australian Population per state. Source: Australian Demographic Statistics (2013).

The preliminary estimate of Australian resident population in the end of 2013 was 23 235 800 people. This number shows an increase of 405 400 people since 2012 and an increase of 100 600 people since the beginning of 2013. The population had grown by 1.8% during the year that ended on 30th of September 2013. (Australian Demographic Statistics 2013.)

The following rates affect the growth of the Australian population:

- The birth rate is 12.23 per 1000 population
- The death rate is 7.01 per 1000 population
- The net migration rate is 5.83 per 1000 population (Index Mundi 2013)

This growth is likely to make the organic wine industry of Australia more significant and profitable as every new generation of Australians takes the importance of organic production and environmental protection more seriously.

Almost 100% of Gen Y (age 18 to 28), 91% of Gen X (age 29 to 43), 85% of Boomers (age 44 to 62) and 50% of Builders (age 63+) adjust their lifestyles to protect the environment and prevent climate changes. More Gen Y females than Gen Y males are prepared to do everything they can to save our planet – 63% compared to 58%. Almost a 100% of Gen Y females are willing to pay a bit more compared to 75% of Gen Y males.

- 80% of men and 98% believe that climate change is real
- 2 men out of 5 are prepared to pay more for environmental reasons compared to nearly 4 women out of 5.
- One-third of men and half of women are prepared to make lifestyle changes for the planet (McCrindle Research 2013)

According to the last available update in 2010, the sex ratio of males to females is approximately 105 males per 100 females, and the working age population accounts for 67.6% (Australian Demographic Statistics 2013).

The estimated size of the legal drinking age segment that consists of Australians older than 18 years is about 11 million people. Other available demographic information on Australia is not particularly relevant or outdated and will be excluded from the analysis.

Ecological environment

This aspect is becoming increasingly important in light of scientific evidence that indicates constant increase in average temperatures, which is very likely to be a result of greenhouse gas emissions. The climate of Australia is already changing, and the current actions of adults and governments could have implications for the environment's future sustainability. In 2007 and 2008, 73% of Australian adults reported concerns about climate change and other environmental problems, 34% of which have been involved in an environmental activity of some sort. (Australian Bureau of Statistics 2011.)

More and more Australians base their purchasing decisions on environmental impacts. As a result, many businesses are increasingly making environmental claims to differentiate their products from the competition (Australian Competition and Consumer... 2011).

The industry is encouraging green ways of operating, including waste reduction among many other incentives. A number of steps forward had already been undertaken in terms of packaging minimisation; however, the industry plans to take a further lead and strive for greater improvements in sustainability. The future goals include an increase in the recycling rate of packaging to 80% by 2020, and a reduction in packaging litter by 20% by 2020. (Australian Food & Grocery Council 2012.)

4.4 SWOT analysis of Company X

The SWOT analysis is derived from information obtained through internal and external analyses. Identified strengths, weaknesses, opportunities and threats can be found in table 9.

TABLE 9. SWOT Analysis. Adapted from Wood (2013, 29).

	Helpful	Harmful
Internal	<p>Strengths</p> <ul style="list-style-type: none"> • Over 15 years of experience in wine production • Beneficial location • Ability to outsource general workers • Good reputation among wine makers • Skills and competencies obtained through cooperation with large wine companies • Low dependence on changes in technology related to production • Organic production • Advantage-creating resources 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of experience in wine selling • Insufficient marketing experience • A limited number of full-time employees • Lack of awareness among customers • Relatively high costs of production • High cost of capital investment • High dependence on changes in technology in terms of online tools
External	<p>Opportunities</p> <ul style="list-style-type: none"> • Strong and stable economy, customers with high disposable income • Opportunity to obtain an alcohol selling license • Wine consumption is a significant part of the culture • Large and growing population, large proportion of people of legal drinking age • Significant awareness of environmental protection • High demand for organic production among health-conscious customers 	<p>Threats</p> <ul style="list-style-type: none"> • Many governmental regulations, taxation • Intense competition, inability to outperform established companies that sold wine for decades • Strong reputation among wine makers may not be reflected to customers • Inability to communicate the quality to customers • Dependence on organic production, switching to non-organic production or using chemicals is not an option

4.5 Core strategy establishment for Company X

In line with the theoretical framework, the establishment of core strategy starts with the application of Porter's classic industry competition model.

Industry rivalry

The intensity of rivalry within the Australian wine industry is high, which results in profitability restrictions. In general, many strong competitors with high stakes and exit barriers are present. However, within the region of Mudgee where the company operates, its situation is somewhat more favourable as the exit barriers are lower and entry barriers are higher in light of high demand.

The threat of new entrants

The threat of new entrants for *Company X* is high in terms of competition across the country, as there is no significant shortage of land for vineyards in regions that are less suitable or popular. The threat of new entrants in the region of Mudgee is moderate as the land is expensive and relatively difficult to buy.

Bargaining power of buyers

In general, the buyers have a lot of power and control, as they have thousands of different wines to choose from. Buyers who are looking for wine that is of organic production have less power, as not that many companies offer it.

Bargaining power of the suppliers

Companies that own their land and produce grapes themselves are not particularly dependent on suppliers. Suppliers that provide companies with bottles and packaging of exceptional quality may have reasonable power, but it is still estimated to be moderate or lower.

The threat of substitutes

There are many substitutes already available on the market. These include other types of alcoholic beverage, such as beer, cider and spirits, and non-alcoholic beverage, such as juices or lemonade.

Based on these findings, it does not make much sense to choose cost leadership as the main strategy, because it is most suitable for industries where the production costs are low and the bargaining power of buyers and suppliers is high.

The differentiation strategy is definitely suitable and is probably most appropriate once the company is well established and is able to offer differentiated products to different customer segments. However, as this entails designing separate marketing plans for every customer segment, the differentiation strategy is not the best choice at this point due to limited resources and high risks.

As *Company X* is entering the market that is very competitive and over-supplied, focus strategy is chosen as most appropriate. The company is most likely to succeed if it focuses on a particular segment of customers and concentrates on differentiation within that segment. This strategy greatly increases the chance of satisfying target customers' needs better than competitors who pursue several target groups. After acquiring a decent market share and becoming well-known among its customers, *Company X* may expand its focus and create other lines of products aimed at other target segments, eventually adopting the general differentiation strategy.

4.6 Target market

Based on the chosen core strategy and the findings from the SWOT analysis, *Company X* will focus on product differentiation within the target segment of customers that value organic production and encourage environment-friendly operations.

In accordance with the theoretical framework, the target segment has to be measurable, accessible, substantial, congruent and constant in order to be successfully exploitable. It is fairly clear that the chosen segment is congruent and constant because people who are driven by the importance of organic consumption and environment protection are unlikely to discard their beliefs. The next step is to establish if it is measurable and substantial.

The segment of environment-friendly consumers can be further subdivided into 4 groups based on priorities in their environmental concerns: resource conservers, health fanatics, animal lovers and outdoor enthusiasts (Ottman 2011, 29 – 31). The sub-segment of health fanatics is most likely to be interested in organic products.

The demographic part of the external environment analysis revealed that the estimated size of the legal drinking age segment is about 11 million people. According to the ecological part of the same analysis 73% of Australian adults reported concerns about environmental problems, 34% of which participate in environmental activities. Assuming that:

- The difference between Australians of legal working age (which is 15 to 64) and Australians, referred to as adults (probably over 18) is not very significant.
- The share of health fanatics among Australians who actively participate in environmental activities is at least 25%.

The target segment is estimated to consist of:

$11 \text{ million} \times 34\% \times 25\% = 935 \text{ thousand potential customers.}$

The last criterion of a worthy segment is accessibility. This is the main reason why the survey was conducted by external researchers, as opposed to being conducted online. Relying on personal experience, I decided that the most reliable way to reach the customers that belong to the target segment was to approach them in the organic food market, where they are most likely to shop.

4.7 Analysis of target customers

Following my instructions, external researchers have surveyed 320 potential customers using a short quantitative questionnaire with 1 open-ended question related to favourite Australian wine brands (question number 4). 170 responses were collected by research volunteers at the King's Cross organic food market located in central Sydney; the other 150 by marketing professionals at the Double Bay organic food market in an Eastern suburb of Sydney. Recorded answers were combined and sent to me in an Excel spreadsheet. I have analysed the raw data using tabulations and cross-tabulations. Detailed results can be found in appendices 3 and 4. The analysis of target customers will proceed with pie-charts showing percentage for simpler understanding.

As can be seen in figure 9, the survey revealed that about three quarters of the target segment drinks wine. The remaining quarter consists of 2 almost equal parts: people who do not drink alcoholic beverage at all, and people who prefer to drink alcohol other than wine.

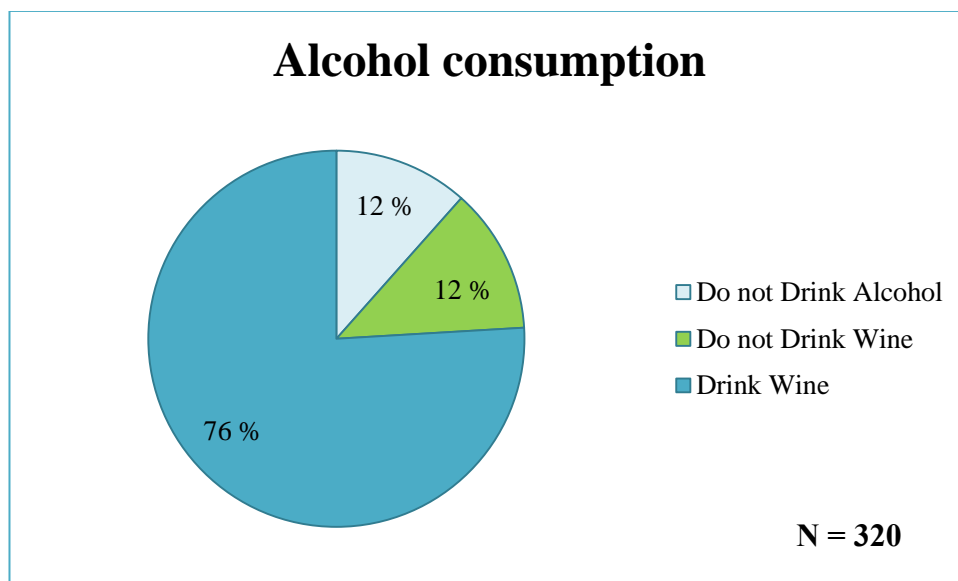


FIGURE 9. Alcohol consumption within the target segment.

4.7.1 Background of the respondents

Figure 10 shows that the numbers of male and female respondents who drink wine are fairly similar. However, female customers seem to prefer wine somewhat more than male customers.

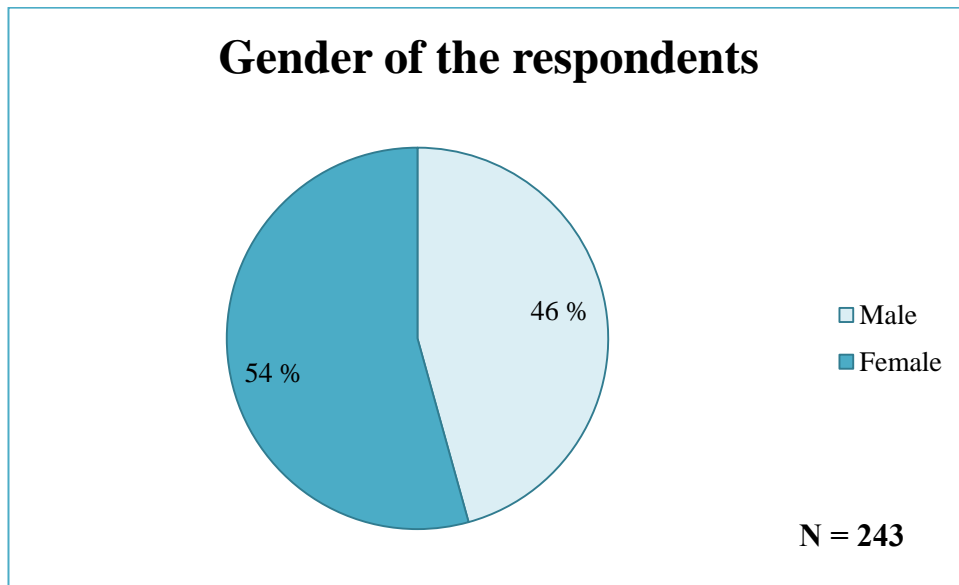


FIGURE 10. Gender of the respondents.

The respondents who drink wine were also divided into three age groups. Half of them are of the age between 25 and 34, 29% are 35 years old or older, while 21% are younger than 25 years old. Figure 11 depicts this percentage.

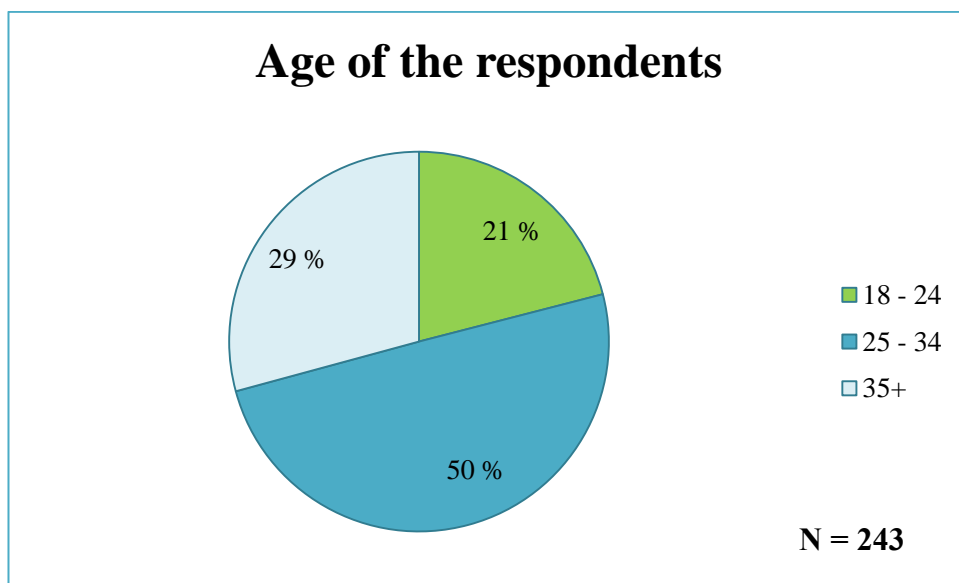


FIGURE 11. Age of the respondents.

Figure 12 represents average monthly wine consumption: 42% of the respondents drink wine occasionally, 1 or 2 bottles a month, 43% drink an average of 3 to 5 bottles of wine monthly, while only 15% can be described as regular wine drinkers.

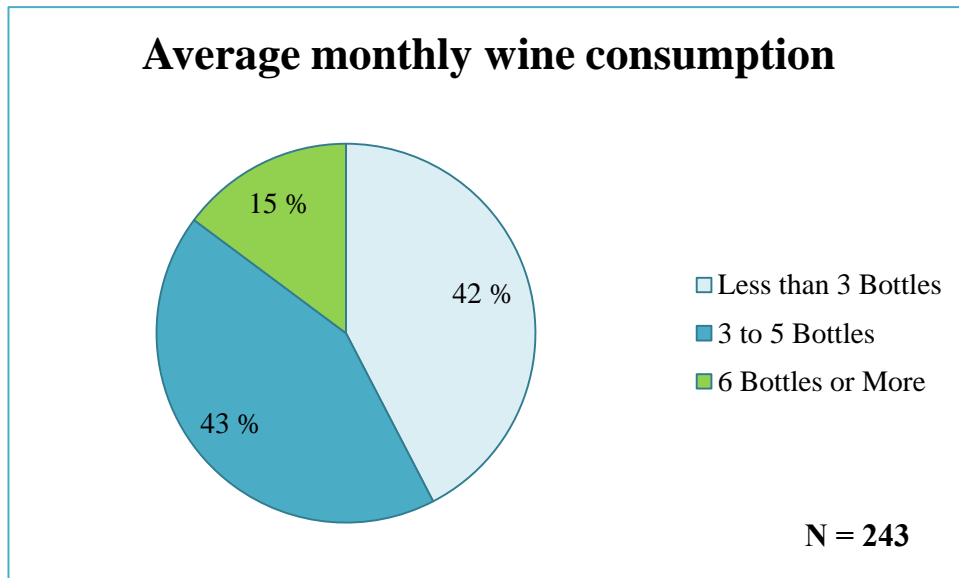


FIGURE 12. Average monthly wine consumption within the target segment.

4.7.2 Wine preferences

Over a half of the respondents prefer white wines, while only 30% prefer red wines. The remaining 13% equally enjoy drinking both, have mixed feelings or choose their wine based on the situation or food they have with it. Figure 13 depicts this percentage.

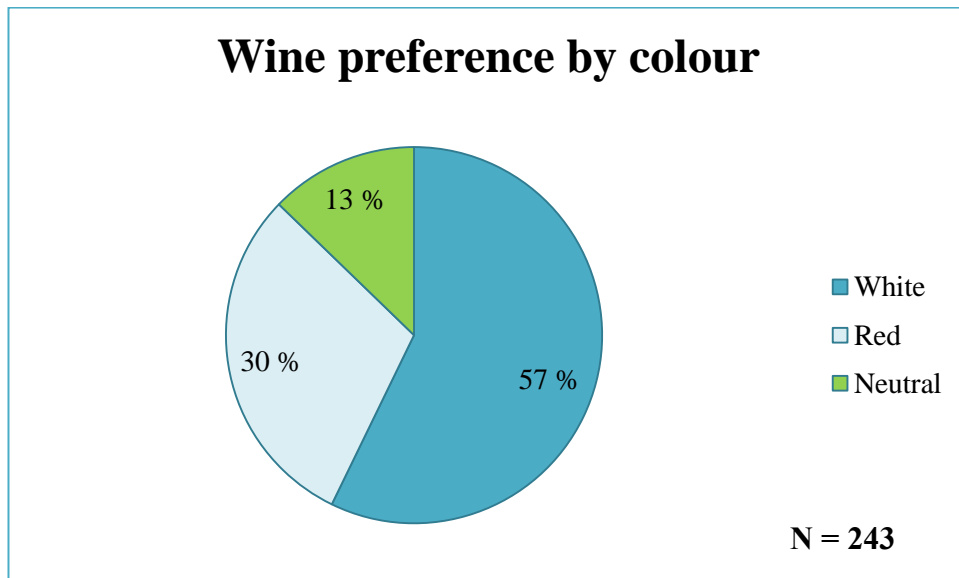


FIGURE 13. Wine colour preference within the target segment.

Two thirds of the respondents prefer wine that is light and easy to drink. This makes good sense as this characteristic is traditionally more common among white wines, which seem to be more popular, while only 22% prefer wines that are heavy and more complex. The remaining 12% like medium-bodied wines, had mixed feelings, or similarly to the case of colour preferences, could not choose one over the other as their choice of wine depends on the situation or food they have with it. Figure 14 depicts this percentage.

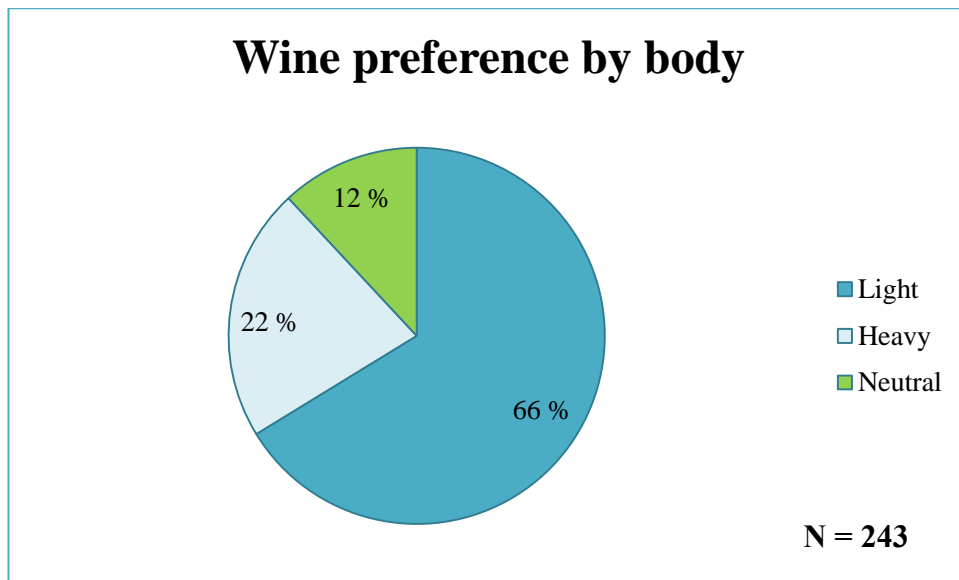


FIGURE 14. Wine body preference within the target segment.

Figure 15 depicts the preferences by origin of wine. The majority of the respondents support and prefer their domestic wine, 15% would rather go for wine made in France, Italy or another old world country, and only 6% favour wine made in a new world country other than Australia. The remaining 17% equally drink wine made in different countries or could not state their preference.

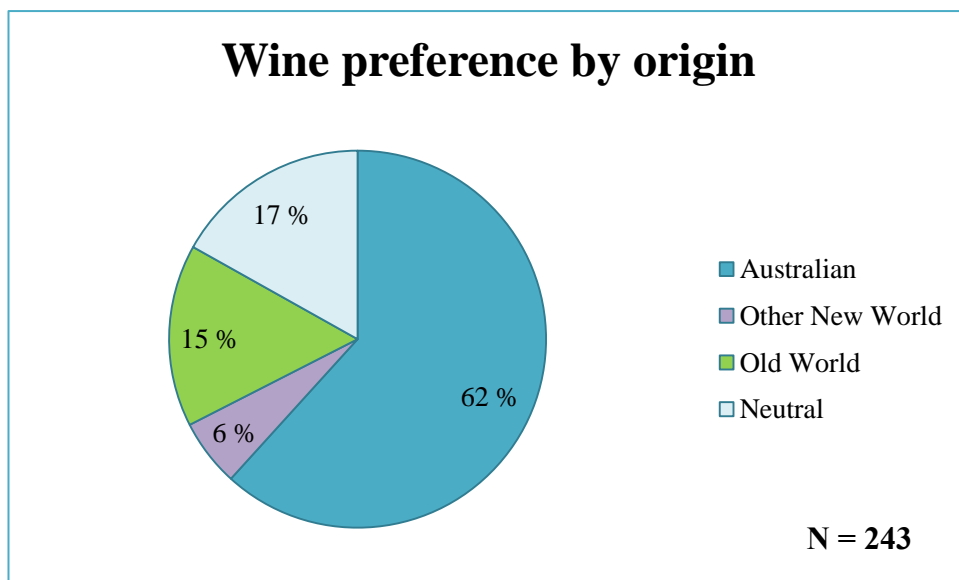


FIGURE 15. Wine origin preference within the target segment.

4.7.3 Pricing

Most of the respondents believe that wine priced at \$10 or cheaper is not worth buying, but also set their minimum price below \$20. Almost a quarter thinks that a bottle of good wine should cost them at least \$20, and only 13% are happy to buy wine that is \$10 or cheaper. Figure 16 depicts the results.

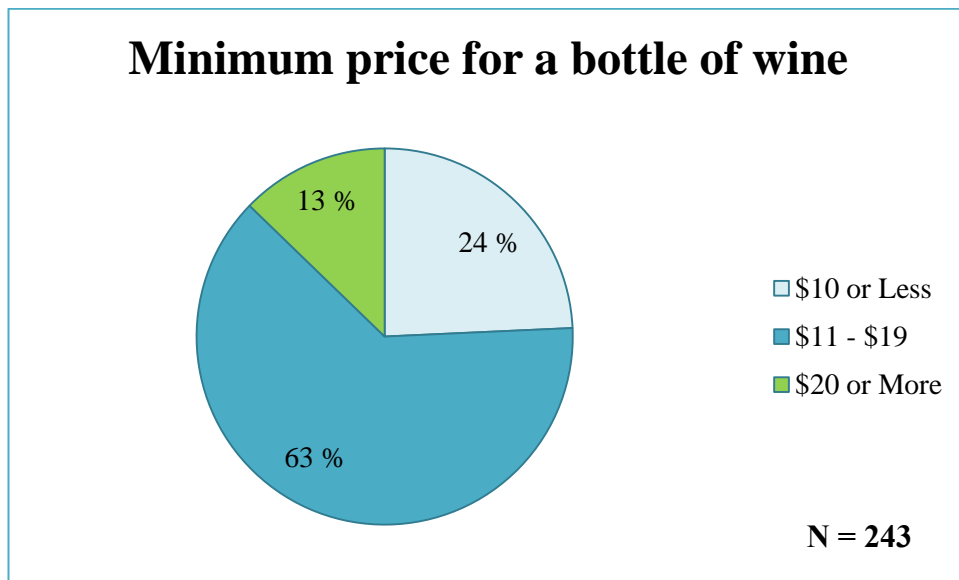


FIGURE 16. The minimum price paid for a bottle of wine within the target segment.

In regards to the maximum price paid for a bottle of wine: only 5% of the respondents set it at \$20 or lower. 22% are happy to pay more, but set their limit at \$30. Most of the respondents are happy with any price that is under \$50, while 32% can afford the price higher than \$50. Figure 17 depicts the results.

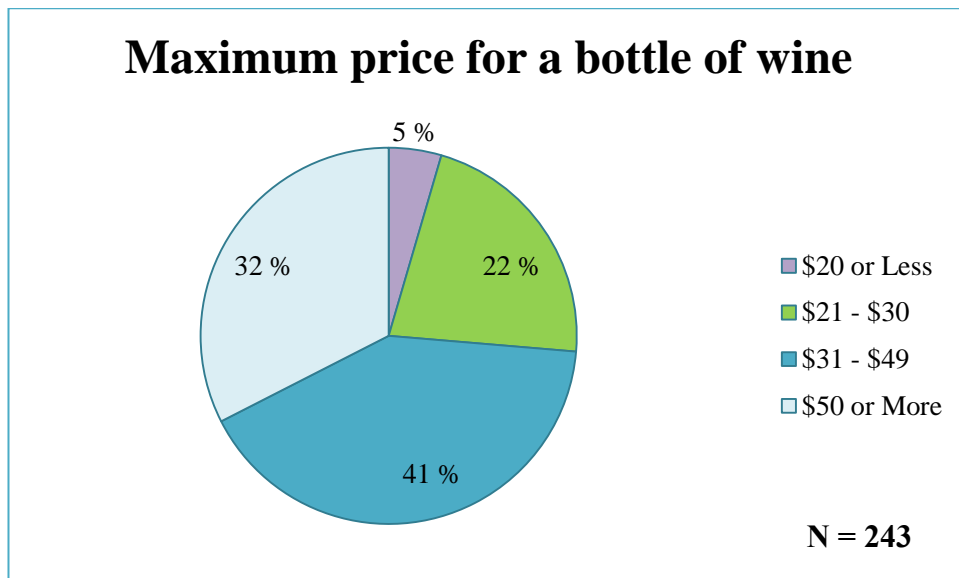


FIGURE 17. The maximum price paid for a bottle of wine within the target segment.

Figure 18 shows the last and probably the most important part of the survey. It revealed that over three quarters of respondents are willing to exceed their maximum price limitations for wine that is organic.

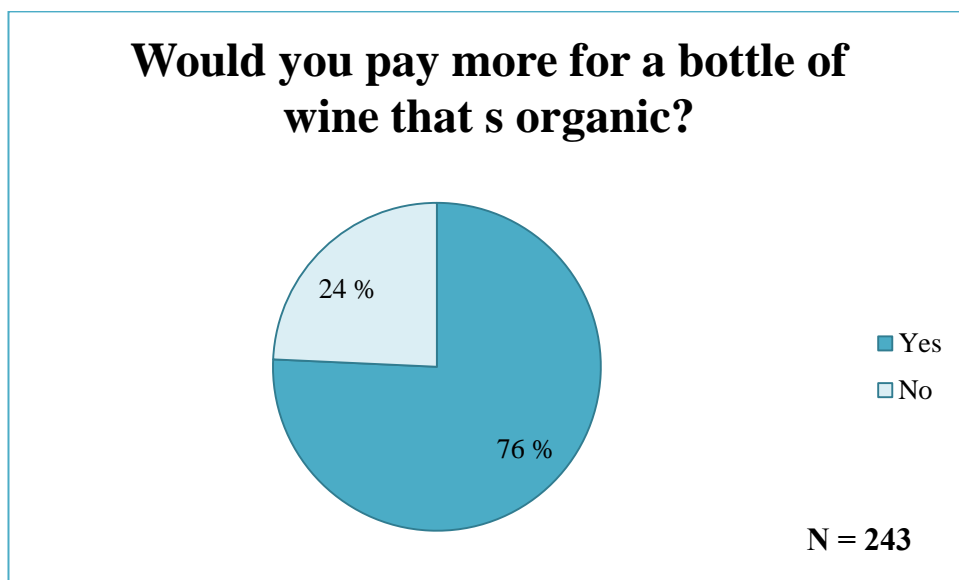


FIGURE 18. Willingness to pay more for the organic factor within the target segment.

4.7.4 Information obtained through cross-tabulations

The results of cross-tabulations are quite similar to information provided by Mccrindle Research (2013).

Female respondents set their price limits, both minimum and maximum, higher than male respondents. The percentage of female respondents that is willing to pay more for organic wine is also higher than that of male respondents. Exact numbers and percentage can be found in tables 10, 11 and 12 .

TABLE 10. Minimum price paid for a bottle of wine based on gender.

	Male	Female
\$10 or Less	35 (32%)	24 (18%)
\$11 – \$19	64 (58%)	89 (67%)
\$20 or More	12 (11%)	19 (14%)
Total Responses:	111 (100%)	132 (100%)

TABLE 11. Maximum price paid for a bottle of wine based on gender.

	Male	Female
\$20 or Less	6 (5%)	5 (4%)
\$21 – \$30	32 (29%)	21 (16%)
\$31 – \$49	40 (36%)	60 (45%)
\$50 or More	33 (30%)	46 (35%)
Total Responses:	111 (100%)	132 (100%)

TABLE 12. Willingness to pay more for organic wine based on gender.

	Male	Female
Yes	78 (70%)	106 (80%)
No	33 (30%)	26 (20%)
Total Responses:	111 (100%)	132 (100%)

The full list of cross-tabulations can be found in appendix 4.

4.8 Competitor analysis

Almost a third of the respondents could not name or think of an Australian wine brand that they favour most. This may be interpreted as a lack of strong organic wine brands that satisfy the needs of the target segment, and as a great opportunity for *Company X* to become that brand. The remaining two thirds of the target segment identified 13 Australian wine brands as their favourite. 9 of these account for 24% together, while the other 4 have individual shares of 9% to 12%. Figure 19 depicts the results.

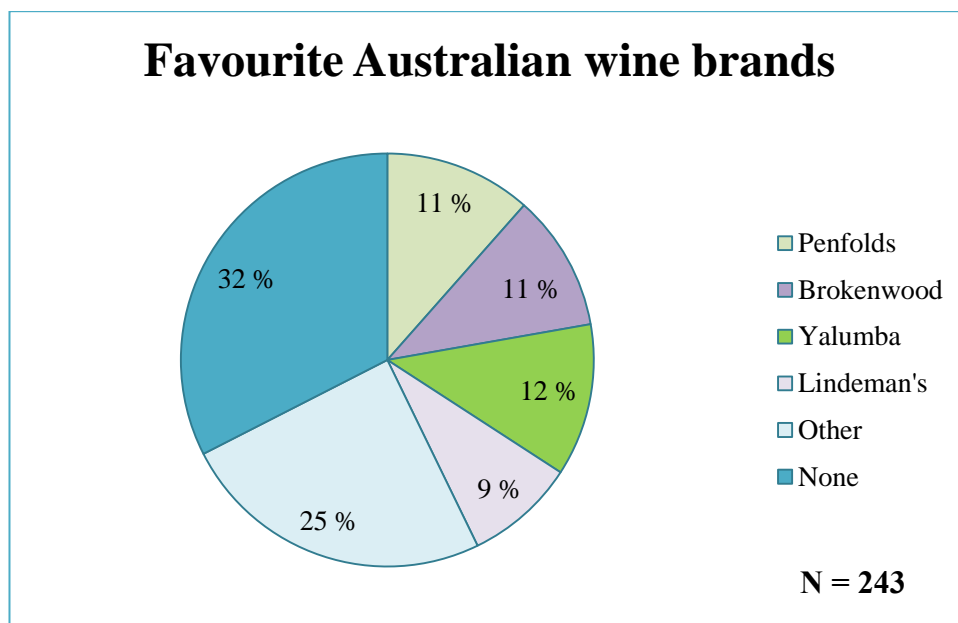


FIGURE 19. Favourite Australian brands within the target segment.

The following Australian wine brands are identified as the main 4 competitors:

- **Yalumba** – identified by 12% of the respondents
- **Penfolds** – identified by 11% of the respondents
- **Brokenwood** – identified by 11% of the respondents
- **Lindeman's** – identified by 9% of the respondents

These competitors were analysed using the information provided on their official websites. Acknowledgment of awards, environment-friendly operation and organic production is taken as their presence, while no acknowledgement is understood as their absence. Table 13 contains all the relevant information available. (Brokenwood 2013; Lindeman's 2013; Penfolds 2014; Yalumba 2014.)

TABLE 13. Key information on main competitors

	Brokenwood	Lindeman's	Penfolds	Yalumba
Established	1970	1843	1844	1849
Extensive History	No	Yes	Yes	Yes
Part of a group	No	Treasury Wine Estates	Treasury Wine Estates	Australia's First Families of Wine
Awards	A total of 18	None	Over 200	None
Environment-Friendly	Yes	No information	No information	First in the world to receive the Climate Protection Award
Organic Production	No	No	No	Separate line, a total of 3 wines
Web-site	High-end with many features	High-end with many features	High-end with many features	High-end with many features
Online store	Yes	No	Yes	No
Events	Wine and dinner tasting, fundraising events	None	Wine tasting, own restaurant	Wine and dinner tasting, sommelier scholarship program
Club membership	Reduced prices on all purchases	General promotions	General promotions	General promotions
Wine Range	21 varieties	43 varieties	255 varieties	57 varieties
Price Range	\$20 - \$250	\$15 – 70*	\$25 - \$2000	\$10 – 150*

*Price range taken from Australian distributors, as Lindeman's and Yalumba do not have personal online stores.

The competitor analysis highlights the need of setting up a high-end website with many technical features in order to be competitive, as it is seen as standard among the competitors. In addition, 2 main competitors out of 4 have personal online stores. This may not translate to a dire need of establishing one for *Company X*, but is definitely required to be competitive as online shopping is quite common among customers.

In terms of pricing, wine produced by Brokenwood, Penfolds and Yalumba is rather expensive. Although some of their wines are priced at around \$20, the average price is over \$100, while the price for aged complex wines can be more than a \$1000. The prices of Lindeman's are much lower, ranging between \$15 and \$70. According to the information obtained through the customer survey, a price range similar to that of Lindeman's is quite appropriate for *Company X*, an average price of \$37.5 is likely to be attractive to customers.

Use of elaborate terminology and aging of the wine appear to be closely related. The best wines produced by Brokenwood, Penfolds and Yalumba are marketed with the use of very specific information. Details can be found in pictures 1, 2 and 3.

Penfolds' finest expression of cabernet, justly ranked among Australia's best.


The 1964 Bin 707 Cabernet Sauvignon was Penfolds' first commercial release of a single cabernet-based wine. Today, Bin 707 is justifiably regarded as one of Australia's most important cabernets.

The winemaking philosophy and barrel maturation of Bin 707 is almost identical to Grange. The Bin 707 style combines intense varietal definition with new American oak to produce wines of great richness, harmony and concentration.

Over the years the development of Bin 707 Cabernet Sauvignon has mirrored the advances in winemaking and viticulture and in this sense has served as a representation of progress and excellence within the industry.

Bin 707 proudly bears the Penfolds stamp – displaying a fascinatingly complex marriage of ripe, concentrated cabernet fruit and 100% new American oak, forged together through partial barrel fermentation. It displays dark berried fruit, mocha and chocolate overtones, with warm spice notes.

Bin 707 is a medium to long term cellaring style of wine. It will comfortably gain stature and complexity across more than two decades in the bottle.



Food Matches
Awards

Wine Name & Year	Show Name & Year	Award & Class
Penfolds Icon & Luxury Range Bin 707 2004	Sydney Royal Wine Show 2007	GOLD - Class 36
Penfolds Icon & Luxury Range Bin 707 2006	Wrest Point Royal Hobart International Wine Show 2009	GOLD - Class 52

PICTURE 1. Wine description by Penfolds. Source: Penfolds (2014)

WINEMAKING / VITICULTURE

A combination of weather conditions affected the 1999/2000 growing season and led to a slightly earlier than normal harvest. Very low cropping levels accompanied the harvest and resulted in a vintage which has produced dense, rich and concentrated wines.

Shiraz grapes for Yalumba The Octavius are sourced from both Eden Valley and the Barossa Valley and are taken from very old, dry grown vines. These vines produce very low crops of intensely flavoured small berries, producing richly concentrated wines.

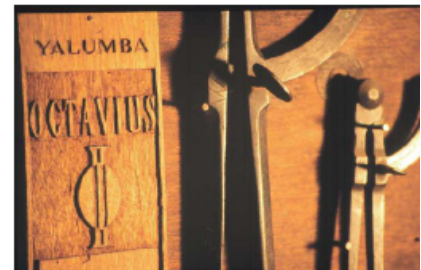
WINEMAKER COMMENTS / PROFILE

Yalumba The Octavius Barossa Old Vine Shiraz 2000 is a dense, plummy red in colour. Delicious sweet fruits of the forest aromas dominate the nose with hints of white pepper and vanillin, complimented by fine smoky toasted oak overtones. The palate is big, rich and sweet, with fleshy plums and a long lingering licorice flavour supported by intense tannins to finish.

When Kevin Glastonbury reached Yalumba to prepare for vintage 1999, years of experience, experimentation and thinking on matters viti and vini were about to be applied. "After 25 years of learning and listening, I am even more committed and passionate about winemaking, in the knowledge that risk like creativity brings rich rewards." With more than eight years of experience working in the Barossa with some of the most famous and oldest Barossa Shiraz and Grenache vineyards, Kevin has obtained a regional understanding of the Barossa and its vineyards that can only come from working in the region for the majority of his winemaking life.

VINTAGE INFORMATION

Vintage	2000
Region	Barossa, Eden Valley
Winemaker	Kevin Glastonbury
Harvested	March & April 2000
Oak Treatment	Matured for 18 months in 60% new Yalumba coopered Missouri octaves, 10% new French hogsheads, balance one-year-old French & American hogsheads. All barrels coopered at the Yalumba Cooperage.
Alc/Vol	13.5%
Total Acid	7.1 g/L
pH	3.37
Cellaring	8-10 years



PICTURE 2. Wine description by Yalumba. Source: Yalumba (2014)



St George Cabernet Sauvignon 2010

The Lindeman's Coonawarra St George Vineyard Cabernet Sauvignon is sourced exclusively from over 40 year old vines from the 12 hectare St George Vineyard. The vines are low yielding and produce wines that are the essence of Coonawarra, being expressive of vineyard, vintage and variety.

The Lindeman's Coonawarra Trio 2010 St George Vineyard Cabernet Sauvignon was matured for 18 months in a mixture of seasoned and new French barriques. The result is a classic Coonawarra Cabernet Sauvignon with blackcurrant, violets and tobacco aromas interwoven with subtle nutty oak. The palate has blackcurrant fruit flavours with sweet savoury tannins framing a wine that is elegant yet powerful with a long finish. This wine will reward careful cellaring for 10 plus years.

PICTURE 3. Wine description by Lindeman's. Adapted from Lindeman's (2013)

4.9 Blue ocean strategy for Company X

In line with the theoretical framework, both significant aging of wine and elaborate terminology that is used to describe the process and resulting qualities should be eliminated or reduced to a bare minimum as *Company X* is in no position to match them at this point.

Because Lindeman's, Penfolds and Yalumba own prestigious vineyards that are over 100 years old and have many international awards, *Company X* should adopt the approach of Brokenwood and avoid attempting to position itself as traditional and sophisticated. Same is true for wine complexity and range. The company should follow the example of Yellow Tale described in the theoretical framework and offer a limited range of wine that is positioned as light, fresh, easy to drink and most importantly healthy.

The key aspect of positioning is in organic production. Three out of four main competitors do not offer organic products at all, while the fourth one only has a limited line of organic wines that are not paid much attention at all. *Company X* should create the factor of organic benefits in the competition, and heavily emphasise organic production and modern trends of environmental protection. To further strengthen this aspect, events provided should highlight green lifestyle and healthy trends in general. As the events provided by competitors are pretty standard to the industry and are limited to wine tastings and dinners, events such as organic tastings or collaboration with organisations that promote eco-awareness are likely to greatly increase the buyer's value. Graphical representation of the suggested positioning can be found in figure 20.

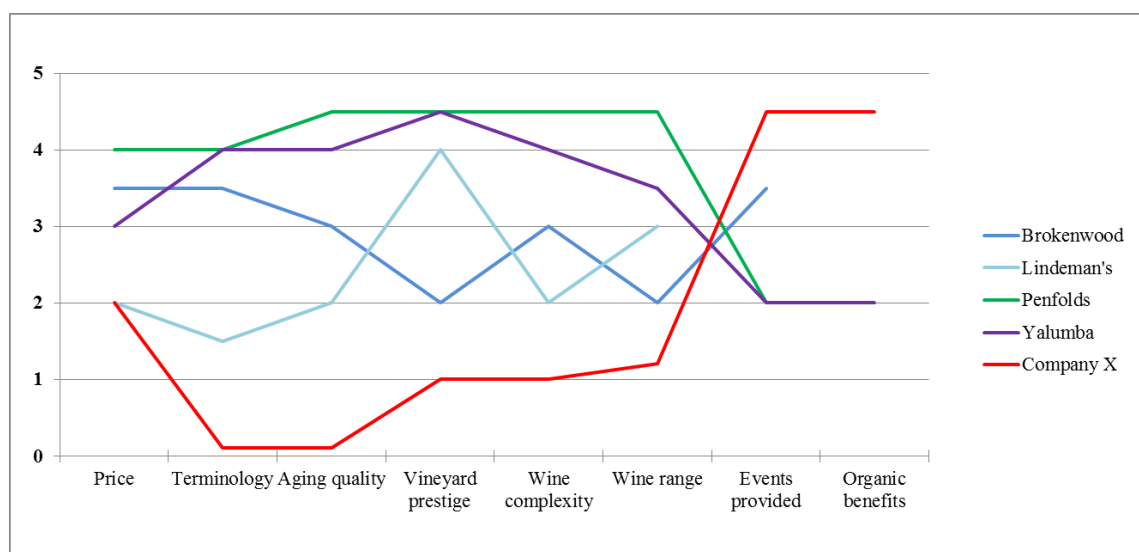


FIGURE 20. Blue Ocean strategy canvas.

A total of 58 wine companies that produce organic wine were identified by Organic Wine Pty Ltd (2014). None of these produce organic wine exclusively. Less than 10 wine producers found in the provided list emphasise the organic production and highlight it on the wine label. Others mention it briefly or do not mention it at all.

Only 4 wine producers that belong to the list were identified by the target segment:

- **Cullen** – chosen as favourite Australian wine brand by 6 people
- **Lowe** – chosen as favourite Australian wine brand by 7 people
- **Izway** – chosen as favourite Australian wine brand by 4 people
- **Angove** – chosen as favourite Australian wine brand by 8 people
- **Babich** – chosen as favourite Australian wine brand by 8 people

These semi-organic Australian wine producers were excluded from the competitor analysis in light of low awareness among the target segment. Instead, the focus was on Australian wine producers that are well-known and most popular among the target segment.

4.10 Marketing mix for Company X

Once the core strategy and competitive positioning have been established, the last part of the marketing strategy is to implement the chosen decisions through the marketing mix. In line with the theoretical framework the decisions are grouped in accordance with 4 variables: product, price, promotion and place.

Product

As covered in the positioning part, the range of offered products should initially be limited; the suggested number of wines should be between 4 and 6: 2 or 3 white and 2 or 3 red. Priority should be given to light white wines because they seem to be most popular among the customers in the target segment. The main purpose of the bottle's layout is to promote the organic production; hence, the design should predominantly focus on that and not pay much attention to anything else. Branding related decisions are excluded from the marketing strategy at this point as they are based on customers' perception. In the future, the entire brand should reflect the organic philosophy.

Price

Based on primary information collected through the customer survey, and secondary information found through the competitor analysis, the optimum average price is around \$35 to \$40. This price is expected to enable decent profit margins and is likely to be perceived as affordable without coming across as being cheap.

Promotion

Above-the-line marketing of alcohol in Australia is excessively difficult and overpriced, not used by competitor for the same reasons, and should be avoided altogether. Instead, the budget allocated to promotion should be used for social media promotions, and most importantly, various events related to protection of the environment and healthy lifestyle. These are likely to be most successful because customers today rarely take traditional advertising seriously and trust brands that are transparent in their actions, particularly when it comes to organic production and environmental protection (Harman 2013). Providing customers with samples and degustation, ideally in collaboration with business partners like the organic food market or Harris Farm market that have similar missions and values, is also likely to bring good results.

Place

As covered in the analysis of technological environment, one of the most suitable distribution channels is online selling. Personal observation and experience shows that restaurants and cafes, particularly those that focus on organic production, work well for wine distribution. Managers and sommeliers in charge of the wine list try to avoid selecting wines produced by large international wine companies and often prefer small independent wine producers to offer their customers wines that are more unique. Selling in collaboration with organic markets and other organisations that promote protection of the environment and healthy lifestyle is advised because people who are loyal to those organisations are likely to be interested in organic wines.

5 SUMMARY, CONCLUSION AND RECOMMENDATIONS

The theoretical framework was constructed with the use of literature written by marketing experts. Theories and concepts from over 20 books were synthesised. The synthesis resulted in a structure of theoretical framework that contains three sub-parts: core strategy establishment, competitive positioning and the marketing mix. This particular structure was chosen to ensure that the theoretical framework is potentially applicable to any company that operates in any industry globally.

The empirical research was conducted in line with the theoretical framework. The core strategy was established using internal, external and SWOT analyses. The internal situation was analysed using qualitative data obtained by interviewing the director of *Company X*. The external environment was assessed with the use of secondary data, predominantly taken from governmental statistics of Australia. The SWOT analysis was derived from internal and external analyses.

Based on the outcome of SWOT analysis and the mission of *Company X*:

“To provide its customers with organic wine of high quality and to ensure that their experience is as healthy as it is enjoyable. To encourage and promote:

- Sensible drinking
- Consumption of organic produce
- Protection of the environment and “green” ways of thinking and operating”

Focus differentiation within the target segment consisting of eco-friendly, health conscious customers was selected as the core strategy most suitable for *Company X*.

Competitive positioning was based on quantitative data obtained through a survey conducted by external researchers on the premises of 2 organic food markets in Sydney. 243 out of 320 respondents that consume wine stated their wine preferences, appropriate prices and favourite Australian wine brands. Blue ocean strategy canvas built around competitors identified by the target segment was used to depict the suggested positioning for *Company X*. The company was advised to emphasise organic production and focus on provision of events related to healthy lifestyle and protection of the environment. Competing factors such as wine range, complexity and prestige should be reduced or eliminated.

The last part of the framework, the marketing mix, was established based on findings in first 2 parts, core strategy and competitive positioning, and personal experience and observation. It was suggested to simplify the product range by limiting it to 4 to 6 wines, giving priority to wines that are white and light as those are most favoured by the target segment. Average price of \$35 to \$40 was suggested as optimum.

In terms of promotion, *Company X* was advised to avoid traditional advertising and focus on building a transparent brand that is focused on healthy lifestyle and protection of the environment. This is likely to be achieved through involvement with the customers using social media and provision of events related to health and eco-awareness, ideally in collaboration with other companies with similar missions and values. Suggestions related to place, the last marketing mix variable, included selling online and distribution through markets, cafes and restaurants that focus on organic products.

In general, the research revealed that companies that are contemplating to enter the wine market of Australia are most likely to succeed when following the described three stage process. Companies with missions and resources different to *Company X* may prefer a different core strategy, position themselves otherwise and tailor their marketing mix accordingly. However, as established in the analysis of the current external environment of Australia, focus strategy applied to a particular target segment, positioning chosen in accordance with the preferences of that segment and the use of a marketing mix that reflects these choices appears to be most appropriate. The marketing strategy created for *Company X* would be particularly useful for companies with similar missions and resources.

The commissioner was extremely satisfied with the proposed marketing strategy. The style of communication was perceived as clear and professional, and the information obtained through primary and secondary research as relevant and reliable. The directors are planning to implement the proposed strategy in the nearest future.

Although I am very happy with the outcome, if I were to go through this process again, I would prefer to conduct the entire empirical research myself, thus having more control and making it more extensive.

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APPENDICES

Appendix 1. Interview with the director of *Company X*.

1. History of the company. Establishment, changes, achievements, failures.
2. Human resources. Full-time, part-time and casual employees. Management team.
3. Financial resources.
4. Other resources. Land, grapes, intangible assets
5. Company mission:
 - What is our business?
 - Who is our customer?
 - Where is the customer?
 - What does he buy?
 - What is value to the customer?
 - What is price?
 - What will our business be?
 - What should our business be?
6. Information on previous marketing campaigns.
7. Information on future plans
8. Strengths, weaknesses, opportunities and threats?
9. Other relevant information related to marketing strategy

Appendix 2. Customer survey questionnaire.

Introduction, small talk,

1. Do you drink wine?

If the answer is yes:

2. Do you prefer white or red wine?
3. Do you prefer light, easy-to-drink wines, or heavier, more complex wines?
4. Do you prefer local (Australian), other new world or old world wines?
5. Which Australian wine brands do you favor most?
6. What is the minimum price you would pay for a bottle of wine?
7. What is the maximum price you would pay for a bottle of wine?
8. Would you pay more for a bottle of wine if it is organic?

Background information:

9. Age group of the respondent (*Options: 18 – 24, 25 – 34, 35+*)
10. Gender of the respondent
11. Average monthly wine consumption
(*Options: Less than 3, 3 – 5, 6+*)

Appendix 3. Tabulations.

Analysis of answers.

1 (4)

Question 1: Do you drink wine?

Answers	Number of responses	Percentage of responses
Do not Drink Alcohol	37	12%
Do not drink wine	40	12%
Drink wine	243	76%
Total Responses:	320	100%

Question 2: Do you prefer white or red wine?

Answers	Number of responses	Percentage of responses
White	139	57%
Red	73	30%
Neutral	31	13%
Total Responses:	243	100%

Question 3: Do you prefer light, easy-to-drink wines, or heavier, more complex wines?

Answers	Number of responses	Percentage of responses
Light	161	66%
Heavy	53	22%
Neutral	29	12%
Total Responses:	243	100%

(continues)

Analysis of answers.

2 (4)

Question 4: Do you prefer local (Australian), other new world or old world wines?

Answers	Number of responses	Percentage of responses
Australian	150	62%
Other New World	14	6%
Old World	38	15%
Neutral	41	17%
Total Responses:	243	100%

Question 5: Which Australian wine brands do you favor most?

Answers	Number of responses	Percentage of responses
Penfolds	28	11%
Brokenwood	26	11%
Yalumba	29	12%
Lindeman's	21	9%
Other	60	25%
None	79	32%
Total Responses:	243	100%

Question 6: What is the minimum price you would pay for a bottle of wine?

Answers	Number of responses	Percentage of responses
\$10 or Less	59	24%
\$11 – \$19	153	63%
\$20 or More	31	13%
Total Responses:	243	100%

(continues)

Analysis of answers.

3 (4)

Question 7: What is the maximum price you would pay for a bottle of wine?

Answers	Number of responses	Percentage of responses
\$20 or Less	11	5%
\$21 – \$30	53	22%
\$31 – \$49	100	41%
\$50 or More	79	32%
Total Responses:	243	100%

Question 8: Would you be willing to pay more for a bottle of wine if it is organic?

Answers	Number of responses	Percentage of responses
Yes	184	76%
No	59	24%
Total Responses:	243	100%

Analysis of respondents' background.

4 (4)

Age group of the respondents.

Answers	Number of responses	Percentage of responses
18 – 24	51	21%
25 – 34	121	50%
35+	71	29%
Total Responses:	243	100%

Gender of the respondents.

Answers	Number of responses	Percentage of responses
Male	111	46%
Female	132	54%
Total Responses:	243	100%

Average monthly wine consumption.

Answers	Number of responses	Percentage of responses
Less than 3 Bottles	103	42%
3 to 5 Bottles	104	43%
6 Bottles or More	36	15%
Total Responses:	243	100%

Appendix 4. Cross-tabulations.

Wine preferences based on gender and age group.

1 (4)

Wine preference by colour.

	Male	Female
White	63 (57%)	76 (58%)
Red	37 (33%)	36 (27%)
Neutral	11 (10%)	20 (15%)
Total Responses:	111 (100%)	132 (100%)

	18 – 24	25 – 34	35+
White	24 (47%)	72 (60%)	43 (61%)
Red	20 (39%)	32 (26%)	21 (30%)
Neutral	7 (14%)	17 (14%)	7 (10%)
Total Responses:	51	121	71

Wine preference by body.

	Male	Female
Light	66 (59%)	95 (72%)
Heavy	30 (27%)	23 (17%)
Neutral	15 (14%)	14 (11%)
Total Responses:	111 (100%)	132 (100%)

	18 – 24	25 – 34	35+
Light	40 (78%)	79 (65%)	42 (59%)
Heavy	4 (8%)	27 (22%)	22 (31%)
Neutral	7 (14%)	15 (12%)	7 (10%)
Total Responses:	51 (100%)	121 (100%)	71 (100%)

(continues)

Wine preferences based on gender and age group.

2 (4)

Wine preference by origin.

	Male	Female
Australian	72 (65%)	78 (59%)
Other New World	8 (7%)	6 (5%)
Old World	16 (14%)	22 (17%)
Neutral	15 (14%)	26 (20%)
Total Responses:	111 (100%)	132 (100%)

	18 – 24	25 – 34	35+
Australian	37 (73%)	67 (55%)	46 (65%)
Other New World	3 (6%)	9 (7%)	2 (3%)
Old World	2 (4%)	20 (17%)	16 (23%)
Neutral	9 (18%)	25 (21%)	7 (10%)
Total Responses:	51 (100%)	121 (100%)	71 (100%)

(continues)

Opinions on pricing based on gender and age group.

3 (4)

Minimum price paid for a bottle of wine.

	Male	Female
\$10 or Less	35 (32%)	24 (18%)
\$11 – \$19	64 (58%)	89 (67%)
\$20 or More	12 (11%)	19 (14%)
Total Responses:	111 (100%)	132 (100%)

	18 – 24	25 – 34	35+
\$10 or Less	26 (51%)	30 (25%)	3 (4%)
\$11 – \$19	25 (49%)	85 (70%)	43 (61%)
\$20 or More	0 (0%)	6 (5%)	25 (35%)
Total Responses:	51 (100%)	121 (100%)	71 (100%)

Maximum price paid for a bottle of wine.

	Male	Female
\$20 or Less	6 (5%)	5 (4%)
\$21 – \$30	32 (29%)	21 (16%)
\$31 – \$49	40 (36%)	60 (45%)
\$50 or More	33 (30%)	46 (35%)
Total Responses:	111 (100%)	132 (100%)

	18 – 24	25 – 34	35+
\$20 or Less	3 (6%)	5 (4%)	3 (4%)
\$21 – \$30	24 (47%)	26 (21%)	3 (4%)
\$31 – \$49	23 (45%)	63 (52%)	14 (20%)
\$50 or More	1 (2%)	27 (22%)	51 (72%)
Total Responses:	51 (100%)	121 (100%)	71 (100%)

(continues)

Opinions on pricing based on gender and age group.

4 (4)

Willingness to pay more for organic wine

	Male	Female
Yes	78 (70%)	106 (80%)
No	33 (30%)	26 (20%)
Total Responses:	111 (100%)	132 (100%)

	18 – 24	25 – 34	35+
Yes	31 (61%)	94 (78%)	59 (83%)
No	20 (39%)	27 (22%)	12 (17%)
Total Responses:	51 (100%)	121 (100%)	71 (100%)