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# Global Wine Market in the Hands of the Millennials

– How France lost its predominance



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## Global Wine Market in the Hands of the Millennials

The international wine market has gone through a rapid change during the beginning of the 21<sup>st</sup> century. This change transported the wine market to a whole new level. The world of wine went from being a more localized industry, mainly formed of small and medium sized producers, into competing in the global marketplaces. This change also forced the wine producers to re-think their tactics, on how to compete within the new environment. The gap between wine producers from the so-called New World (i.e. Australia, Chile, Argentina, New Zealand, USA) and the Old World (i.e. France, Spain, Italy, Germany, Portugal) has only grown wider after moving into the 21<sup>st</sup> century.

This bachelor thesis explores changes influencing the business environment of the international wine market and how they have reshaped the competition between different wine producing countries, or two different wine producing regions, the so called “Old World” and “New World”. These two wine producing “blocks” are in the center of the attention for this thesis. This thesis has been built around three main chapters, that each evaluate the changes in the global wine market from a different perspective. The second chapter starts by comparing the two business strategies used in the Old World and in the New World. After that, the influence of the most important key aspects of the external market environment on wine making have been identified and lastly in the fourth chapter the changes within consumer behavior have been examined, before showing the results of the primary research done for this thesis.

During the work on this thesis literature review was conducted to gain full understanding of the topic, which was broad and complex. As a primary research, a survey was conducted in the form of a questionnaire, interviewing young wine consumers and mapping their habits of wine consumption. This was done because, through the literature review it was clarified that young people born between 1977 – 1999, the so-called Millennials, would be the next most important wine consumer group. So it was important to find out how the changes within the wine market reflect the changes amongst the wine consumers, after all it is the consumers who dictate the possible success of a wine company on the international market.

ASIASANAT:

(International wine business, globalization, change, competition, development, adjustment, demand)

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## Vertailu tapahtuneista muutoksista vuosituhanen vaihteen aikana kansainvälisillä viinimarkkinoilla

Opinnäytetyön tarkoituksena on tutkia ja analysoida toimintamallien muutoksia kansainvälisillä viinimarkkinoilla vuosituhanen vaihteessa ja sitä miten nämä muutokset mahdollisesti ovat vaikuttaneet nykyiseen kilpailuasetelmaan eri viinintuottajamaiden kesken. Keskeisenä tarkastelun ja vertailun kohteena ovat niin kutsutut uuden (Chile, USA, Australia, Argentiina, Etelä- Afrikka) ja vanhan mailman (Ranska, Saksa, Italia, Espanja, Portugali) viinintuottajamaat.

Kansainvälinen viinikauppa on kokenut huomattavan määrän merkittäviä muutoksia vuosituhanen vaihteeseen tultaessa. Nämä muutokset ovat pakottaneet useita, etenkin eurooppalaisia viinintuottajia arvioimaan toimintamallejaan uudessa valossa. Menestyäkseen, heidän on ollut pakko avartaa näkökantonsa ja toimintamallejansa soveltumaan paremmin kiristyvään kansainväliseen kilpailuun. Avautuneet kansainväliset viinimarkkinat ovat tuoneet mukanaan uusia toimijoita perinteisten eurooppalaisten viinintuottajamaiden rinnalle. Nämä uuden maailman tuottajamaat kuten esimerkiksi Australia, Chile, Argentina ja Yhdysvallat ovat onnistuneet odotettua paremmin uudessa kilpailuasetelmassa. Nämä maat ovat osanneet mukautua modernin kansainvälisen kaupan haasteisiin ja uusiutuviin kulutustottumuksiin. Toisin kuten monet Euroopan viinintuottajamaat, joiden myynti on kokenut huomattaviakin takaiskuja viimevuosina.

Opinnäytetyön keskeisenä tavoitteena on määrittää kansainvälisiä viinimarkkinoita merkittävimmin koskeneet muutokset. Näitä muutoksia ja niiden vaikutuksia tärkeimpien viinintuottajamaiden asemaan nykyisillä markkinoilla käydään lävitse opinnäytetyön teoriaosassa. Teoriaosio kattaa työn neljä ensimmäistä kappaletta. Parhaan mahdollisen kokonaiskuvan ja syvemmän ymmärryksen saamiseksi, työn teoriaosaa varten suoritettiin artikkelikatsaus. Tämän katsauksen pohjalta pystyttiin määrittämään työn teoriaosassa läpikäytyt muutokset.

Viimeisessä viidennessä kappaleessa läpikäydään laadullisen tutkimuksen tulokset. Opinnäytetyötä varten suoritettussa laadullisessa tutkimuksessa käytettiin kyselyä. Kysely toteutettiin nuorten, vuosina 1977- 1999 syntyneiden viininkuluttajien keskuudessa. Kyselyn tavoitteena oli kartoittaa vastanneiden viininkulutus ja -ostokäyttäytymistä. Artikkelikatsausta tehtäessä kävi ilmi, että nuoret olisivat seuraava merkittävä kuluttajaryhmä, joten oli tärkeää selvittää miten muutokset viinintuottajien toimintatavoissa mahdollisesti heijastuvat näihin nuoriin kuluttajiin.

ASIASANAT: (Kansainväliset viinimarkkinat-, globalisaatio, muutos, kilpailu, kehitys, mukautuminen)

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# 1 Introduction

This Bachelor thesis looks into what can be called the main changes within the international wine market. For this thesis, the main starting assumption is that the international wine market has experienced a shift, creating new types of power players, taking space from wine producer countries that historically have been dominating the wine trade. This shift only grew more evident during the 21<sup>st</sup> century which is why this is the time frame used for this particular research. Through out this thesis the terms “New World” and “Old World” will be used often in generic terms. The term New World refers to wine producing countries such as Australia, Chile, and Argentina. The term Old World on the other hand simply refers to the continent of Europe.

Due to the complexity of the chosen topic, there are several main points to be covered. There is no simple way of explaining what has caused the shift amongst the power players of the wine industry and still this is the goal of this thesis. The goal is to first determine what type of changes the wine markets have experienced and why, followed by an explanation on how these changes affect on the power relations of the different wine producer countries such as France or Australia, or broader wine producing regions, the Old World and the New World.

This bachelor thesis can be thought of having two parts. The first part, chapters two and three, showcases the most important changes and differences between the wine producer regions in the Old World and the New World. These chapters will explain wine laws and regulations, business strategies, and paint a broader picture with relevant background information. The chapters four and five are more consumer focused. In chapter five the actual wine consumer will be evaluated and it will be shown how consumer needs and demands have played a role on forming the wine market as it is today.

The scope of this paper is a more global one and focuses mainly on markets that have greater importance and affect on the international wine business. Hence there will be a concentration on bigger market areas such as Great Britain, USA, France, Italy and Australia. Scandinavian countries for example have been excluded from this research mainly because of the lack of impact on the bigger picture.

It is quite evident that the world wine business has been undergoing a significant transformation for a while now; the word 'crisis' could even be used, depending from which side you are evaluating the current situation, from the Old World producer's point of view or from the perspective of the New World wine makers. In the world of wine, there are two main players fighting for space over the international wine markets. Old World wine giants such as France, Italy and Spain against the New World countries Australia, Chile, New Zealand and the USA. There is a divide between these two groups. Differences in what type of winemaking techniques they use, regulations they have to obey, the scale of marketing used to promote their products and more importantly the whole general view producers have towards wine making and the whole wine business differs greatly between the Old World and the New World, as will be shown in chapters two and three. The differences between them have only become more obvious to the rest of the world and to the wine producers themselves as time has passed. As the international wine market becomes more and more flooded with wine from all over the world, it starts showing clearly that there is no room for everybody. Adjustments have to be made on both sides, to stay ahead of the game in the constantly tightening competition. In the wine industry, like in every other industry, producers have to re-invent them selves or face the consequences of potential losses of market shares.

For decades now, France has been the leader in the world of wine, with its long rooted traditions for not only drinking wine, but also producing some of the finest winest in the world. France's rich historical background has given them the influence to dictate how wine is supposed to be made and consumed. There, making wine is a form of art and the French wine has been the standard to which winemakers have been trying to measure up to. France still accounts total of 20 percent of the world wine production and about 14 percent of consumption (Hussain, Cholette & Castaldi, 2007, 34), but they have no reason to celebrate. For years now the French have been battling not only against declining domestic consumption, but also dragging export figures as will be clearly illustrated later on in chapter three. The French wine industry faces a tough competition from the New World wine producers such as Australia, USA and Chile.

The first chapter will start by comparing the two different market strategies, used by the Old World producer France and the New World representative Australia, aiming to create an understanding of the fundamental differences, when it comes to the general approach of making business. This will help to illustrate how the New World and the

Old World look differently on the wine industry. After the first chapter it will be shown how the labeling laws have affected the competition and what kind of wine laws and labeling practices exist in different countries or regions. This plays a considerable role in today's wine market and affects greatly on the success of different wine brands as will be seen later on in chapter two. After having explained the regulations that wine producers in different countries have to follow, it will be shown how the preferences of wine consumers have changed. Furthermore, it will be discussed how wine consumers have been segmented into consumer groups and what differences these consumer groups have between them. Also In this chapter number four, one of the central topics will be brought up and discussed, the young wine consumers or in a broader sense, the so called millennial generation. In the beginning of this thesis the main problems and differences between wine producer countries have been brought up. After this, in the last two chapters the attention is targeted towards the Millennials and the entire primary research conducted for this thesis is focusing on gaining a better understanding on their wine purchasing and consumption behavior.



## 2 New World versus Old World Business strategies

Looking closely at the two different wine producing regions of the Old World and the New World and the way different countries within these regions operate, it was possible to identify two different types of business strategies used by different wine producing countries. This chapter will examine how these two different business strategies as well as the general way of viewing wine as a product and the laws and regulations that wine producers in different regions have to obey may affect their current status in the world wine market. In the first subchapter Kim & Mauborgnes Blue Ocean strategy is being presented. The Blue Ocean strategy can be applied to most of the New World wine producers. After Blue Ocean, a completely opposite type of business strategy will be explained: The Strategy of Differentiation by Michael Porter, which is More common amongst the Old World wine producers especially France.

### 2.1 Creating Blue Ocean from the Red Ocean

The Blue Ocean strategy is one way of explaining market competition. The concept was created by W. Chan Kim and Renee Mauborgne and then published in 2005 in a book called *“Blue Ocean Strategy: How to create uncontested market space and make the competition irrelevant”*. The core of this strategy is that while competition grows and the markets become overcrowded with companies fighting for space in the “Red Ocean”, it is harder for all to gain profits in this environment. Instead of fighting in the crowded “Red Ocean” for markets and wasting energy and resources on that, companies should try to create their own “Blue Ocean”, meaning new free markets, this way making competition irrelevant. According to Chan and Mauborgne, there are two ways to accomplish that. The companies could create their Blue Ocean by coming up with something completely new, a product, service or general industry, the way e-bay did with the online auction industry, thus making competition irrelevant. The second and more common option would be: *“creating Blue Ocean from Red Ocean by altering the boundaries of an existing industry”* as stated in the article from Harvard Business Review by Kim and Mauborgne in 2004. (2004, 72.)

When this strategy is used to evaluate the wine industry, it becomes clear, that from the two different ways of creating Blue Ocean the latter is what the New World wine countries and companies have been doing quite successfully. They have not “re-invented the wheel” completely. Instead what the New World producer’s countries such

as Australia have done, is a mix between these two ways of creating Blue Ocean. They have managed to pull in new consumers, who necessarily weren't wine drinkers in the past. This would be considered altering the boundaries of an existing industry. It is worth mentioning that "altering the boundaries" in this case does not refer to geographic restrictions of countries, but much rather to the extended group of consumers interested in wine due to the new ways of New World wine producers, and thus creating a new kind of market for themselves. How they managed to attract new types of consumers in the first place was, with creating new kinds of products that differed from the ones offered in the past, mainly produced in Old World wine countries like France.

In the following there will be a more detailed example, of how one specific New World wine producer country – Australia, used this strategy of creating Blue Ocean, to gain more power over the international wine markets and becoming one of the success stories of a modern international wine industry.

Blue Ocean strategy: The Model Student Australia

One of the best examples of a wine producing country, that has made the most out of the changing world markets and has fully embraced the endless opportunities that the opened world wine markets have to offer is Australia. Australian wine producers have chosen a path, completely different from the more traditional way, that most of the European wine producers represent. In good and in bad, the Australian wines do not really compete in the same category with the majority of French or Italian wines. Australian wine is geared more towards consumer friendly, value for the money products. Wines those are ready to be enjoyed right away, instead of preserving them for years and years to achieve the best flavor profile. They are developed for the consumer searching for immediate satisfaction. This is how Australia created their Blue Ocean, how they made competition more irrelevant, by attracting not only people who were not wine drinkers before, but also consumers who were more on the beginner side of the wine drinker spectrum, who might have been intimidated by fancy sounding French or European wines in general. The Australians created wines for these kinds of consumers, hence conquering the mass-markets. In order to satisfy the rapidly growing wine markets, producers a required to provide large volumes of consistent, low- priced, easily approachable product and good mass marketing techniques. Australia has been willing and able to deliver on all of these points. Through simplified labeling and the heavy promotion of their easy to drink varietal wines, such as Yellow Tail, they are able

to create marketing strategies and brands that seem to be appealing to a wide spectrum of consumers. (Campbell & Guibert, 2006, 239.) In 2003 their heavy investment in marketing paid off and Australian wines gained the market leadership in overall sales in Great Britain for the first time ever (Casini, Cavicchi & Corsi, 2008, 545).

Also branding their products by the varietals (Chardonnay, Shiraz, Pinot Noir, etc.) was something different. Using the exact varietal name on the bottle is the complete opposite way of labeling, compared to the way that the wine producers in Europe are used to doing it. Also adding attractive, colorful labels on the bottles seemed to appeal visually to the consumer. Australian wines managed to gain popularity almost overnight, which will be proven later in chapter three, when looking at sales export figures from the past decade.

Australians as well as some other New World wine producers, such as the Chileans have often been criticized for introducing industrial models of production into winemaking process, abandoning longstanding traditions and replacing them with artificial chemicals and high-end technology (Banks & Overton, 2010, 60). However, by using this more industrial approach to winemaking and the use of latest technology, as a way to obtain a more standardized product, they have been able to rise to success in a rapid pace. Good proof of this success is the UK wine market – one of the biggest in the world. In the UK, the six most sold wines come from Australia. (Campbell & Guibert, 2006, 238.)

In a nutshell, the Australian wine producers managed to offer wine as a fun, easy to drink, and accessible product, rather than an intimidating, complicated beverage. Something that offers an alternative to people previously turning towards beer or cocktails (Kim & Mauborgne, 2005, 25). People have number of different opinions about Australian wines. Given it's youthfulness in the wine market, Australian wine is like the newcomer to the scene, that some people love or love to hate. At the end of the day, Australian wine is doing well with increasing sales, due its producer's ability to re-think their products, creating Blue Ocean from the Red Ocean.

This is one of the reasons that could be seen behind the success of Australian wine. The next chapter will clarify the situation in the Old World and especially in France and the type of strategy that could be implemented to their way of doing business.

## 2.2 Porters Differentiation Strategy - Key to France's Success

The French wine industry could be analyzed through the strategic management perspective, borrowed from the professor of Harvard Business School: Michael Porter. His idea of differentiation as a way to achieve competitive advantage was created in 1980. According to Porter's theory, a company has three ways to achieve and maintain competitive advantage: segmentation strategy, cost leadership strategy or differentiation strategy. Through differentiation the business creates something that would be recognized as unique, this way being able to charge higher prices for that product or service developed. (Dess & Davis, 1984, 469.) This is the strategy that could be seen as the way for the French wine producers to keep up with the competition, instead of even trying to appeal to the new wine consumers, with the mass-produced products, that the New World countries seem to be specialized in. Instead the French could remain with the niche strategy, targeting consumers with more selective or even exclusive taste. As Jennings and Wood (1994, 53) already noticed in 1994, the French are skilled within this so-called niche category and historically, it has always been the segment for European quality wine producers.

Wine has been considered as a very European product for about six thousand years, ever since the cultivation of the common grape vine also known as *Vitis Vinifera*. According to some estimates, the cultivation took place around the Black Sea and the Caspian Sea, from there spreading to the kingdoms of Egypt and Greece. (Anderson, 2001, 4.) Still today, the majority of the world's wine production lies within the hands of European winemakers. In 2001, 73 per cent of all the wine produced came from the continent of Europe. France alone was accountable for 20 per cent of the world's production, making it the largest producer of wine in the whole world. (Cholette, Castaldi & Fredrick, 2005, 2.) The topic of this thesis is the biggest changes in the wine markets; one of the biggest changes is the struggle of the French wine industry. The numbers have not favored France in recent years. In 2009 the French wine exports dropped 17 per cent. Even more worrying were the figures from Britain, the top export destination for French wines, where exports experienced a staggering 20 per cent drop in French wine sales. (Cholette, Castaldi, Fredrick, 2005, 3.) More information and direct figures about the current wine sales will be given later on in chapter three, for now it is just important to understand the general situation in France, before going in to more detail about their market strategy.

France has had the status of being the producer of the best wines in the whole world. Despite the increasing market competition at the moment, in the premium wines category, the French wines are still fairly safe. Pike and Melewar (2006, 187) stated in their research, *“French wines tend to be more successful in the premium priced segments, where they maintain a reputation for quality”* The New World wines cannot threaten the prestigious names of some of historic French wine houses, like Chateau Margaux, Latour or Haut- Brion. Wine connoisseurs are still more than willing to pay high prices for the premium French wines. Since France’s influence as a wine producer country leans firmly on its history and tradition in wine making and no- one is denying its importance as a wine producer after all, It has always been and most likely will continue to be the bastion of wine tradition. So, why not try to focus on the thing they do well, fine wine. There are studies for example from Pike & Melawar (2006, 186) and Johnson & Bruwer (2007, 279), showing a clear market segment of wine consumers willing to spend more money, on higher quality wine. Also study done by Remaud & Coudrec (2006, 406) suggested:

*“For wineries to be able to sustain their growth they need to either go along with the supermarket chains and investing in the main wine producing countries or develop a niche strategy, meaning differentiate themselves somehow”*

So why should France try to do something it is not very good at, based on the tight regulation, but also because of the different way of approaching wine? They have always been thriving in their fine wine segment and the demand for it is growing due to the pressure from the Asian markets. The super rich consumers in countries like Japan and China have an eye for European products and this can be applied to wine as well. (Anderson, 2003, 50.) Their demand for French premium wines seems almost endless, which only means more cash flow for the French wine producers. In conclusion this means that the French winemakers have a quality product, which the consumers are more than willing to pay for. Would it not seem pointless to change something that already seems to work? The French winemakers have a desired product and a customer base willing to pay the price, so why not stay with this differentiation strategy and not even try to change the way of wine making. If the only reason for change would be to be able to compete with the New World winemaking style, which differs so much from the Old World way from the beginning.

In the next chapter, it will be pointed out how the differences in their outlook on marketing, has maybe affected the competition between New World and Old World wine producers.

### 2.3 Marketing in the wine industry or the lack thereof

It could be thought of to be more or less common knowledge, that companies need marketing strategies, to make their products known within the desired consumer base. Through various different marketing strategies, companies are trying to achieve competitive advantage and of course, most importantly increase sales by making their products known by larger audiences.

As seen from the previous chapter, the New World and the Old World wine producers have a very different approach, when it comes to business strategies. For example, the French almost solely rely on their good reputation and seem to be producing wine for the domestic market, not for the possible international consumers and for their needs (Jordan, Zidda & Lockshin, 2007, 16). Since the New World wine producers do not have the luxury of centuries of tradition behind them, they have to count on other things to be successful in the tight market competition. In general, the New World wine producers are strongly focused on the market and are more marketing oriented than the Old World has ever been. According to Steiner (2004, 287) the keys to the success of the New World wine producer's lies in aggressive marketing and more recognizable labeling.

The lack of stronger marketing from Old World wine producers is not the only reason explaining the negative export numbers, which they have experienced in recent years, but it could be one reason behind the problem. There has to be a reason why France for example experienced a drop in volume of 34 per cent in the American markets, and their UK market share went down from 43 percent to 25 percent during 2000 and 2003. (Cholette, Castaldi & Fredrick, 2005, 3). Clearly this is alarming, due to the sheer size of these two markets for wine sales. Marketing is just one more thing, which has helped transferring more focus towards New World producers and given them the tools, to gain competitive advantage, unfortunately, and often times, at the expense of Old World producers.

With the growing competition and also, with the growing power possessed by the consumers, the wine producers need products that will stand out from the shelves of

supermarkets. Supermarkets have become important sales outlets for wine in several European countries as well as some North American states as will be shown later on. It would be crucial for the Old World producers to let go of their resistance towards marketing and the whole product based view on making wine. Understandably it is not always about the sheer willingness of the producers on how much they focus on marketing. The rules set by the different governments in each individual country sets boundaries for example wine labeling, as will be seen in the next chapter. Still it would be good to keep in mind some of the consumer's expectations and maybe respond to them through interesting labeling and more extensive marketing, which would allow people to get to know the product name and remember it. Research done by Pike and Melewar (2006, 191) found, that even the more traditional consumers in France were drawn to the more well known and trusted products which also experienced greater success in sales, than the less well known products. When consumers in a traditional wine country like France, have this kind of reaction towards products that are more well known by name or through a specific brand, it could only be imagined, how big of an impact wider marketing would have on the sales of French wines, in a country like for example the USA, where people might be even bit more marketing oriented, than in Europe.

So it could be thought, that the use of more aggressive marketing tactics has partly helped the New World wine producers in the competition over international markets. Where as, the somewhat unwilling attitude towards using marketing as a tool, from the European perspective is causing them more harm, than good. Despite the good reputation of European and French wines in particular, it is not enough to carry them forwards in the international markets. The next chapter will look into other main differences between the Old World and New World wine producers that might partly affect on their market position.

#### 2.4 Labeling Regulations in the Old World and in the New World

As it has already been shown, the Old and New world wine producers have more differences than similarities between them. When it comes to European wines, labeling laws and regulations have a huge impact on the end product and to the way the consumers today perceive it. As implied in the previous chapter the laws and regulations have affect on how different wine makers are able to present their products. The set rules and regulations vary world wide, solely depending on the country and

continent being examined. This next chapter will show four different examples of different wine regulation practices from the Old World as well as from the New World.

#### 2.4.1 AOC: the main defining system of French wine

One of France's wine problems is its inflexibility to respond to current trends and adapt to cater to the changing consumer's needs. Reasons behind inflexibility ties in together with the extremely complicated wine labeling laws in France. France is very particular about the following of the traditional regulations of producing and most importantly presenting wine. As seen before, big wine producers in the New World countries such as Australia are creating exciting, easy to understand and fun products for the modern wine consumer, whose level of wine knowledge might still be relatively low. Their wine bottles, stating clearly the grape variety that was used to make the product, facilitate consumers who might only be beginner wine drinkers. Simply said, they could be described to be more consumer based, as Old World wine makers could be described as producer based.

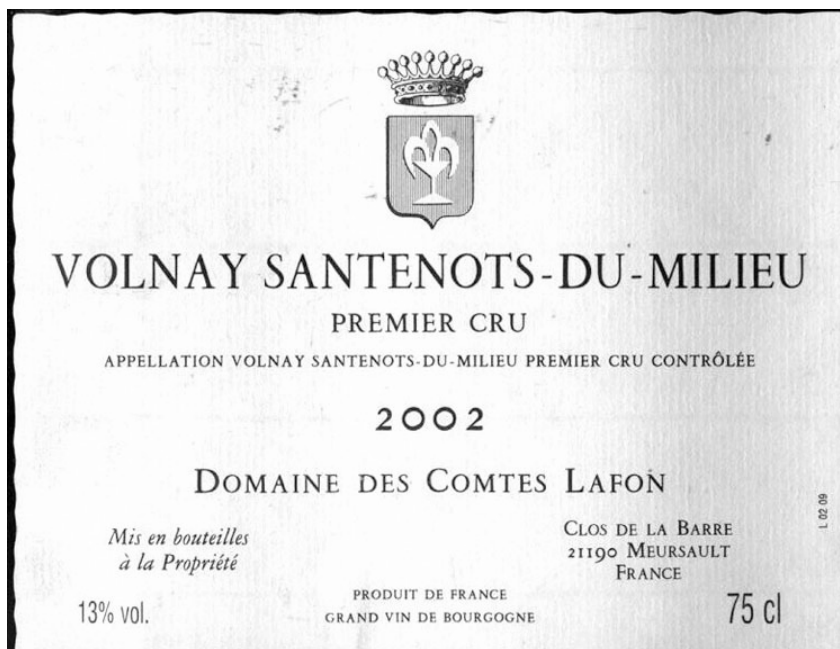
In France instead of stating the variety on the bottle, they use the origin of the grape as the primary "indicator" of what type of wine it is. This is done under the rules of the French system of Appellation d'Origine Contrôlée or simply the AOC, which translates to "area of controlled origin". The AOC governs everything, from which grape varieties can be grown for example in Alsace, to the level of alcohol allowed in the end product, it also prevents irrigation. All this is done to protect and control the local markets as well as the producers. The Appellation d'Origine Contrôlée (AOC) system is controlled by Institut National des Appellations (INAO), "the principal governmental agency in regulating the French wine industry." (Zhao, 2008, 168.) Their duty is to protect and upkeep the quality of the wines under AOC classification.

The French wines have four different quality categories; starting from the top there you would find the AOC wines followed by Vins Delimités de Qualité Supérieure, which basically serves as a stepping-stone for the higher-level category. The two lower level classifications in France are, Vin de Pays and Vin de Table. The lowest of these four classes, Vin de Table is largely unregulated, these wines do not have to obey by the regulations, given by the French authorities and the labels usually do not give the consumer any information regarding for example geographic origin. (Gibson, 2010, 123.) The producers of these so-called table wines are also allowed to use grapes grown from anywhere in France. They cannot mention any region or specific grape



variety on the bottle and often times these wines are rarely exported to foreign markets (Gibson, 2010, 123).

Wines in the AOC category are the ones, which have given France the reputation of world-class wine producer. These wines represent the very best, most valued and also the most expensive wines in the entire world. Even though, the amount of government control over the wine production in France might seem bit too much to some, there is logic behind it. Wine has always been seen as an agricultural product, reflecting its farmland and climate. This very French approach and way of thinking is centered around the term “*terroir*”. France has several different winemaking regions, which have been clearly defined hundreds of years ago, for example regions like Alsace, Burgundy and Loire. Each region is different, when it comes to climate, soil type and the predominant grape variety. Based on these differences, each region is growing grapes that fit into its *terroir*. (Pike & Melewar, 2006, 185.) In simple terms, the French wine growers have found out what they do best within each region and then stayed with it. This ties back to the previous chapter about applying Porters differentiation strategy to the French wine industry. The French wine growers have differentiated themselves, based on the region where they grow the grapes and they have not changed this strategy because for them, it has proven to be working quite well.



Picture 1. Label of a French AOC classified Pinot Noir (Source: Volnay Santenots- Du-Milieu Premier Cru 2002).

Because of its rich wine making history, France has the luxury of doing something like this, referring to the French AOC classification system and the numerous individual wine growing regions and the idea behind *terroir*. As said, it has taken them hundreds of years to develop the current system through some trial and error. A similar kind of system would not necessary work in the newer, wine producing countries such as South Africa, because it is still trying to find its own way of growing grapes and producing wine. Still from the consumer perspective, for someone who is not an expert wine connoisseur, how can they know that Domaine des Comtes Lafon Volnay Santenots-du-Milieu Premiere Cru (Picture 1.) is a Pinot Noir, coming from Burgundy? This type of labeling of the wine follows the regulations of the French wine production laws. Domaine des Comtes Lafon is simply the name of the producer. Volnay is the region or a commune in Burgundy and Santenots is a “sub” region within Volnay, hence the daunting name, Lafon Volnay Santenots. This is an AOC classified wine and it represents a winery that has been given the Premier Cru, meaning first growth classification. The meaning of this classification differs depending on the wine region. In this case it refers to the classification given to the estate.

The wine producers, who might want to attract an average wine consumer and would like to design and label the products, so that they would appeal to a wider audience, must feel like their hands are tied. It is not about the willingness of the wine makers whether or not they want to obey these rules set by the INAO. If the wine producer wants to keep its AOC classification, the highest level available, it needs to follow the strict rules given by the authorities. It is not only about keeping their classification. The producers also have to follow the rules set by INAO to keep their subsidies given by the European Union. (Goodhue, Green & Martin, 2008, 14.)

A fairly different type of systems of wine legislation and regulation is represented in the New World countries. In the next chapter a comparison will be shown of how other wine countries have establishes their set of rules and how they differ from the ones in France. Following that, it will be explained how these different practices might affect on consumers view of their products and through that to the market competition between the Old World and the New World producers.

#### 2.4.2 Wine legislation and labeling laws: examples from different producer countries

There are several things that separates the New World wine makers such as Australia, USA or South Africa from the Old World wine producers like Italy, France or Spain. One of the biggest topics for discussion in the recent years has been labeling. Currently two main labeling practices exist, one focusing on the grape varietal used and the other presenting mainly the origin and the region of the product. For centuries now France has been a follower of the second example given about labeling. The majority of the New World wine producers do not follow the established French system. In general, the legislation considering wine production and labeling in the New World wine producer countries is far less rigid compared to France. It is clear that it would not be possible to list all the regulations in all other wine producing countries. Mainly the goal of this chapter is to give some referring points, of how other countries handle their wine regulations and later on, how it could affect the competition.

From Europe's system of wine laws and regulations worth mentioning would be the example of Italy. They have a similar system; close to the French AOC called, the Denominazione di Origine Controllata e Garantita, Denominazione di Origine Controllata, Indicazione Geografica Tipica, known by their acronyms DOCG, DOC and IGT. In the Italian system, the wines in the IGT category could be referred as table wines, they have some rules when it comes to grape varieties used or the degree of alcohol that the wines have. (Gibson, 2010, 171.)

In the DOC category, the wines must be made from the specified grape coming from this DOC area and there are about two hundred of those areas given the DOC status. After all DOC stands for "controlled designation of Origin". In general the rules and restrictions in this category are higher than in the IGT category. On top of the "quality pyramid" of Italian wine is the DOCG category, it stands for "*regulated and guaranteed place-name, a small group of elite wine*". In this highest class the rules are obviously the strictest. (MacNeil, 2001, 323.)

The USA also has something similar to the Italians and the French in their way of defining their wine regions. The Bureau of Alcohol, Tobacco and Firearms or shortly the ATF, established the American Viticultural Areas or AVA's, in 1978 (Gibson, 2010, 275). Today they have more than 140 AVA's in the USA, such as Willamette Valley and Columbia Valley. This system sounds like its European cousins, but in fact it is nothing like it. The ATF have established wine growing regions, but they do not dictate what the

wine producers can, or cannot do in these regions. The wine producers are free to use any wine producing methods as well as any grape varieties they see suitable for their purposes. The main “regulations” that the producers must follow are: 85 percent of the grapes that make up the wine comes from that specific AVA if the wine is labeled by state, 75 percent of the grapes must come from that specific state and if wine is labeled to be, for example a Chardonnay, 75percent of the grapes used to make that wine, must be from that variety. (Gibson, 2010, 275.)

The wine laws in Australia are a similar to the ones in USA. Australians have official wine producing regions, which were established in 1993 (Gibson, 2010, 304). The regulations set for the wine makers are loose. Like in the USA, they can use any grape variety they choose to, they can irrigate their vines as much as they want and use the winemaking methods they choose to. For example they are allowed to use wood shavings<sup>1</sup> to give the wine the desired oaky flavor instead of aging it in an oak barrel as they do in France. The Europeans would frown upon this kind of methods used and call it cheating, but as the researchers Jordan, Zidda & Lockshin (2007, 17) also have noticed the liberty that the New World producers have and the European, especially the French lack in, prevents them from being innovative.

As can be seen from the three examples given above on different wine laws in the New World and in the Old, there is a clear difference between the approaches on production, labeling and marketing, between these larger groups of the so called Old World and New World wine producers. To summarize; New World wine producers can create wine, without almost any interference from the government authorities, when the Old World clearly has a lot stricter environment where they are allowed to work in.

In the next chapter it will be explained, how the regulations or the lack of them might affect the current situation in the international wine markets.

#### 2.4.3 The affect of wine labeling regulations to market competition

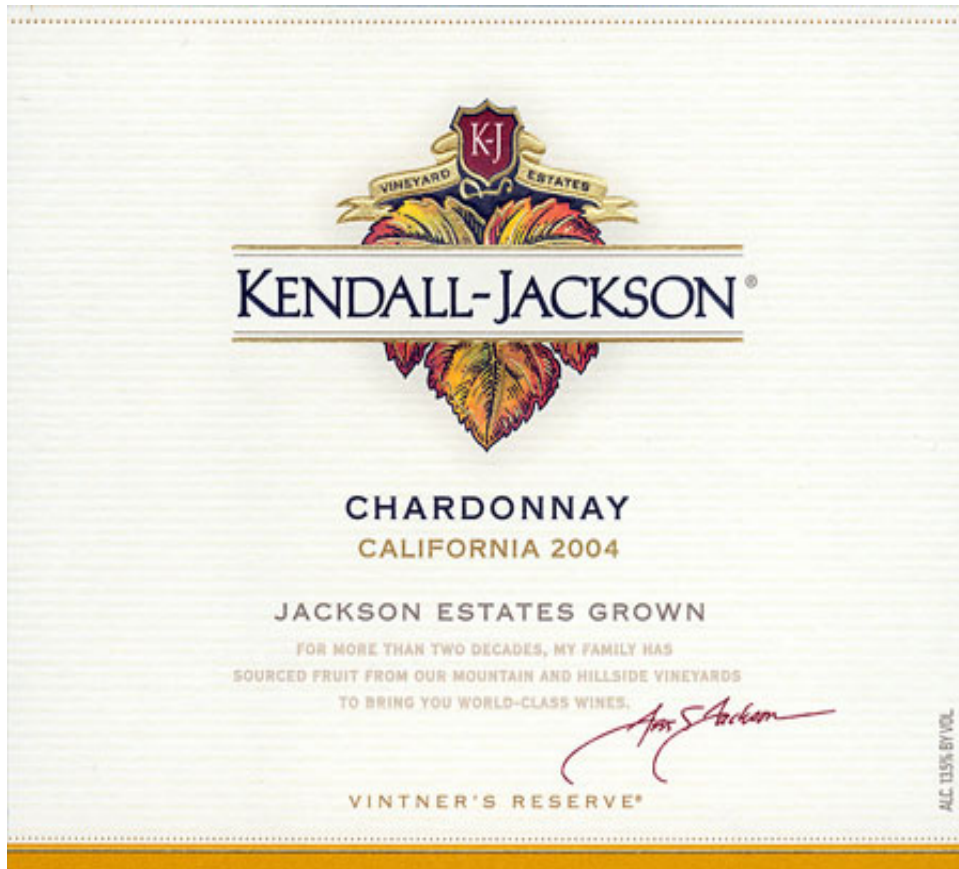
Starting to first look at France, since its regulation system was previously discussed, different studies made about consumers purchasing behavior has shown the importance of the label and the information given on that label for the people who are purchasing wine. Barber, Almanza & Donovan (2006, 220) showed that grape variety,

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<sup>1</sup> Wood chips added to the wine during the fermentation process to give it the oaky flavor without using expensive oak barrels

brand name and price were the most important factors affecting the consumers purchasing decision. Their study was conducted in the state of Connecticut in USA and it included both males and females between ages of 21 to 60 and above. They also found that wine buyers who are maybe younger and or less educated about wine especially rely on the information given on the label of the wine bottle (2006, 220). Robert Gluckman made similar findings, he found out that "*labeling is seen by consumers as one of their most important sources of information about wines, for specific choices*" (1990, 27). Gluckmans research is older than Barber, Almanza and Donovans and his findings are based on the wine markets and consumers in the UK. Gluckman also wrote about the confusion amongst wine consumers when it came to French wines. Insecure wine consumers were afraid of making a mistake when choosing French wines (1990, 29). It is interesting to notice the similarity of findings made by researchers from early nineties and then again in the early 21<sup>st</sup> century and in two different parts of the world.

So it seems like, based on these previously provided research findings, that the wine label and grape variety would be important, when it comes to consumer's wine purchasing decision. Now let us imagine a novice wine consumer, not that well educated about wines, assessing two different bottles at a store, one Chardonnay from the USA and one Chablis from France, both from the same price category. Assuming, that if the consumer is less experienced with wine and is not aware of the fact, that the French appellation of Chablis, mainly only produces Chardonnay. Which bottle the consumer would choose? If following the studies made by Barber, Almanza & Donovan (2006) and Gluckman (1990), there is a good chance, that the consumer would pick up the wine from the USA that he or she knows with certainty to be Chardonnay, because it says so clearly on the label.



Picture 2. Label of an AVA classified Chardonnay (Source: Kendall Jackson Chardonnay 2004).

As it will be shown in the fourth chapter, the growing wine consumer group today is formed of young people, largely uneducated about wine. To be able to sell wine for them, it is crucial to label the wines, so that the average, beginner consumers are able to follow and understand the product they are purchasing at. With the current regulation that most the Old World wine countries have, it is quite impossible to produce products with clearer, simple labels. As a clarifying example, Picture 2. of a Californian wine label has been provided. It shows the style and simplicity of presenting the information on the wine label. When comparing this to Picture 1. showed before in chapter 2.4.1 about the French wine label, the difference is clear. This American wine label showing the wine varietal and origin, which in this case is Chardonnay from California, the vintage 2004 and the producer name; Kendall- Jackson. The label is easy to read, no matter what kind of previous wine knowledge you might possess unlike the French example.

Similar kind of thoughts were presented in the article: "*Behind the Australian wine industry's success: does environment matter?*" by Jordan, Zidda & Lockshin (2007, 18). They claimed, that one reason behind France's problems would be the inability of the appellation system to appeal to what is becoming "*a global way of understanding wines*". What the author refers to is that if the consumers today do not necessarily fully understand the product what he or she is purchasing, the likelihood that they will just choose another, "simpler" bottle of wine is fairly high.

Critics of this Old World system for example in this case Banks & Overton (2010) also claim, that the Old World regulation practices can be seen leading to conservatism and trade protectionism, both of which only inhibit experimentation and quality improvements, making France for example to stay stagnant and unable to respond to the new market competition (Banks & Overton, 2010, 59). This concern might be valid when noticing how the French wines have not been doing so well in the current markets. More figures will be provided later, but just as an example for now, according to Metcalfe (2009, 1) in 2009 the French wines were on third place in UK, which is one of the most important wine markets in Europe as will be later shown. The French wines were behind Australian and Californian wines, after their wine sales had dropped 6.5 percent between 2008 and 2009. One of the main reasons for this according to Metcalfe was similar than what has been implied in this research earlier on, French wine marketing is too complicated and it is lacking the type of concerted promotion campaigns like Australia has used with success as has already been noted and will be more clearly be presented in the next chapters.

New World wine producers might not have the same rich historical ties towards the whole winemaking process, but what they might lack in tradition, they make up in other ways as discussed before by using clever marketing, creating simple wines for the everyday consumer and simply by lowering the threshold for people to start experimenting with wines. The European countries should have all the knowledge that they need to be able to compete in the fierce international markets, but it is not the case. In fact they are currently losing in their own game. Maybe the reason behind this is, that countries in the Old World have been too self-confident. They have not seen the need to improve themselves. They have also been tied up with rules and regulations brought up by tradition. The New World wine producers have had to be creative, forcing themselves to think out of the box, using technology and science to help them on the way. In the end it seems to be paying out, New World wines are on high

demand, passing lot of old favorites in the sales figures, taking the wine world by a surprise as seen in numerous research articles for example in Bodo E. Steiner's (2004, 287), *Australian Wines in the British Wine Market: a Hedonic Price Analysis* In this article Steiner states how already in 2004 Australian wine sales in UK had doubled and passed French wine sales (2004, 287). Also Campbell & Guibert (2006, 239), made similar findings, saying, "*New World producers are not only competing strongly for Old World markets, they are also rapidly increasing their market share in the markets of the future, such as the USA*". The last example is taken from research conducted by Cholette, Castaldi and Fredrick (2005). According to them, Australian wines are gaining markets in the USA and in Great Britain with the expense of the French and other European such as Italian and Spanish wine producers.

This chapter has covered some of the basic, core differences between the Old and New World producers that make a difference on how they are performing on today's international markets. These differences could be said to be built into their systems, and are internal factors, for example, the way they perceive wine as a product in a different way or how the laws and regulations affect. The next chapter will continue to carry these themes along, but will also bring along the influence of the external forces or factors and show how these affect on the wine markets and more importantly how the New World and Old World wine producers might react to them differently.



### 3 Changes in the external market environment

In this chapter the focus is about the major developments within the external wine markets that took place in the 21<sup>st</sup> century, irreversibly impacting and changing the core of the international wine trade. These developments have concretely altered the fundamental ways of doing business within the wine industry. The biggest changes would definitely include the creation of larger wine companies through international partnering and acquisitions, shifting consumer behavior as will be shown in the fourth chapter and the rise of supermarkets as an important sales outlet for wines. The first sub chapter will begin from looking at the single most important change that has not only affected on the international wine trade, but the whole century we are currently living in: Globalization.

#### 3.1 Affect of Globalization to the International Wine market

The term globalization is constantly appearing when going through academic research journals discussing the international wine trade today. Globalization has had a great importance for the wine business. Kym Anderson, professor of economics from Adelaide Australia and author of several articles and also a book regarding globalization and the international wine trade has stated that: *“Without globalization forces in the past, Australia and other Southern Hemisphere countries simply would not have a wine industry”* (2001, 6). This is a strong declaration from Anderson, but he is not alone with his thoughts. Globalization is a central theme, when going through research articles on modern wine industry. An example for articles that discuss globalization and its impact on international wine industry is: *An Analysis of Globalization Forces in the Wine Industry: Implications and Recommendations for Wineries* (2007) by Hussain, Cholette & Castaldi. In the abstract of this paper the authors state, *“This paper examines the driving forces and key success factors related to the increasing globalization of the wine industry”*. In this paper Hussain, Cholette & Castaldi evaluate different wine producer countries and their success within the international wine market in the past and how the forces of globalization have changed the countries “status” and why. Another similar article covering wine industry and globalization is from Cholette, Castaldi and Fredrick: *The Globalization of The Wine Industry: Implications For Old and New World Producers* (2005). This research compares the Old and the New World wine producers and profiles their strengths and weaknesses, and how they could cope within increasingly challenging market

environment created by globalization. The last example of an article talking about globalization and wine is from Green, Rodriguez Zuniga and Pierbattisti, *Global Market Changes and Business Behavior in the Wine Sector* (2003). Green, Rodriguez and Pierbattisti discuss the changes within the wine trade that globalization has caused like for example increased formation of multinationals. The formation of multinationals is an important change also noted in this thesis later on. This is why it is also relevant to this research to mention globalization as a phenomenon of great importance in the beginning of this third chapter talking about the business side of wine industry today. Ultimately globalization is the driving force behind all the important changes within the international wine market. This is why also researchers mentioned above, have been focusing a lot of attention towards it.

When talking about the modern world of wine, everything ties around the forces of globalization. Clearly the term globalization is very broad and includes several aspects, which cannot be explained here in greater detail, but would offer an excellent topic for another bachelor thesis. One clear message could still be picked up from all these different journal articles mentioned before, and that is how the lowered trade barriers and transaction fees, brought in by globalization have helped the formerly isolated wine producing countries to gain more international access. Wine producers today are able to sell their products within new foreign markets, something that wasn't as self evident before. Through this more export oriented way of doing business; the international competition has increased, bringing the consumers more options to choose from.

Thanks to globalization as a driving force, the world today is more interconnected than before, it has lowered the trade barriers as well as transaction costs. In other words: making business outside of your own country limits has never been easier than it is today. A well-known American journalist and author Thomas L. Friedman (2005, 2.) defined this phenomena as "*inexorable integration of markets, nation states and technologies to a degree never witnessed before in a way enabling individuals corporations and nation-states to reach around the world faster, farther, deeper and cheaper than ever before.*"

Most changes within the international wine markets can be tied around globalization one way or another. The major occurrences discussed in this chapter, can be seen as a result of an industry going from a mainly localized, isolated way of functioning, towards a new playing field with more competition. As stated by Corrado & Odorici (2009, 113) "With the growing internationalization of the wine market, the patterns of

wine consumption and production have changed dramatically posing a competitive challenge to older producers". Now the key for the Old World, as well as for the New World wine producers, would be to find the best way to compete successfully, using the tools most suitable for them, as indicated before in chapter two, when talking about the different business strategies from Porter and from Kim & Mauborgne.

Thanks to lowered trade barriers, reduction of logistical costs as well as tariffs it is increasingly easier for countries around the world to engage themselves in international trade. The increasing number of consumers and their needs and wants from new wine markets such as the USA cannot be overlooked. These needs and wants of new wine consumers might not be the same than what wine producers especially in the Old World countries in the past were used to. However, the wine producers have the chance to decide how to face this new market and its demands. All the wine producers can freely choose to either ride the wave of globalization or stay on shore. As said before, the New World wine producers have embraced this opportunity given to them, while the Old World countries may still focus on the production side of things, not consulting the market demands enough. Clearly, they have the right to do so, but for how long they can afford to do that?

When the export figures for European wines are not doing as well as they could, as can be seen from Figure 1, it could be thought to cause some changes even in the most traditional wine producing countries. Figure 1 shows the world wine export volumes in percentage. Starting from the beginning of year 2000 to 2009, between Old World wine producing countries such as Spain, Italy, Portugal, France, Germany and New World producers South Africa, Chile, Argentina, Brazil, New Zealand. Figure 1 also shows the export curves for France and Australia separately even though they are counted in the total volume presented. These two countries have been highlighted just to clarify the development they have gone through during the first part of the 21<sup>st</sup> century. This has been done, because a lot of attention has been given to these two countries in this bachelor thesis and because they offer a good point of comparison. They also represent the two biggest wine exporters within their groups, meaning in the Old and the New World. Some reasons for these changes have already been explained, such as difference in wine laws and labeling regulations and business strategies used. Some more interesting points will be shown later on in the next chapters, starting from looking into the increased formation of multinational companies and how that has affected the functioning of the international wine markets.

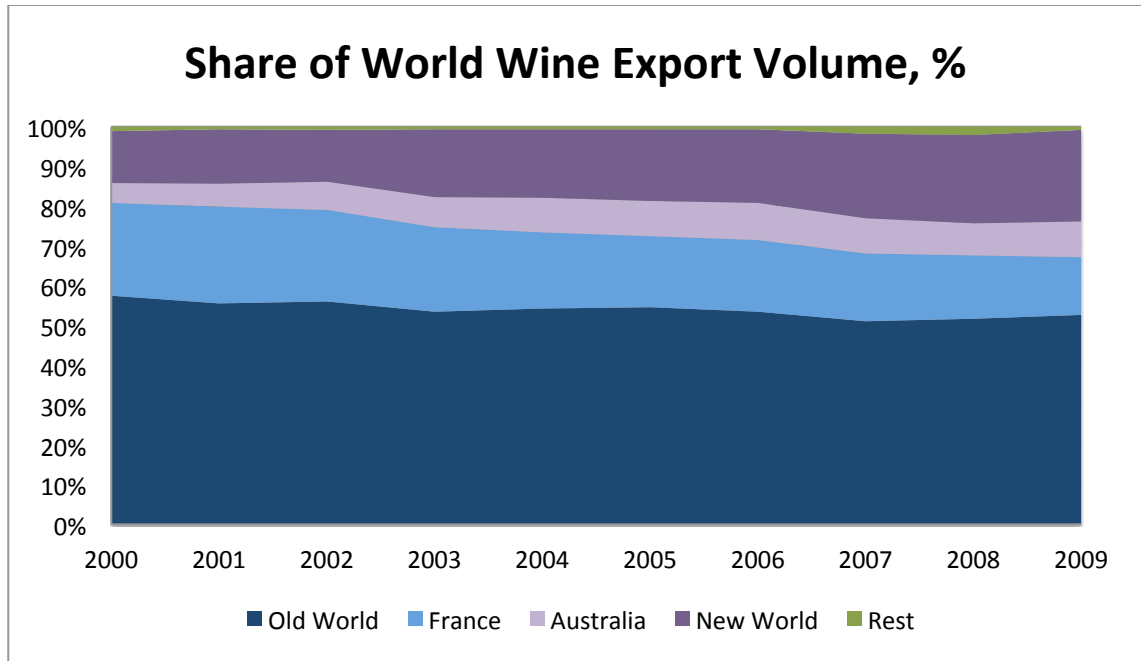


Figure 1. Share of World Wine Export Volume %

(Source: Global wine markets 1961 to 2009, a statistical compendium)

### 3.2 Multinationals

This chapter will discuss the differences in the business practices between Old and New World wine producers. The constantly growing and globalizing wine industry has led to the formation of several multinational companies. These companies are more able to take advantage of the opportunities in foreign markets, due to deregulation caused by globalization (Outreville & Hanni, 2013, 1). A multinational corporation could be defined as: *“an enterprise that engages in foreign direct investment and that owns and controls value added activities in more than one country”* (Spero & Hart, 2008, 130).

The amount of power that multinationals hold in different parts of the world differs. For example the Wine industry in France has been traditionally fragmented. The four most important wine producer companies only account for fewer than 20 per cent of wines produced. (Remaud & Couderc, 2006, 406.) In Bordeaux, one of the most important and prestigious French wine regions alone, you can find over 12,000 wine producers (Cox, Bridwell, 2007, 211). In the New World wine producing countries on the other hand, the concentration of firms is relatively high, on average four or five firms having control over 50 percent of the sales and of the wine production (Coelho & Rastoin,

2006,418). In Australia the four biggest companies account for about 80 per cent of all the wine being produced (Remaud & Couderc, 2006, 406). These big four: Southcorp, Beringer Blass, BRL Hardy and Orlando Wyndham together have managed to turn Australian wines as a whole to one tempting brand that consumers are drawn to (Anderson, 2003, 49). In the USA the leading multinational wine companies are Mondavi, Constellation, Brown- Forman, Scheid- Vineyards and Fortune Brands (Coelho & Rastoin, 2006, 423). France is not completely left out when it comes to the rule of multinationals, although they might play a smaller role there than in other countries. In France they have two giant companies such as LVMH (Luis Vuitton Moet Hennessy), which is specialized in luxury goods such as Louis Vuitton bags and Moet & Chandon Champagne. The other big French multinational would be Pernod Ricard S.A. that owns a wide variety of beverage brands around the globe, for example, Mumm Champagne and Jacobs Creek wines. (Coelho & Rastoin, 2006, 424.)

In general one common trend during the past decade has been the creation of larger multinational companies and the importance of being part of a bigger team in the international wine markets has been noticed. Usually partnering up with other companies has been done to gain more prominent position in the international markets. To secure the company's future in the tightening competition over consumers by acquiring firms that would diversify product portfolio or maybe reach new more geographically distant market areas. (Outreville & Hanni, 2013, 1.) This all leads back to the idea that, the larger the player the greater the likelihood for them is to remain competitive in the global markets. Larger companies usually have more financial means to invest into international market adventures and marketing promotions. It also brings in bargaining power with retailers like major supermarket chains, where most of the mid- range wines are bought today as will be discussed later on. Lastly, one positive side of being part of a multinational would be, their ability to control their supply chain through contract farmers providing grapes at a pre- determined price. In addition to the vineyards the multinationals usually own themselves. This way the wine producing companies are able to better control price fluctuations, guarantee production volumes and offer the consumer more consistent product year after year. (Anderson, 2001, 8.)

Using Australia as a real life example of successful usage of multinationals

Australia is a good real life example of a wine producing country that has gained traction in the international wine market because of the cohesive image as a "wine

brand Australia”, mainly created in collaboration with the multinational companies working together to promote Australian wine. The positive gains from creating this more focused image through big multinational wine companies for example over in Australia are numerous. Through the multinationals the country gets more worldwide recognition, simply because larger companies are better able to invest in marketing and create an attractive brand that people want to buy into. With this more cohesive, positive image of the wine producing country, it is easier to convince consumers to purchase their products. This will not only benefit the bigger wineries, but also smaller wine producers. If there is a greater interest and a demand towards the products from a certain region, there is also a better chance that smaller wineries would attract buyers through general interest towards that producer region. This is exactly what Australia has achieved with the help of the multinationals; it has created a brand called Australia that people like. This added to other factors that the Australian companies do, like their ability to create wines that are easy to drink and to understand, meaning simple, effective varietal labeling, in order for the consumer to see right away if they are buying a Cabernet or Shiraz. The Australian wine products are also known for offering good value for the money as well as eye catching design and branding that attracts a lot of consumers.

Probably the most well-known Australian success story and a great example of the power of multinational companies combined to New World freedom to experiment with wine comes from Casella Wines. It is the story of the Yellow Tail wine brand. Casella started as a family owned winery in a small town in Australia. In the year 2000 it joined forces with Deutsch & Sons, a family-owned marketing and distribution firm. In 2001 Yellow Tail wine took the American wine market with a storm. It offered the American wine consumers something completely new with its fun, colorful and simple labeling, removing terms that usually only frighten novice wine drinkers. Creating a fruity, easy to drink wine, that the consumers loved and it became the number one imported wine to the US, leaving its European rivals long behind. (Kim & Mauborgne, 2005, 25.)

As stated before, the wine industry in France is a lot more fragmented than in the New World countries, formed mainly from small and medium sized, independent wine producers. For the French it is harder if not impossible to try to form a more unified, clear “brand identity”, that would help consumers to find their products more attractive. This added to poorly marketing gives French wine a sad start when evaluating its performance in the light of the biggest changes in the 21<sup>st</sup> century wine markets. (Pike & Melewar, 2006, 187.) For the longest time France and all of its wine producers have

been successful thanks to the perceived quality of French wines, but how far along will that carry in the future? How long before the new producers will catch up with their concentration of market power and marketing budgets large enough to fight in the global markets? (Jordan, Zidda & Lockshin, 2007, 18.)

The creation of multinationals has had a significant impact on the wine business. When talking about developments in the international wine business, the existence of multinationals cannot be by passed.

In the next chapter another kind of change will be discussed. Moving along from the corporate side of the business, into the change of the sales outlets.

### 3.3 The change in Sales Outlets and where it began

With the rising variety of consumers getting more interested in wine, the image of wine is transforming and already has changed, thanks to the clever marketers trying to respond to consumers needs before they even arise. Wine as a product has been demystified in a way. Partly because of the New World producers coming up with wines that from labeling perspectives as well as marketing and branding have created a beverage that majority of consumers feel comfortable of choosing even without a great deal of wine knowledge. Even a bigger reason that has affected the reputation of wine for not only being an elitist product has been the increase in accessibility.

This chapter talks about one of the biggest changes that have touched the industry, the development that brought wines to the supermarkets. The march of wines to the supermarkets within Europe started from the UK as will be shown in this chapter and from there it has spread to other countries. It has been estimated that “60 to 80 per cent of all the global wine sales today come to pass through supermarkets” (Gettler, 2003, 1). This would mostly refer to countries such as Italy, France, UK that allow wine sales through different convenient stores, not only through authorized liquor stores, for example, in Scandinavian countries. Supermarkets have made wines more accessible to consumers. They have lowered the threshold for people to experiment with different types of products from different regions. Even people without a vast knowledge of wine are more comfortable picking up a bottle from the local grocery store, rather than wandering to a liqueur store without any idea what to even look for.

Undoubtedly, when it comes to regular wine consumers, wine sales in supermarkets have had a lot of benefits, but there is a down side to it as well. Supermarkets now

have a tremendous power over the wine industry. They can affect consumers decision making just by changing the way of promoting and placing the products in the store. It also makes life harder for the small producers. As stated by Humphrey (2007, 437), supermarkets have shifted away from “spot” purchases, towards more centralized purchasing strategy, which would more likely guarantee quality and quantity of their products. This way, the costs for delivery can be kept lower, but more importantly this type of purchasing practices fits to the model of big distribution centers that supermarkets often use, to serve multiple stores at the same time. This can often times be seen from the product selection in the markets, that they prefer brands and bigger producers, who can guarantee larger quantities with a good price. Smaller producers might not have this kind of financial ability to negotiate prices for their products, which would satisfy big chain markets. (Humphrey, 2007, 437.)

The actual “boom” for supermarket wines in Europe could be traced back to Great Britain. Over there the legislation changed considering liquor licensing in the 1970's. The new regulations allowed supermarkets to retail wine and by the mid 1980's supermarkets dominated by Sainsbury's, Tesco and Marks and Spencer's accounted more than half of all the wine sales in UK. (Anderson, 2003, 48.) According to Ritchie, Elliot & Flynn (2010, 103), the bigger supermarkets in UK carry an impressive 700 to 1000 different wines in their selection. Most popular wines sold in UK come from the New World countries, especially from Australia; in 2005 six top selling wines were Australian. The Australian wines have been taking over the British wine market on Frances expense. French wine sales decreased between 2003 and 2004 going from 41 percent down to 34 percent. (Campbell & Guibert, 2006, 238.) Aylward (2008) also noted in his journal article “Towards a Cultural Economy Paradigm for the Australian Wine Industry” how the Australians managed to move from working only within their domestic market, to being world's fourth largest wine exporter. This transition took place in the early 1980s and by the mid 21<sup>st</sup> century the Australian wines ruled the two largest wine markets of the USA and the UK (Aylward, 2008, 373).

Since the 1960s the consumption in the UK has doubled during each decade and based on the data shown in the EUs annual wine report from 2010, the wine market in UK experienced an average yearly growth of 7 percent since the beginning of the 21<sup>st</sup> century, making it now one of the most important importing countries there is (Anderson, 2003, 48; Perini, 2010, 5). This combined to the lack of domestic production due to climate factors; it makes UK extremely desirable in the eyes of every big wine



producer country. A study made by Ritchie (2007, 534) found out that, 61 per cent of the adult population in Great Britain consumes wine on regular basis. Historically, the British have not been a wine-drinking population as there was no local production. This could be explained with the poor climate, not quite suited for viticultural practices. Cider and beer has been part of their culinary culture since the beginning. This has changed and the people in UK now enjoy wine more than ever before, making it one of the most important market areas for wine producers all over the world. (Richie, 2007, 534.)

As shown before, the UK is an important export market for wine producers due to several factors. It could be thought, that for French wine producers it wouldn't be a problem to succeed in the British market just due the close proximity of the countries, still this does not seem to be the case. Instead France is losing market share in UK, which is sad since the consumers seem to be so open towards wine drinking. Steiner (2004, 287) lists the factors affecting Australia's success in the British market. According to Steiner, it s a combination of recognizable labeling and aggressive marketing, this seems to be the general tactic that has helped Australians to win over the market. Next chapter though, will not talk about Australians, but will present the research findings from the survey made for the consumers within the Millennial segment.

The last chapter before introducing the findings of the primary research looks into the consumer side of wine. In the end it always comes down to pleasing the consumers. Without consumers purchasing the products, there is no business. As implied in this bachelor thesis already, some countries are better at giving the consumers what they want.

## 4 Consumer characteristics and market segmentation

### 4.1 Perceptions of wine

France and the Old World in general, have been extremely slow to adapt to the changing production and consumption trends that have swept across the industry. It has taken nearly a decade for the Old World wine producers to start reacting, not only to the rising competition but also to the needs of the new wine consumer generation.

It could be said that, the only common factor, when it comes to the wine industry, is change: change in the amounts of wine consumed in different countries, change in the way wine is perceived, change when and how wine has been enjoyed and change in the people who consume wine. Wine drinkers today are getting younger than they used to be, as will be seen in the next chapter about consumer segmentation. With the rise of younger consumers, also the perception of wine has changed from what it used to be. Today wine is more like a lifestyle beverage; this can be seen as a good thing for the majority of consumers, who might have been afraid of wine in the past, because of its elitist stigma. Wine as a product has lost some of its “prestige”, for example, because of the growing supply and due to that, dropping prices, in some wine categories. Due to all these factors mentioned above, growing amount of consumers today feel more comfortable to try out wines which has a positive affect for the whole industry.

Even in a country like France, where wine has always been part of the culture in every sense, is experiencing the change. In France, wine used to be the standard everyday product, accompanying daily meals in every average home. This is not the case anymore and looking at the dropping per capita consumption figures, presented in Table 1. below, shows an indication to this. Table 1. shows wine consumption measured in liters, per capita from nine selected countries that represent both, the New World and the Old World. This table has gathered data from four consecutive years, starting from year 2007 and coming to 2010. From the traditional wine drinking countries of Europe, Spain and France have showed a drop in per capita wine consumption. Italy has managed to maintain about the same level of consumption and even raised it by 3.4 percent, during this four-year period. Countries that also managed to raise the wine consumption figures with Italy were Australia, USA and Chile. Also research done by Pike and Melewar (2006, 186) showed the change in French wine

consumption habits. According to them, 50 percent of French families used to drink wine with their daily meals in 1980. This number was cut in half by the year 2000. Is this an indication of a larger cultural change within the Old World wine countries? Clearly there is not enough evidence to draw any conclusions based on these two sources presented here, but the questions rises: why several traditional wine drinking countries have suffered a drop in wine consumption? Is this an ongoing trend or just something temporary?

### Wine Consumption Per Capita 2007-2010 in Chosen Countries

	COUNTRY	Liters/yr. 2007-2010 Average	Liters/yr. 2010	Change: Vs.2010-2007
1	France	46.11	45.70	-3.0%
2	Italy	42.56	42.15	3.4%
3	Spain	13.50	26.16	-20.8%
4	Argentina	25.60	23.74	-13.0%
5	Germany	24.51	24.54	0.3%
6	Australia	23.69	24.93	9.6%
7	Chile	16.62	18.78	4.6%
8	South Africa	7.12	7.05	-2.7%
9	United States	9.09	9.42	5.1%
	<b>Total</b>	<b>23.2</b>	<b>3.47</b>	<b>-1.7%</b>

Table 1. Wine Consumption Per Capita 2007- 2010 (Wine institute 2010)

Today wine offers people a way to relax and enjoy it while maybe socializing with friends and family, wine is becoming more of a lifestyle beverage especially amongst the younger wine consumers. While the nature of the beverage changes, also the people who consume it might have bit different characteristics than what they used to. The general image of wine has been transformed, from being uptight and snobbish, to more easily approachable. Largely due to New World wine producers, who have taken the liberty to experiment with wine. Previously in this paper the Australian brand Yellow Tail was shown as an example of a New World wine brand that offered an alternative to the traditional products. It would also serve as an example of a new type of wine, for

the new type of consumer. The new, modern wine drinkers could be described as experimental; they are open to try different varieties from all over the world. They do not have to settle only for the classical labels or varieties from Europe; today they have wines from approximately 26 different countries available to them in a decent price. (Campbell & Guipert, 2006, 237.) In the next chapter, the different consumer types will be discussed in detail to see how their behavior might influence the international wine markets.

#### 4.2 Two main ways to segment wine consumers

Consumer segmentation is key tool used by marketers and companies wanting to improve their success by getting to know the habits of the potential consumers and then, splitting them into groups based on similar characteristics. Consumers can be segmented based on anything from marital status, age, and gender to the level of income. It solely depends on the needs of the marketer or the company involved. By segmenting the consumers, it is easier for the company or marketer to find out the needs and wants of the potential consumers. Then the gained information will be used to attract the possible consumer, creating marketing strategies or whole product lines to appeal to their taste.

Today's wine consumers have been segmented into four different groups based on the year of birth. 1) Traditionalists born between 1900 and 1945; 2) Baby Boomers born between 1946 and 1964; 3) Generation X born between 1965 and 1976; and 4) Millennials, the children of the Baby Boomers born between 1977 and 2000. (Barber, Dodd & Ghiselli, 2008, 128.) All these groups have different characteristics that affect on their decisions as consumers. These characteristics have developed partly due to the nature of the time when they were born. Traditionalists for example have been described, to be quite conservative towards money and hard working. This can be understood, when remembering that they were living in an environment affected by the Second World War. (Olsen, Thach & Nowak, 2007, 5.) As a marketing point of view, could be thought, that these consumers would be looking for good value for the money products and would be quite sensitive towards pricing, since they lived in the post war world where products were scarce and expensive.

The Baby Boomer group would be quite the opposite from the Traditionalists. They also went through a televised war that shocked people all around the world, the Vietnam War. They were greatly influenced by the television and the growth of mass marketing.

They have been enthusiastic about making money and also spending it. They have also been important group for the wine industry since Generation X often chooses spirits above wine and the traditionalists group is reducing by age. (Olsen, Thach & Nowak, 2007, 6.) This leaves out the Millennials, who are showing a lot of potential for the future of wine consumers.

Another way of segmenting wine consumers would be dividing the consumers based on how often wine is consumed. Based on this, the American non profit association of grape growers, wine producers, wine importers, wholesalers known as the Wine Market Council (2003), has come up with five different segments: 1) Super core (consume wine daily), 2) Core drinkers (consume wine two to three times a month), 3) Marginal (consume wine two to three times per quarter), 4) Non-adopter drinkers (who prefer other alcoholic beverages over wine), 5) Non drinkers (do not consume any alcoholic beverages).

The style of consumer segmentation varies between countries, but these two methods of consumer segmentation shown above can be found in research articles discussing the consumer behavior in the context of wine. Articles such as: "Wine for My Generation: Exploring How US Wine Consumers are Socialized to Wine (2007)" from Olsen, Thach & Nowak, "Market Segment Analysis to Target Young Adult Wine Drinkers (2006)" from Thach & Olsen and "Capturing the Younger Wine Consumer (2008)" written by Barber, Todd & Ghiselli.

A research done in the USA by Thach & Olsen (2006, 309) showed that 86 percent of wine sold was consumed by the core and super core drinkers, largely consisted of consumers from the Baby Boomer generation. The Baby Boomers are counted to be the largest wine drinking population in the USA but also in Europe, based on the research done by the EU in 2012 (Baldi, 2012, 7). It is understandable that by being the largest wine-consuming segment, a majority of products and marketing strategies are geared towards this group. Still it would be important to bear in mind that competitiveness amongst different wine producers is only growing, making it more challenging for the marketers to reach consumers, from the endless sea of options offered to them. Due to the increasing amount of wines being brought to the market, there has been a need to find new wine consumers, not just focus on the existing ones. This quest has brought up a new promising group of wine consumers, with notable amount of buying power, the Millennials. (Thach & Olsen, 2006, 307.)

These previous marketing trends could also be seen from the perspective of the Blue Ocean strategy, which was discussed in chapter two. Marketing towards the more “obvious” wine drinkers, lets say the Baby Boomers, could be described as the Red Ocean. Marketing within in this segment is fairly competitive and it could be assumed, that it requires a lot of work and funds to be successful, because surrounded with competition from all sides. By marketing your products towards a new, rising consumer segment, the Millennial would present less competition, which might help to grab their attention bit more easily and create a more successful marketing campaign within the newly created Blue Ocean.

#### 4.3 The Millennial generation as wine consumers

Millennials would be considered the children of the Baby Boomers and one of the most important, growing consumer group in the world, with a significant amount of purchasing power. They already have been considered to be the largest consumer group in the USA. (Nowak, Thach & Olsen, 2006, 316.) The good news for the wine producers is, that they also seem to like wine. The Millennials appear to be the “holy grail” for wine producers and marketers, who are looking to grow their sales. They present to be a truly attractive consumer group, because of their high buying power and also the ability to affect the purchasing decision of their families, the appropriate age, they currently are between 14 and 36 years old and most importantly, they seem to show interest towards wine. (Nowak, Thach & Olsen, 2006, 316.) So there is lot of potential for the future of wine business, the only thing wine marketers and producers have to do, is to reach out and find a way to get the Millennials attention.

The Millennials have grown up in a media-saturated, brand conscious world, which partly makes them unique, compared to all other generations. They are the first ones to grow up with the Internet and other emerging technologies. So it could be thought, that these things would have some impact on their behavior as consumers. The Millennials know how to use the Internet as a source of information, as well as an outlet for purchasing desired items. So having well designed web pages and online retailer shops could be highly important if wanting to attract this group of consumers. (Nowak, Thach & Olsen, 2006, 317.)

Thach & Olsen determined six specific traits that represent the Millennials (2006, 310-311). Being Internet proficient was one of them as just mentioned, but they also had them labeled as fun loving, positive and practical, environmentally and socially aware

and diversity conscious. This could translate into being more responsive towards marketing that would be quirky and fun. The same conclusion was also shared by Syrett & Lammiman (2004, 72), according to them *“Millennials would mostly respond to marketing that is based on irony and humor.”* Something that New World wine producers do very well with the bright colored labels, new types of packaging: wine in cans and boxes (Thach & Olsen, 2006, 311). Lastly Thach & Olsen also describe the Millennials to be *“very brand conscious, and seek brands that provide quality, but at a fair price”* (2006, 310).

All this information about the Millennials would seem to fit really well with the image given by the New World wine producers through out this research. Especially Australia as a wine producer, who has been clever enough to tap into this segment of young wine consumers by creating new different brands, marketing and packaging. The Old World producers are a lot more restricted, when it comes to labeling or any activity that might attract the younger wine consumer, partly because of their laws and regulations as established before. For example the French focus on emphasizing the classical characteristics from bottle to the label, which they see as sustaining the perceived quality that comes through tradition. As mentioned before, this type of differentiation might work in other segments, where the consumers are more educated about wines like the Baby Boomers, but it does not help the French wine industry to gain more consumers from the Millennial generation, that it would be in need of. Also according to Barber, Almanza & Donovan (2006, 220) the younger, less educated wine drinkers rely more on the information given out by labels and as seen before in a previous chapter, the European wine labels are fairly complicated for a novice wine drinker to follow. The New World producers would offer a wider variety of products for the younger wine consumer, catered to their needs.

A sample of Australian innovation, wine in a can (Picture 3) is a good example of what types of experiments have been done to attract the younger wine drinkers in Australia. Based on the information given about the Millennials, this would be the type of fun, colorful, bold new product that the Millennials would most likely be drawn to. This idea of a wine in a can came up with an Australian company called Barokes Wines and their canned products were first seen in the shelves of supermarkets and wine shops in 2003 (Tsui, 2011).



Picture 3. Australian Wine Innovation: Wine In a Can (Source: Muller, Getty Images)

The shift within consumer purchasing could be thought to be one of the most central things affecting the international wine markets. After all, if the companies are not able to attract buyers, there soon is no company. For the French producers especially, this has seemed to be like a hard thing to understand. For centuries, they have been able to create wines more for themselves in a way, create wines that please them. To be fair, this kind of approach has worked for them for quite some time now. They have not had the need to be thinking about what the consumer actually wants. This more “producer based” wine making has started to create problems for them only recently. Since more and more wine makers are coming out with different types of products, more geared towards the consumer's taste, as shown before in this research, the New World producers especially have seemed to have adopted what could be called more “consumer based” approach towards wine making. This idea of a wine in a can, shown here is just one example of this new way of thinking and seeing wine.



## 5 Study on wine consumption habits of the Millennials

Researchers Thach and Olsen (2006) have written several journals on the purchasing habits of Millennial generation in the USA. As they imply in one of their journal articles "*Market Segment Analysis to Target young Adult Wine Drinkers*" (2006, 320), there would be more work to be done when it comes to, for example knowing about the wine purchasing habits of European Millennials. This is important because as previously shown; one main reason behind the recent changes with in the international wine industry is the change in consumer behavior, or to be more specific, the rising importance of younger consumers and the ability to respond to their needs from the wine producers side. This is why the final chapter of this Bachelor thesis is focused on collecting and analyzing primary data gathered from the younger wine consumers. Aiming to discover whether the findings would match the assumptions previously made through the information gotten from the journal articles used for this bachelor thesis. The question to be answered in this research is: "What affects the wine purchasing decisions of the so called Millennial generation?". The results acquired, through this survey can be thought of as a starting point for marketers. The information gathered through this research can help marketers gain better understanding, on how to approach the Millennials and also what makes them want to buy different products, considering wine purchasing?

This research completed for the last part of this bachelor thesis is merely an attempt to shed some light into understanding the behavior of the young consumer. It is not a conclusive research and cannot be used to make generalized statements about the entire Millennial generation and their wine consumption habits. That would require a more comprehensive approach, focusing specifically on different countries or even smaller regions. For example sales outlets for alcoholic wine differ from country to country and region to region. While in the US, wine sales may be restricted to certain days and times in France this may look completely different. Consequently, consumer habits differ according to the environment they find themselves in. Millennial consumer behavior would offer an interesting topic for future research, to be done in a larger scale. The next sub chapters will present the findings as well as explains the research methods used for this study.

## 5.1 Research methods Used

After the literature review has been conducted and a better understanding of the main changes within the wine industry acquired and explained, this thesis will move on to the final part, which is the primary research.

Researchers have two different main ways of gathering data for their research, qualitative and quantitative. Qualitative research is a generic term used for investigative research. In qualitative research the target group is chosen to suit the purpose of the research, it is not a random sample unlike something that is more often used in quantitative research. (Kothari 2004, 3.) Methods commonly used when conducting a qualitative research usually include for example interviews, questionnaires or observations. The benefits of qualitative research are for example, that when the sample size is bit smaller it is easier for the scholar to look deeper into the responses of the respondents (Veal, 2006, 193). This research conducted for the purposes of this bachelors thesis could be described as qualitative, since the questionnaire made for this research, was targeted for certain group of wine consumers, the Millennials. It was not a random sample, as normally used for quantitative research and also because the sample size was 69 individuals. The people were chosen for this research based on their age, because the aim was to research the wine purchasing habits of the Millennials.

The purpose of this research was to see, if the results gathered through the survey conducted, would provide more inside information about consumption and purchasing preferences of the younger wine consumers, and if that could partly explain, the rising popularity of New World wines.

## 5.2 The questionnaire as a way to gather information

The survey was conducted through an online survey questionnaire tool. The survey was kept open for a period of three weeks in March 2013. The link of the questionnaire was sent to consumers that corresponded with the age requirements of the clearly defined target group. The link for the questionnaire was mainly sent by using Facebook and e-mail. The age of the respondents was the main influencing factor, for which the link was sent to, since the survey was only targeted to people within the Millennial segment as mentioned before. A questionnaire was drafted to be sent out to wine consumers born between years 1977 and 2000, to gain more in depth

understanding of their wine drinking and consuming habits. A total of 69 individuals answered the survey. Amongst of these 69 respondents, there were people living in different countries around Europe. Also some Millennials from the USA participated in the survey.

The questionnaire was designed in a way that it included both measurable, questions for example about the respondent's demographic, gathering information about the respondent's age, gender and nationality, but also open questions. The questionnaire can be seen in Appendix 1.

### 5.3 Results of the survey

The questionnaire survey was aiming to find out the wine drinking and purchasing habits of the consumers in the Millennial generation. These research findings could be then compared to the assumptions made previously about the main changes within the wine industry and how they may or may not support the findings made through the literature review. In this chapter the results of the survey will be discussed.

First three questions were basic demographics of the individuals who participated in this research. They asked about the gender, age and nationality of the respondent. From the 69 who filled out the questionnaire, 37 (53,6%) were female and 32 (46,4%) male. So gender wise, it was a nicely balanced group of individuals. The majority of the respondents, 37 (53,6%), were between 21 and 25 years old. The next biggest group, 24 (34,8%) respondents, were between the ages from 26 to 30 years. Within all these Millennial respondents, there were a mix of nationalities, for example consumers from Germany, Italy, Scotland, USA and Finland. Within the questionnaire, the age scale is between 16 to 35 years since for example in Germany it is legal for 16 year olds to purchase wine.

Some of the most important and interesting questions considering this thesis, were the questions made about the frequency of wine purchases, the location of those purchases and the types of products most often used. Starting with question number four, Figure 2. has gathered results from Millennials wine consumption as well as purchasing frequencies.

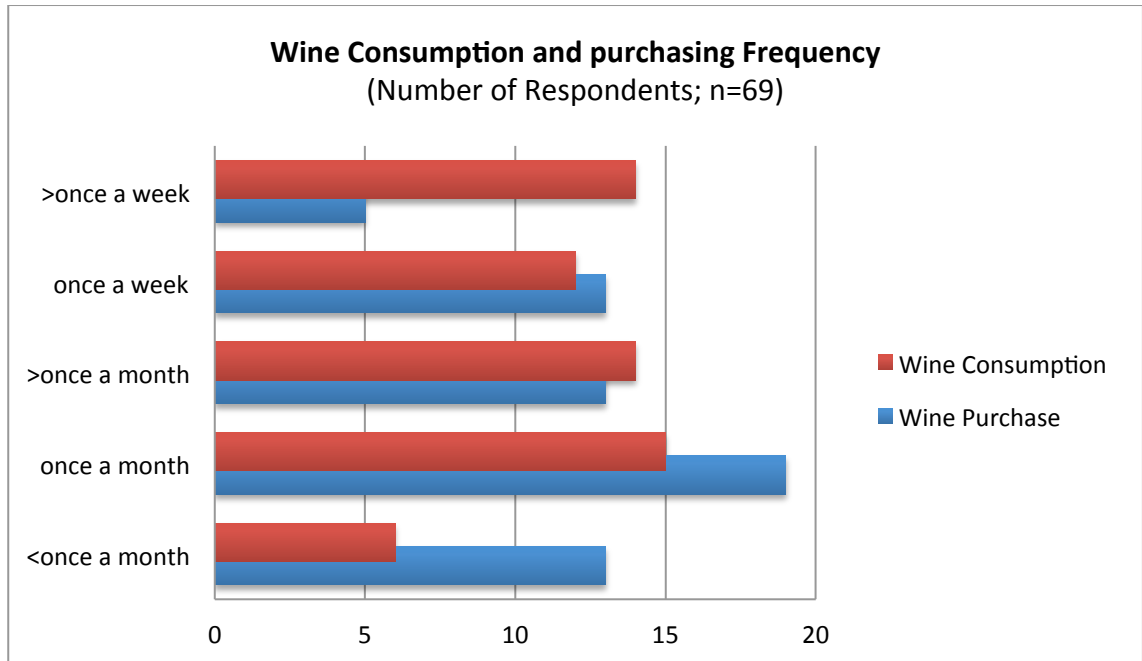


Figure 2. Wine consumption and purchasing frequency

As can be seen from Figure 2., both wine consumption and wine purchasing is something the Millennials in this research group do quite frequently. A total of 19 respondents purchased wine once a month and 13 more than once a month. Forty out of the 69 people asked stated that they consume wine more than once a month. This result correlates with the assumption previously made about Millennials and their showed interest towards wine. Based on the results gotten from this particular survey, present the Millennials to be a strong consumer group for wines.

Fifteen of the respondents consume wine once a month and almost the same amount, 14 respondents stated they consumed wine less than once a month.

It was possible to identify a group of young wine consumers, who could be called core consumers. As seen in chapter four, core consumers are people who drink wine at least once a week.

Going to question number six, asking about the preference of outlet for wine purchasing. The assumption to this question was, that supermarkets would be the most important sales outlets for wine purchasing today.(more details of the discussion in chapter 3) It seems that this correlates with the results gotten from the survey.

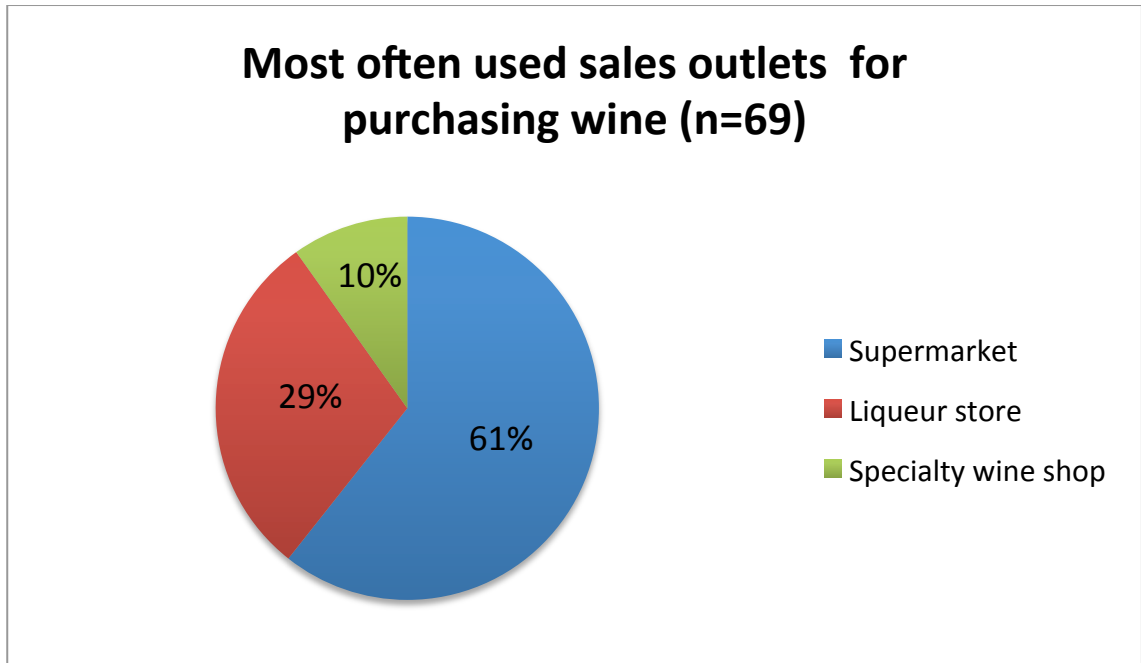


Figure 3. Most often used sales outlets for purchasing wine (n=69)

As Figure 3. shows, based on the results from the survey, the supermarket was clearly the most common place for people to purchase their wine. It gathered 61 percent of the answers on the questionnaire. Next on the list was liqueur store with 29 percent and lastly, 10 percent of the people went to an actual specialty wine shop to purchase their wine. The supermarket is the obvious choice for the Millennials as a purchasing outlet. Since supermarkets offer wines with competitive prices; it is convenient and easy and also offers a large variety of products. People using specialty wine shops could be thought of being more interested in wines, than the average occasional supermarket consumer. People using liquor stores and specialty wine shops can be seen as the same consumer group who, in chapter four, have been categorized as core consumers. However, there is no concluding evidence to prove this assumption about consumer's shopping preferences according to their extent of wine education. This would need more detailed research.

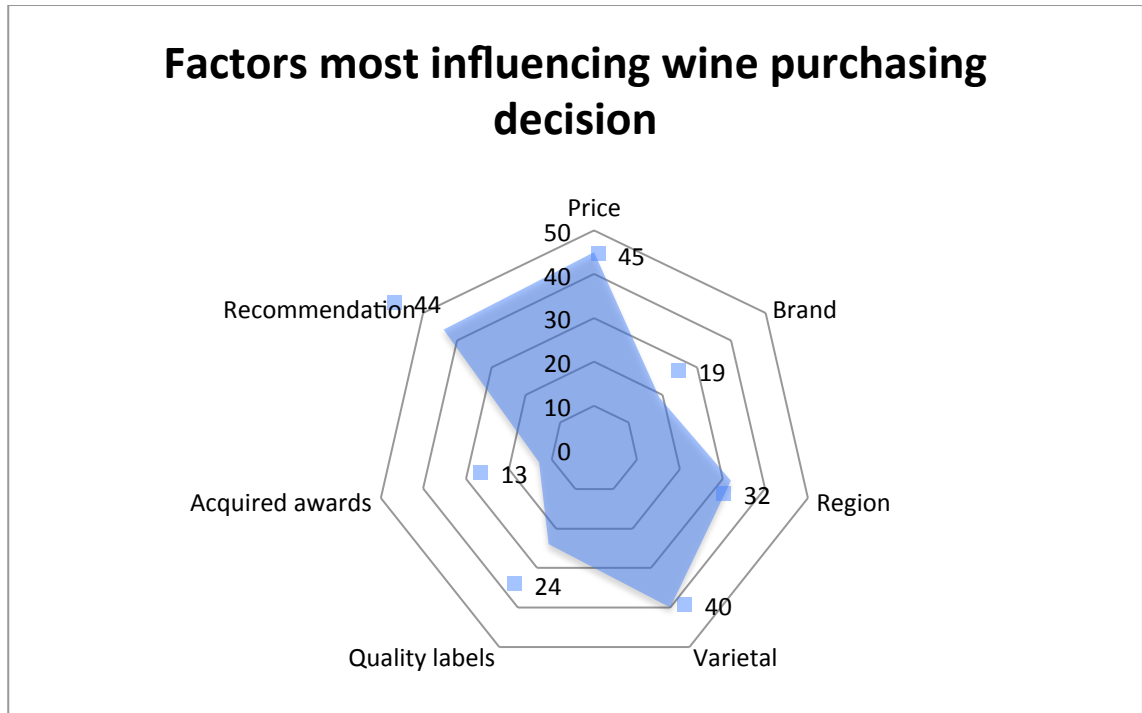


Figure 4. Factors mostly influencing wine purchasing decision

Concluding from the survey results seen in Figure 4., the price and recommendations from friends or from the media are important when selecting a wine. Most of the people, 37 persons to be exact, who answered this survey, were between 21 and 25 years old. They may be students or recently graduated without a substantial income. In this case it makes sense that they are looking more value for the money wines and take their friends advice into account when buying wine. From a marketing point of view, it could be important to target marketing towards the Millennials. Even if they personally wouldn't be affected for example by a specific advert, if the marketing reaches any of their circle of friends it might be enough. There seems to be good a chance that it will end up affecting the individuals purchasing decision through the recommendations made by friends.

From the Millennials who participated in the survey, 19 of them told that they purchase wines within the six Euros and under category and the majority, 23 individuals, prefer to buy wines between six and ten Euros. Only three said they usually buy their wine within 16 to 25 Euro category and there was just one person who indicated usually buying wines that are above 25 Euros. The fact that the younger wine consumers are not too willing to spend lot of money on wines is understandable. After all, it could be thought that most young wine consumers are not too well educated about the fine differences in

wines and do not necessarily understand why they should spend large amount of money on a bottle of wine. With age and better understanding on wines, the threshold of buying more expensive wines also lowers.

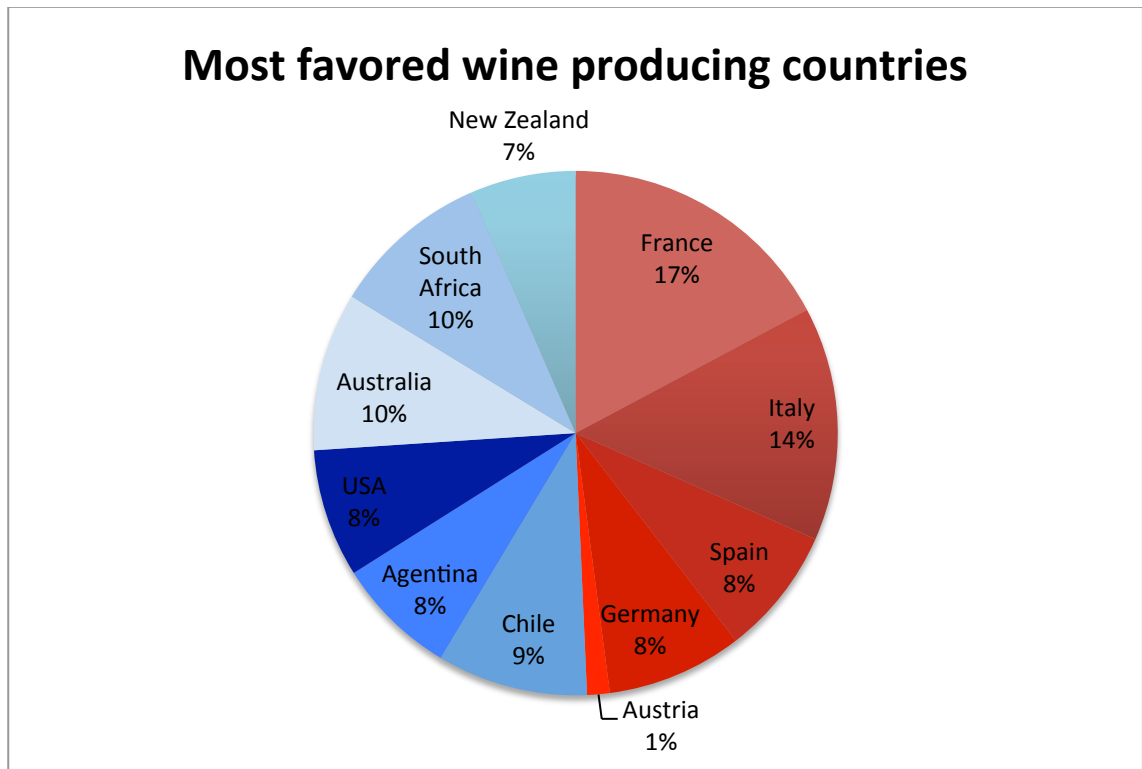


Figure 5. Most favored wine producing countries n=69

Looking at the Figure 5., all the New World countries included within the questionnaire are marked with different shades of blue and all the Old World countries are marked with the different shades of red. France was the most popular wine purchasing country with 17 percent, followed by Italy with 14 percent. From the New World countries, Australia and South Africa were the most popular one with 10 percent share. When counting the total percentages from the Old World wine producing countries and the New World countries, the New World wine produces gain 52 percent of the total, where as the Old World producers gained 48 percent. The new World wines were a bit more popular amongst the Millennials who participated in this survey. French wines were still clearly the most popular amongst this group; this might be because majority of the Millennials who participated in this survey were Europeans. It would be interesting to see how the results would vary for example if the survey would have been done in the

USA. Would the American Millennials also prefer French or European wine in general or something completely different?

To summarize it could be said that the results of this research shows some similarities with the assumptions previously made about the Millennials and their wine consumption and purchasing habits. The Millennials seem to consume and purchase wine on fairly regular basis, which was also indicated before in the text in chapter four. Even though France was the most popular wine producing country within this group of Millennials who participated in the survey, they did also show lot of interest towards the New World wine producers as showed in the Figure 5. This survey gives some indication towards the wine consuming preferences of the Millennial generation. As stated before it is not a complete research and cannot be taken as such. This conducted research could benefit and offer a starting point for marketing purposes; it has also raised new questions about the Millennials and their habits that would present a good opportunity for future research.



## 6 Conclusions

For a conclusion it needs to be said that this thesis topic has been quite vast as already stated in the very beginning. The main difficulty and the greatest challenge all through the writing process was to find a good angle on how to present this thesis, without it getting too broad and confusing for the reader to follow. This Bachelor thesis was attempting to discover some of the main issues that have affected the nature of the international wine market today. Some obvious changes and differences between the two main wine “blocks”, the Old World and the New World were identified and then compared. During the whole research process it became clearer how the differences between the wine countries business practices were affecting their success in the current wine market and how the consumers perceived them.

There is a lot of criticism towards some of the business practices and wine-producing methods used by the New World wine producers that they are producing wines, which lack character and have no depth in taste. New World wine producers are investing money on advertising, and forming larger multinational companies to help them gain competitive advantages on the global market. This is all true, as shown before. It has also proven to be quite effective. The European wine producers have clearly chosen a different path. Partly because of their long historical ties to winemaking and through that different kind of view towards wine as a product, but also simply due to the restrictions placed upon them by the governments of each country.

Still based on the research done, it seems like that the old European wine producers should be grateful for this. Since the Australian and other New World wines might just offer the perfect stepping stone for the beginner wine drinkers. Customers who would have normally been too intimidated to even go near the French or Italian wine shelf at the store, because of their un-intuitive labeling practices, as shown before. Thanks to the Australian and other New World wines, people feel more comfortable to try wines in the first place. This is especially important with the Millennials, who seem to present the future for wine makers. After gaining more knowledge on wines, it is easier to move closer to the Old World wines. What also makes the New World wines in general more customer friendly is that the Australian wines like other New World wines are labeled according to the varietal instead of appellation, so people trying to find a Chardonnay will not have any difficulties finding what they are looking for. The main obstacle for wine producing countries like France seems to be their sometimes stubborn seeming

attitude towards change and making their products more customers friendly through labeling and marketing, increasing customer's knowledge and through that hopefully making consumers more interested in French and Old World wines in general.

The primary research conducted for this thesis was aiming to gather information about the wine consumption and purchasing habits of the Millennials through a survey. Even though the amount of the responses was fairly good, the questionnaire itself could have been drafted differently. More detailed questions should have been asked, now the questionnaire was proven out to be too short to give in-depth information about the Millennials wine consumption or purchasing habits. Also the survey might have been more beneficial if it would have focused on a certain country, instead of gathering results from Millennials with different nationalities. More conclusions could have been drawn from a survey only targeting for example the Millennials in England. This way the research would have been more precise. In the end this Bachelor thesis has opened a lot of new questions that would offer interesting topics for future research. This thesis could provide the starting point for another, more in-depth research paper. Ideally this thesis has been able to gather sufficient information, explaining the state of the wine industry and provide insight about the next important wine consumer generation.

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# **APPENDIX 1. Wine drinking habits amongst the Millennial generation**

Welcome

This survey is part of my Bachelor Thesis for the University of Applied Sciences in Turku, Finland, as well as for Oklahoma State University, Oklahoma USA. My thesis discusses the changes within the international wine industry during the 21<sup>st</sup> century and consumer behavior of the so called millennial generation, consumers born between 1977-2000

Please take 5 minutes of your time and answer these 8 short questions. Your help is very much appreciated.

## **1. Gender**

Male          Female

## **2. Where do you live?**

Country: \_\_\_\_\_

## **3. Age**

16-20          21-25          26-30          31-35

## **4. In general, how often do you purchase wine?**

- A. once a week
- B. more than once a week
- C. once a month
- D. more than once a month
- E. other (specify) \_\_\_\_\_

## **5. In general, how often do you drink wine?**

- A. once a week
- B. more than once a week
- C. once a month
- D. more than once a month
- E. other (specify) \_\_\_\_\_

**6. Where do you usually purchase wine?**

	Often		Neutral		Never	N/A
A. from a supermarket	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. from a liqueur store	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Online shop	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. specialty wine shop	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. other (specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**7. When choosing wine, you most often purchase...**

- A. Red Wine
- B. White Wine
- C. Rose
- D. Sparkling Wine

**8. How important are the following criteria for your purchasing decision**

	Very Important		Neutral		Not Important	N/A
A. Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Region	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Varietal (i.e. Pinot Noir, Shiraz, Chardonnay)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Quality Labels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Acquired Awards	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. Recommended by friend/magazine	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Other (specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**9. At which price point do you usually buy your wine?**

- A. under 6 €
- B. 6€ - 10 €
- C. 10 - 16 €
- D. 16€ - 25 €
- E. 25 € or over

**10. Do you most often purchase wines produced in:**

	Often		Neutral		Never	N/A
A. France	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
B. Italy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
C. Australia	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
D. Spain	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E. Germany	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
F. Austria	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
G. Chile	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
H. Argentina	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I. New Zealand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
J. South Africa	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
K. USA	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
L. Other (specify)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3

**11. For the Wine Country you purchase the most wines from, briefly explain why (i.e. flavor, catchy marketing, availability etc.)**

Thank You!

Thank you very much for taking part in this survey. Your information will be handled with care and is used exclusively for this research project.

Your answers help understanding wine preference of our generation a bit better.

Have a great day!