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THE NEW COMPETITION OF THE INTERNATIONAL WINE MARKET
AND ITS CONSEQUENCES
ON FRENCH PRODUCERS' STRATEGIES:

CASE COMPANY:

Champagne Fleury

Domaine de la Garelle

Degree Programme in International Business and Marketing Logistics



ABSTRACT

Title: THE NEW COMPETITION OF THE INTERNATIONAL WINE MARKET AND ITS CONSEQUENCES ON FRENCH PRODUCERS' STRATEGIES:
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The aim of this dissertation is to examine the possible strategies adoptable by the French wine producers to face the new international competitors that have themselves applied efficient and aggressive marketing strategies to set up into the international wine market. With this analyse will be shown how two French companies have adapted or not to the changes, by adopting a different approach of the market.

The theoretical part focus on how improving the French producers' competitiveness, by exploring all the possible strategies that would make the business more efficient. First comes the analyse of the global strategies as the different competitive strategies, to then focus more on marketing mix strategies that still belong to the global competitive strategies, but have to be adapted to each individual case.

The empirical part was based on a qualitative method; an open ended questionnaire has been drew up and answered by two case companies. The empirical part was based on results of these two interviews with the wine producers. The answers gave explanation about the actual situation, and the area where changes have been done. By determining the needs and the difficulties of specific companies it would easier to understand which strategy would remain the most efficient.

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1. INTRODUCTION

With a total of Euro 5, 7 billion of exported wine, France is the first wine producer of the world, for every category. Thanks to the quality of its products and its know-how recognize by all the other producers, the French wine has succeeded to build itself an international fame.

However according to the evolution of the actual global market these criteria are not enough and since few years its leadership position had been threatened. The market for French wine has been declining which had led to considerable losses for the industry.

Indeed the demand is decreasing in the traditional consuming market and growing in new areas and the offer is becoming more and more varied. The wine growing world has observed the arrival of producing country, especially six offensive competitors (Australia, Chilli, Argentina, South Africa, New Zealand and United States), whose growth is about 100% instead of 20% only for the traditional producers (France, Italy, Spain, Portugal).

In front of this new competition France has to admit some failing. The failings concern as well the offer, indeed quality criteria have changed according to the consumer taste, as the communication. Finally we can notice a lack of reactivity of French producers, or maybe French government that do not find for the moment, the best way to change. French wine has a huge market and a fan following all over the world, but the stringent rules and regulations of the French government may have handicapped the reach of French wine to several countries, or other local markets.

For the reconquest of the consumers the producers have to play on the product aspect: Quality & Innovation first Labelling and packaging then.

But also directly on the consumer willing: like the communication about the brand and the communication about the benefits on the health.

We can ask ourselves if these solutions correspond to marketing strategies, and how they would be used in order to be efficient.

The global aim of this study by analysing marketing theories first and case company then is to try to show how it would be possible for the French wine to stay on the top of the list of the wine market.

For that the first objective of the theoretical part would be to define the global and the local market competition and its competitive advantages.

Then the next objective would be to draw a list of the existing marketing strategies.

Finally we would explain the marketing mix strategies conceivable for this market.

In a second part, the empirical part which still follows the same theoretical plan, we will analyse the case of two real companies. Their answers to an interview would help us to draw a conclusion about the actual global wine market competition and the best strategies applicable. These companies are: Champagne Fleury and Domaine de la Garelle. Analysing a Champagne company would be helpful to understand why this wine category does not suffer the same way from the competition.

2. MARKET COMPETITION

2.1. Global Competition

In times of globalization it is vital to deal with global market competition. Today the competition is growing more intensely every year, and becomes harder and harder for the non leader companies. That is why it is more important than ever that firms study competition at various levels, like industry, form, brand...etc.

The actual global wine market is changing and evolving a lot since 30 years. The demand especially evolved a lot with some consequences to the production, and the worlds exchanges.

2.1.1. Classic Wine

Since the years 90's the global demand of the traditional consuming country (which are also the traditional producing ones) is constantly decreasing. However the contrary happens in some country that appreciate still more consuming wine. It is the case of the new producing country, like Australia, USA, but especially places that previously had nothing to do with wine. This evolution is amazing for some country like UK, Netherland or also Denmark. And it constitutes new opening markets with interesting possibilities.

Principales consuming countries



Figure 1. Evolution of the wine consumption per inhabitants in 2007 (Malpel, 2009)

This figure is a good symbol of the evolution of the demand. And it means that the global market is not completely saturated. Despite the new opening market the world wine consumption stays really concentrated, and the seven first consuming countries totalize 59% of the all world consumption.

As the habits of the traditional consumers have changed, they drink less wine, the demand have increase in new countries because their consuming habits also changed. They now, in certain circumstances, prefer wine to beers or stronger alcohols.

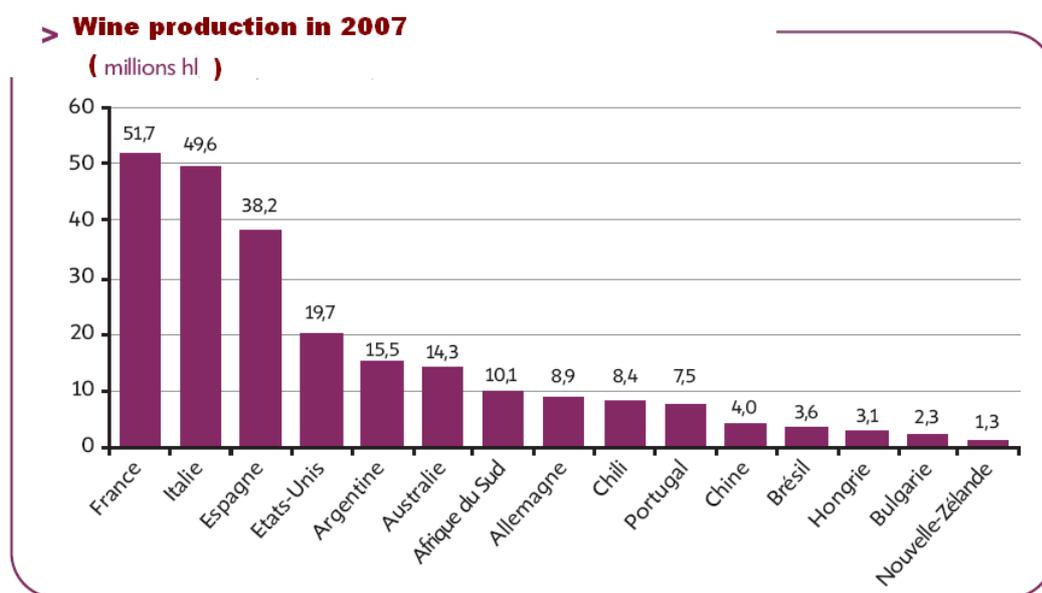


Figure 2. Wine production in 2007 (Malpel, 2009)

In 2007 France stays the biggest producer in volume as we can see on the figure 2, but it is also the biggest wine producer in value.

As we can observe that the offer is diversifying itself and becoming bigger than it used to be, so it is important not to count only on the increase of the demand but really adopting a strategy to get a sustainable profit.

Anyway the future of the wine producers, even the French ones, is not anymore in their domestic market but in the international market, if they want to continue to develop themselves. This is a radical change. Indeed 34, 5% of the wine produced has to cross the border.

The future of the place of first world producer for France depends only on its capacity to conquest foreign markets. For this it would have to adapt itself and to adopt or improve its marketing strategy.

One aspect which is also changing quickly this last years is the size of the vineyards. Indeed in one side in order to limit over-stock the European law allows the producers to destroy some part of the vineyard if this one is not enough productive. On the other side the aggressive strategy of the new world producing wine creates the contrary.

They are trying to increase still more the size of their vineyard, which enables them to propose a massive offer and covering all the demanding markets. Moreover it also enables them to diversify the types of grapes and cepage.

The Chilli is actually the champion in terms of vineyard size.

2.1.2. Sparkling Wine

It is a smaller market, only 6% of the total of wine sold, but as dynamic as the normal wine market. It is estimated in 2003 at around 5 million hl of volume imported by the total market for a value of € 3 billion.

This market stay clearly dominated by the France, which stay the first sparkling wine exporter of the world, with a turnover of almost €2 billion, representing two third of the total.

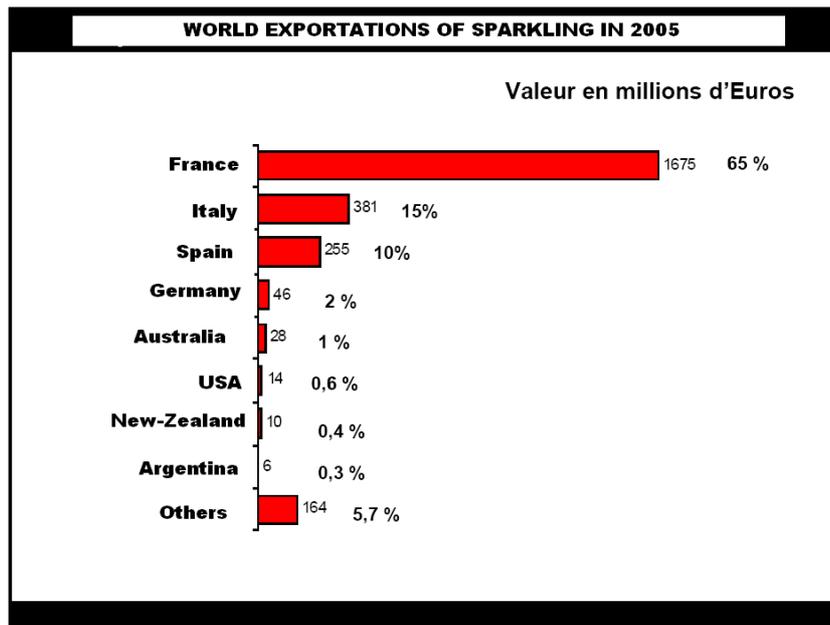


Figure 3. World exportation of sparkling wine in 2005 (Billan. 2004, No 118)

This performance is realized thanks to Champagne exportations. Indeed inside sparkling wine, Champagne sales realize 95% of the total benefits and 72 % of the volume exported. Thanks to that the medium price of these sparkling wine exportations is the double that the medium price of the competition.

The competition itself stays really classical. The first three exporting countries are France, Italy and Spain. These three countries create alone almost 90% of the transactions. In the market of the sparkling wine the strong and dynamic competition of the new producing countries is not sufficient.

Australia first non European exporter creates only 1% of the total turnover generated by the exportations of sparkling wine. (Billan. 2004, No 118)

2.2.The local competition

Local demand has its own specificity, and the producers have to adopt their approach to the each type of local market. The competitors have to touch local needs and local requirements. Finally the product and the message would differ according to the

localities because local competition requires specific and different marketing approaches in each market. (Bradley 1999, 269)

2.2.1. French Domestic Market

Compared to the world market, a local market would be smaller, with fewer consumers and so less demand. The French wine market is a local market.

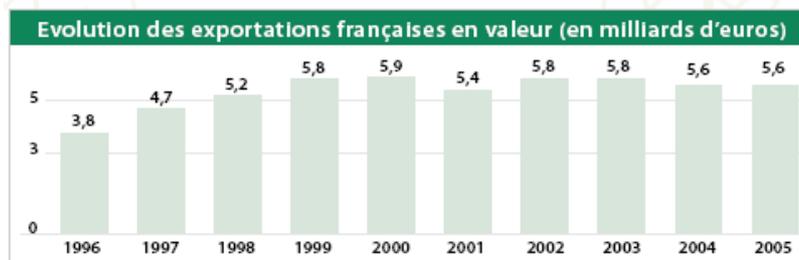
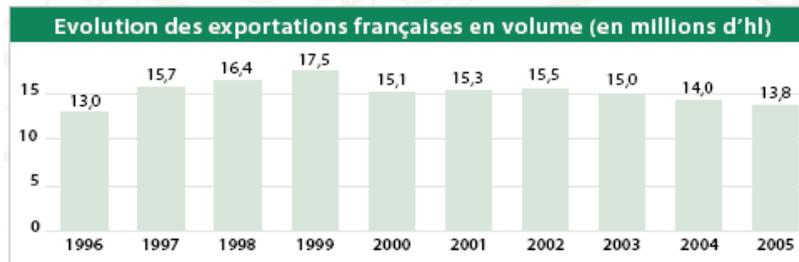
According to some data we can assert that for the moment it does not suffer a lot from competition, applying their some competitive strategies is not the priority of French producers. Indeed in this domestic market, the sales of foreign wine of quality correspond to less than 5% of the total of good wine consumption.

That means that 95% of the wine of quality consumed by French people, has French origins. However even the French market is evolving and the demand is decreasing, which is a considerable problem for French producers. In fact for a while, they paid little attention to internationalizing their business since the French market big and teeming with opportunities was sufficient.

The home market which is a local market was much safer and did not require a lot of efforts, to continuing get growth. (Onivins. 2009; Univ-rouen. 2009)

As it have been shown in the previous part France is the first world producer, and it is also the first world exporter. Obtaining in 2004 a part of 18, 2% of the total volume exchanged in the world, it stays before Spain (17, 8), Italy (16, 6), Australia (8, 3) and Chilli (6, 6). The problem is that the gap is becoming smaller and smaller and even if France stays the leader it encounters a diminution of its exportations. Its luck is that the phenomena is international and is a consequence of the diminution of the demand.

Table 1 & 2. Evolution of the wine exportations per volume/ per value/ per category (Malpel, 2009 No 160)



Exportations françaises par catégories

| | 1995 | | 2000 | | 2005 | |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| | volumes | valeurs | volumes | valeurs | volumes | valeurs |
| TOTAL | 12 010 | 3 470 | 15 136 | 5 861 | 13 834 | 5 594 |
| Effervescents | 1 068 | 1 067 | 1 154 | 1 721 | 1 327 | 1 980 |
| % Champagne | 67 % | 92 % | 71 % | 95 % | 71 % | 94 % |
| V.Q.P.R.D. tranquilles | 5 964 | 1 866 | 6 887 | 3 114 | 5 577 | 2 612 |
| % en bouteilles | 83 % | 91 % | 87 % | 95 % | 89 % | 96 % |
| % en blanc | 33 % | 33 % | 25 % | 27 % | 28 % | 30 % |
| Vins de table | 4 892 | 516 | 7 027 | 999 | 6 860 | 974 |
| % en bouteilles | 58 % | 77 % | 60 % | 79 % | 67 % | 82 % |
| % en blanc | 47 % | 47 % | 22 % | 37 % | 40 % | 38 % |
| Vins de plus de 15 %Vol | 85 | 22 | 67 | 28 | 60 | 28 |

These tables show that in 10 years French wine producers have continued to increase their exportation rate, in volume as well as in value, this despite a slowing down notable between 2000 and 2005, movement back of less 2, 9% in 2005. This move back is notable in 2005 for the second consecutive year.

This move back differs according to the type of wine. What is surprising is that famous wines like Bordeaux or Beaujolais totalize a diminution of their exportations respectively -5, 5% for the Bordeaux and -6, 1% for the Beaujolais in 2004. It benefits to less famous wines and more regional wines like Côte-de-Provence or Val-de-Loire. They know in 2004 an increase of around 17, 5% of their sales abroad.

This fact can be explained by the changes in the origins of the demand. Indeed these new consumers may not have the same taste as usual ones.

Table 3. Evolution the French wine exportations per countries (Malpel, 2009 No 160)

| Evolution des exportations françaises de vins par pays | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| | 1995 | | 2000 | | 2005 | |
| | volumes | valeurs | volumes | valeurs | volumes | valeurs |
| TOTAL | 12 010 | 3 470 | 15 136 | 5 861 | 13 824 | 5 594 |
| Grande Bretagne | 20,1 % | 17,7 % | 19,2 % | 18,5 % | 21,2 % | 21,6 % |
| Allemagne | 22,5 % | 17,0 % | 20,5 % | 13,5 % | 17,7 % | 10,7 % |
| U.E.B.L.* | 12,7 % | 11,6 % | 11,6 % | 10,5 % | 12,1 % | 9,6 % |
| Pays - Bas | 9,7 % | 6,8 % | 10,2 % | 7,0 % | 9,6 % | 5,7 % |
| Danemark | 5,0 % | 3,6 % | 4,9 % | 3,2 % | 3,0 % | 2,2 % |
| Italie | 0,9 % | 3,0 % | 1,9 % | 2,9 % | 2,1 % | 3,7 % |
| Suède | 1,0 % | 0,9 % | 1,3 % | 1,1 % | 1,2 % | 1,2 % |
| Autres U.E. | 2,1 % | 2,7 % | 3,5 % | 3,8 % | 4,5 % | 5,0 % |
| TOTAL U.E. A 15 | 74,0 % | 63,3 % | 73,1 % | 60,5 % | 71,4 % | 59,6 % |
| Etats-Unis | 6,2 % | 12,5 % | 7,5 % | 16,3 % | 7,1 % | 15,7 % |
| Japon | 3,1 % | 4,5 % | 3,6 % | 6,0 % | 4,5 % | 6,5 % |
| Canada | 4,2 % | 3,2 % | 4,1 % | 3,6 % | 4,2 % | 3,8 % |
| Suisse | 5,8 % | 2,0 % | 4,2 % | 5,4 % | 3,9 % | 4,4 % |
| Russie | 0,1 % | 0,2 % | 1,3 % | 0,4 % | 2,8 % | 1,0 % |
| Autres pays tiers | 6,6 % | 14,3 % | 6,2 % | 1,0 % | 6,1 % | 9,1 % |
| TOTAL PAYS TIERS | 26,0 % | 36,7 % | 26,9 % | 39,5 % | 28,6 % | 40,4 % |

This figure confirms what had been said before according to the evolution of the demand.

Even if European Union stays the main destination for the French wine, about 71% of the exportations in volume and 60% in value. Moreover this table explains us that wine trade is also opened to the rest of the world. And this third world reveals itself more and more attractive and needy.

Whereas French wine's exportation are diversifying UK with around 22% of all the sales abroad stays the main client of France. British are particularly interested by Champagne and Val-de-Loire. Then the second and third clients are Germany and Belgium. This three countries are loyal countries, even if the sales are slowing down and sometimes even moving back like it the case for Germany in 2005 (-5%).

2.2.2. Australian Wine Market

In the case of the wine market, the Australian wine actors were really successful in building their competitive advantage.

Indeed they decided to focus on three strategic advantages:

Working on innovation technology and vineyard mechanisation enabled them to reduce the cost, and to position themselves in the mind of the foreign consumers as good quality wine for a limited final price.

The beer stay preferred to the wine in their domestic market, and so they decided to focus on the export market.

A portfolio of well-known brand for supporting the demand, and different themselves from traditional wine producers.

Thanks to a good use of their competitive advantages, Australia succeeded to become the fourth largest exporter of wine of the world. (Morrison 2006, 321)

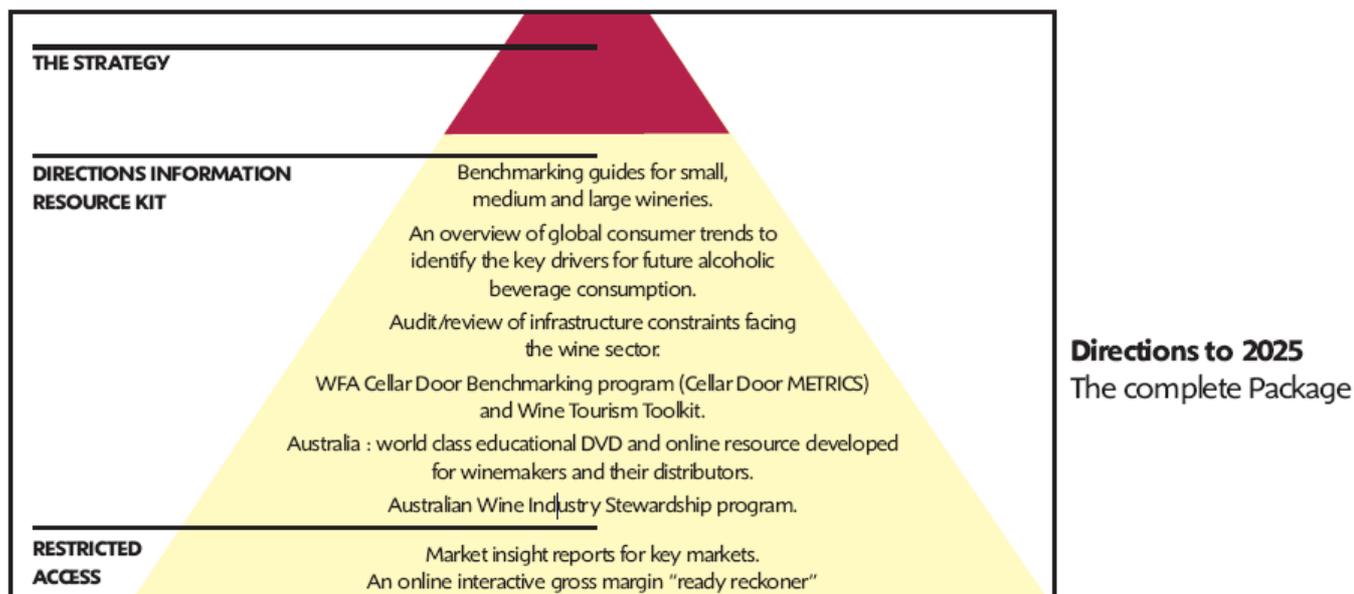


Figure 4. Australian Marketing plan: "Direction to 2025, an industry strategy for sustainable success. (Malpel, 2009)

The Australian objectives for wine production are divided into three parts: Anticipation on the market changes, influencing the consumer (new segmentation with the creation of a logo wine Australia, positioning the range in medium/high quality, looking for new markets), building of a sustainable development (partnership with the government, respect of environment, and communication on the health).

The aim of this plan is to obtain at this date a turnover for the all Australian wine market of USD 8, 5 billions. That means a growth of +90%.

These objectives are not impossible if the country stays in the same dynamic of production than it is for the moment.

3. MARKETING STRATEGIES

3.1.General

Every business must design a strategy for achieving its goals. It consists in a marketing strategy that is often compatible, and so linked with technology strategy and sourcing strategy. These strategies are strategies that strongly position the company against competitors and that give the company the strongest possible advantage. A global marketing strategy requires the company to focus on application of competitive strategies that have to be applied over the geographical borders. In this dissertation case that mean the competition inside the international wine market. Before setting up a strategy of competition, it is important for the company in a context of global competition to efficiently find out its strengths and weaknesses. In this case SWOT analysis could be useful (strengths, weaknesses, opportunity, threats). All the superior skills and resources of the firm would represent the sources of the competitive advantages. Then, according to its own particular situation, the company would decide about which tools could work the best. (Paley 1999, 387)

To prepare efficiently a competitive strategy the firm has to study as well its competitors as well as its actual and potential customers. Indeed, it is vital to get a perfect knowledge about its closest competitors, because it is these ones who are seeking to satisfy the same customers and needs and making similar offers. And so, the application of competitive strategies would help the French producers to improve their offers compared to other ones, thanks to a better knowing of the demand and the competition's offer.

Being able to compare its own, products, prices, channels and promotion, with that of its close competitors would help the company to discern areas of potential advantage or disadvantage. For that the company has to use both industry and market based analysis. During this approach, the firm has to ask itself some important questions: Who are our competitors? What are their objectives and strategies? What are their strengths and weaknesses? How will they reach to different competitive strategies we might use? (Kotler & Armstrong 2006, 527; Kotler 2001, 140)

3.1.1. Competitive Advantage

A competitive advantage corresponds to an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing benefits that justify higher prices. For a firm a competitive advantage enables itself to create superior value for its customers and superior profits for itself.

Creating a competitive advantage may be achieved thanks to a well define core strategy. Any plan to develop a competitive advantage must be based on the analysis of the company's competitors. In order to rise to a long term competitive advantage the company has at its disposal all the tools of the competitive and marketing strategies.

For a competitive advantage to exist the firm has to adopt a superior position in the market which would provide profitability and competitiveness. For that the most successful method is to build on a combination of three advantages:

First being better, with a superior quality or service, also being faster, in other words anticipate or/and respond faster to customers needs than competitors, and especially being closer, that means establishing close long-term relationship with customers.

In the case of competitive advantage, even if differences in national economic structures, values, cultures, institutions and histories contribute profoundly to competitive success, the main actor is clearly the company, , as we will see below.

(Kotler & Armstrong 2006, 527; Morrison 2006, 320; Jobber 2007, 53, 788)

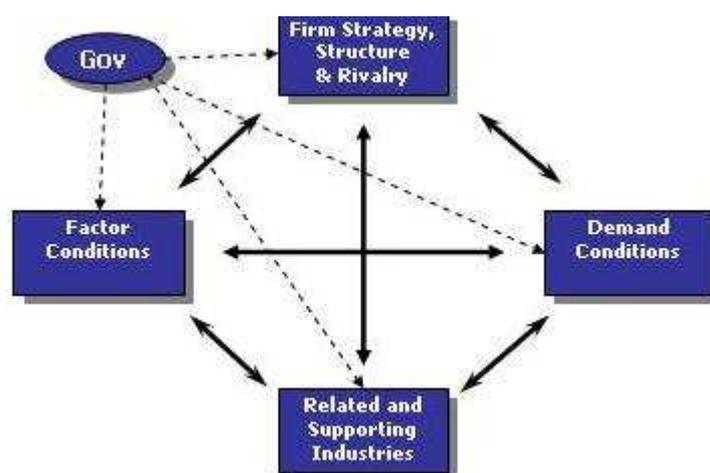


Figure 5. Porter's diamond: The determinants of national advantage (Porter 1998, 72)

Potter says that this Diamond is a tool to explain a company its past competitive advantage and predict how could evolve the future, it is used to analyze the business environment of a selected group. If some weaknesses appear in any one of those determinants it would constrain the industry's potential to upgrade and gain competitive advantages, by adopting suitable strategies.

This diamond contains four determinants for a national competitive advantage.

The first one, the factor conditions, refers to factors of production, such as labour force, land, natural resources, capital and facilities. Some could be key factors of production like labour skilled, or capital investment. Indeed it could advantage a company and as a consequence a nation, that first was on a competitive disadvantage. The factor of success depends especially of the ability of the company of using these resources and skills and other factor conditions. (Porter 1998, 72, 126)

The second one is the demand condition, i.e. sophisticated customers level in home market, which is an important element to producing competitiveness. Indeed firms that face a sophisticated domestic market are likely to sell superior quality products because the market demands high quality and a close proximity to such consumers, and it enables the firm to better understand the needs and desires of the customers. To well understand the demand condition is vital to apply further marketing strategies. The demand condition provides information on the market enabling the firm to decide which opportunity to pursue with this resources and skills linked to the sophisticated market.

The third element is related and supporting industries. A determinant that is important for the competitiveness of firms because it includes suppliers and related industries. This usually occurs at a regional level as opposed to a national level. For the French wine we can take for example the "Bordeaux", which results are much higher from the rest of the territory for this type of wine.

The last determinant is the firm strategy, structure and rivalry i.e. the conditions for the organization of companies, and the nature of domestic rivalry. This element

would define the pressure put on company to innovate and invest. (Morrison 2006, 321; Pacific Commerce. 2008)

Another variable which is extern to the diamond (as we can see on the figure 1) is the government. Indeed it is one of the most important influences on modern international competition. In some countries government it associated to the success of some firms, or nation's firms. However it is not concretely the fifth determinant but more the variable whose role in national competitive advantage is to influence the four other determinants in a global way or each of them positively as negatively. (Porter 1998, 126-127)

3.1.2. Differential Advantage

Differential advantage or in other words benefits that exceed those of competitors, thanks to some particularity that firm has been able to use in order to get profitability. The firm has succeeded to make its initial strengths becoming a real competitive advantage.

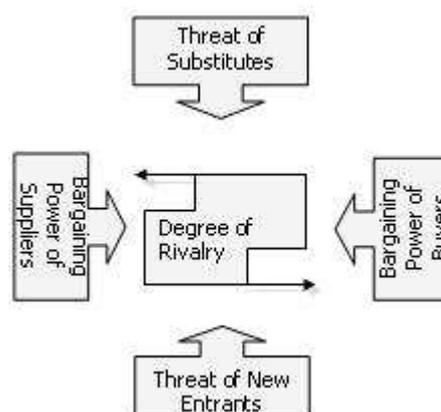


Figure 6. The five competitive forces: determinant of industry profitability and attractiveness (Porter 1985, 5)

That figure explains that for any industry whether the company has domestic or international actions, proposes any products or services; it would show the firm's

five competitive forces. These forces are: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers and the rivalry among existing competitors. Conventionally, the tool is used to identify whether new products, services or businesses have the potential to be profitable. However it can be very revealing when used to understand the balance of power in other situations too. The strength of each of the five forces is a function of industry structure, which means it underlines economic and technical characteristic of an industry.

As the industry structure influences the firm's strategic decisions, the firm itself would influence its industry structure through its strategies. (Porter 1985, 5; Competitiveness theory, 2009)

The five forces determine industry profitability because they influence the choice in establishing the prices that firms can charge, the costs they would have to bear, and also the required investments to compete in the industry. The company can use these 5 forces by entering its own data inside the design, in order to define its degree of attractiveness. Indeed the fundamental determinant of profitability is the company's attractiveness.

An effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces. There are several possible approaches, for example:

Positioning the firm so that its capabilities provide the best defence against the existing competitive forces.

Influencing the balance of forces through strategic moves, the aim being to improve the firm's position.

Both advantages (competitive/ differential), can be considered as positional advantage. They describe the firm's position in the industry as a leader, according to its competitors' position. (Porter 1980, 29; Quickmba. 2007)

3.2.Differencing

It happens that company's products present a noticing differential advantage. It means that the company performs better in some markets because it has a sustainable internal or external strength it has over its competitors. Sometimes the company needs to adopt a differencing strategy in order to gain this differential advantage. Most part of the time differentiation strategy is used by firms which have relatively high cost. (Hollensen 2003, 335)

We define differencing as the process of adding a set of meaningful and valued differences to distinguish the company's offering from competitors' offerings. The goal is to make sure that your company or your product would be remembered. To make being perceived "Unique" its product, would be the final aim. There are four main ways to differentiate: product differentiation, service differentiation, personnel differentiation and image differentiation. The firm knows usually for what the consumers would be the most sensitive to. Nowadays, service and image are the main ways people distinguish a French bottle of wine from another one. Ideally, the firm differentiate itself along several dimensions.

If the product is the same as competitors' one, only huge communication campaigns and heavy promotion would help to sale the product. Nevertheless this is not really suitable for small companies like most part of the French wine producer with small budgets.

That is why it is vital to constantly try to think of fresh ways of adding values to the product, tuning the service, improving the all range, and getting closer to the customers' needs, and so continuing to attract them. In order not to stay as common as the competitors, these differencing methods would become more personnel differentiation. (Patten 1995, 18; Kotler& Armstrong & Saunders & Wong 1996, 95, 427)

3.2.1. Differencing thanks to the Brand Identity

It means giving a name to its product, a good name which would be memorable and illustrative for what the company does. The image and identity of the wine should be

carried by the brand. Branding is very much tied to the position where you place your business.

It is one of the big weaknesses of the French wine. Certain big and famous producers, succeeded to install the name of their production place as well known , and synonym of a brand, like Chateau Lafitte, Chateau Neuf du Pape... Except these cases, brands of French wine do not exist. This point is unavoidable because it is especially because of branding that Australia for example succeeded to obtain the fourth place of wine exporter, and some market like United States, United Kingdom, or also Japan are really sensitive to the products brand. That is why it is important to think about choosing a brand even if it is difficult for a small company to set up as a brand leader.

Definitely, brand names can sometimes gain strength without much conscious effort from the company that owns the name, thanks to easiest access to communication tools and international movement.

Anyway before the choice of the brand the company should be aware of some criteria preferable for the brand name. Indeed the name should something about the products benefits and the product qualities, it should remain easy to pronounce, to be remember and to stay distinctive, and to finish, it is important that it should not carry poor meanings in other countries and languages. (Patten 1995, 24; Bradley 1999, 9; Kotler 2001, 192)

3.2.2. Example of differential pricing

Differencing prices does not mean decreasing the quality. Indeed, that is at that point that foreign competitors succeeded to improve their business. Actually, Australia, or Chilli, or Argentina or else, they were able to propose good wine quality for interesting prices.

The “ingredient” can often be identical, but the packaging, the presentation and the positioning allow widely different prices to be realized. And for that reason, it is crucial that French wine producers begin to adopt differencing methods. (Patten 1995, 28)

Differencing might be realized with other tools than pricing, as the product design, the service around the product or also the distributors' network (which would be explained later). Anyway the several differencing methods are not incompatible, which means that good or high quality design position could work with low-cost strategy. Even if it not necessary the case, it is an approach of the wine selling that could be interesting to face the competitors' attractiveness, even aggressive costs. The differentiation would be even stronger with if finally the product is different from the rest in any position they would compete.

Differentiation if achieved is viable strategy for earning above-average returns in a company because a defensible position for coping with the five competitive forces. (Bradley 1999, 269; Porter 1980, 37)

Some differencing processes are better than others because they are more difficult to copy. The company has to emphasize its own particularity, according to the types of industry in which it is competing.

Finally differencing strategy is a constant effort of improvement, to create benefits. In particular because customers become accustomed to a particular level of added value and therefore increase their expectations over time. Variation in buyer purchasing criteria gives needs to go to adopt differentiating actions. And a total product would continue successful only if customers keep being willing to buy it. (Capon & Hulbert 2001, 16; Adcock & Halborg & Ross 2001, 410)

3.3.Positioning

Positioning is deciding the place the company wants the product occupies in the mind of the consumers relatively to the competitive products, by choosing among the competitive advantage(s) it would promote. (According to the price, the quality, the communication...) If a product was exactly like another product on the market, consumers would have no reason to buy it.

A company must decide how many ideas to promote, as for example benefits or features, in order the costumer considers the product as the “number one”. For that, the French wine producer can promote the product benefits, its healthiness for example, or his brands benefits like, “best quality”, “lowest price”, “most

prestigious”...etc. This practice is even more important in French wine production, something that is unusual yet in French companies.

To develop a positioning strategy it is important to know that all the products can be differentiated but not all the differences would be meaningful. As a consequence an established difference would be satisfying if it follows the criteria listed below:

The difference delivers a highly valued benefit to a sufficient number of buyers, would be delivered in a distinctive way, it has to be superior to other ways of obtaining the benefits, competitors cannot copy it easily and more, with the difference the buyer can afford to pay for the difference. (Kotler & Armstrong 2006, p. 216; Kotler 2003, p310; Kotler 2001, 178)

Positioning strategy is linked with the product or the service, and to what the company can do with this product to best position it against one or several groups of consumers inside the market. So target selection has done already one part of the job. Where a product is positioned governs all the messages that the supplier has to achieve. As we said before: price, value, image, performance... according to the target audience. Your perceived position in the market place will determine where your message appears. (Mercer 1998, 275; Patten 1995, 19, 65)

Finally positioning is the choice between: Target market, e.g. where we want to compete; and differential advantage, that means how we wish to compete.

Position governs the standard of service, quality of staff and the customers' expectations.

Customers expectations reflect the price and position that you manage to achieve. Anyway, the aim stays to create and especially maintain distinctive place in the market the company and its products. (Jobber 2007, 305)



Figure 7. Diagram: Perceptual Map French Wine Types (adapted from learnmarketing 2008)

Perceptual or positioning map are sometimes referred to help to identify the product strategy for a new product entrant. In this map have been add the actual place of the French wine position in the market. A positioning strategy, and else could help to replace in the mind of the consumers the actual position of product in the mind of the consumer.

Competitive strategy could be helpful for all types of wine to gain and keep a competitive advantage, and not only for the Champagne whose differential advantage is undeniable. (Learnmarketing. 2008)

To sum up, six questions should be always asked when creating a market position: What position (if any), do we already have in our customers' or prospects' mind? What position do we want? What company should be outgunned if we decide to establish that position? Do we have enough marketing budget to occupy and hold

that position? Do we have the capabilities to stay with one consistent positioning strategy? Does our creative approach match our positioning strategy?

There are several positioning strategies for catching and holding customers' perception. Positioning works by associating products with product attributes or other stimuli.

To conclude in few words, both competitive strategies would belong to the core strategy of the company. These strategies are generic strategies that are here to help a firm to compete profitably. It gives the later a competitive advantage.

3.4.Segmentation

A seller can rarely satisfy everyone in a market. That is why they frequently use the segmentation strategy.

Segmentation means dividing a market into distinct and homogeneous subgroups of buyers who have distinct needs, characteristics, or behaviour and who might require separate products. In a global aspect it sometimes means regrouping groups of countries in a large target market, or some regions. Separating countries into different categories allows the firm to customize its marketing strategy, especially according to cultural and geographical criteria.

Indeed the market has many types of customers, products and needs. We can say that every market has segments. They are too numerous and diverse in their buying requirements, that is why it is important for a marketer to find the segment which would offer him the best opportunity of success. It is particularly true in the case of wine the consumers taste for example could be determinant in the way creating the groups and this taste would change according to geographic place, or even psychographic, demographic situation (gender, age, social class...). (Kotler & Armstrong 2006, 47, 210; Kotler 2003, 9; Bradley 1999, 221)

Once the building of the segments finished a firm can decide to target several market segments and designs separate offer for each according to their characteristic.

In the selection step, the company can consider five patterns of target market selection:

The single-segment concentration, in which the company, gain strong knowledge of the segment's needs and also a strong market presence. Through concentrated marketing, the firm has to specialise its production, distribution and promotion.

The risk is that in case of new competitors on the segment or decrease of the demand the company has no alternative to secure its business.

The selective Specialisation, where the company selects a number of segments, each objectively attractive and appropriate, and which promises to be money-maker. In this case the risk undergone by concentrated marketing almost disappears.

The product Specialization, the company would choose to offer certain product that it sells to several segments. It is the best pattern to build a strong reputation in specific product area.

The market Specialisation, in this case the producer concentrates on serving many needs of a particular customer group. However, a problem of dependence could happen.

Full Market Coverage, it does not concern wine producers that are only small and medium companies. Indeed, in this case the company decides to serve all customers groups with all the products they might need. That is why only very large firms can undertake a full market coverage strategy. (Kotler 2003, 299)

Most of the time segmentation works conjunction with positioning. However at the contrary to positioning which relates to the product and the service, segmentation applies to the market and the consumers who are clustered into natural segments which occur in that market. One will also allow the producer to concentrate its strength(s) against the weaknesses of the competitors and improve the competitive ranking.

There is not a single way to segment a market. A marketer has to try different segmentation variables, alone and in combination, to find the best way to view the market structure. As we saw before the major variables used are geographic, demographic, psychographic and behavioural. But actually, they can be more detailed, as for example age, gender, lifecycle style (group of age), lifestyle, personality, usage rate...etc (Paley 1999, 44; Kotler& Armstrong & Saunders & Wong 1996, 354)

4. MARKETING MIX STRATEGIES

Marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives, it defines in which market and which process of the offer the company should put its effort. Marketing strategies belong to competitive strategy, and their aim stays the competitiveness. Any strategy that we would be explained then can be in first case a competitive strategy; however several marketing strategies can be used to apply a competitive strategy, whose aim would be to gain a competitive advantage.

In other words the competitive strategy is the plan's objectives that would have to be achieved and the marketing strategies are the broad marketing approach that would be used to achieve these objectives. Inside these divers strategies we can distinguish defence strategies and attack ones. For example communication strategy is clearly a strategy of attack. (Kotler & Armstrong 2006, 47)

A marketing mix consists in everything the firm can do to influence the demand for its product. It is the set of controllable tactical marketing tools, product, price, place and promotion (the four Ps), that the firm blends to produce the response it wants in the target market. Which is what would be explained in two parts: first the four Ps and then targeting a market. (Kotler & Armstrong 2001, 67)

4.1. *Four Ps*



Figure 8. The four Ps of the marketing mix (Kotler & Armstrong 2001, 67)

4.1.1. Product

Product means the totality of goods/service that the company offers the target market. It corresponds to anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need. It includes physical objects, services, persons, places, organisations and ideas. The marketer must match the product to those needs as closely as possible. This may be accomplished by radically changing the product, or just changing its features or its packaging, or even by describing it in a different way.

The product strategy will need to be developed specifically for each product. But in general there are four general strategies to match the consumers' needs and getting growth in volume and profit. These strategies are the market penetration working by increasing sales or finding new customers in the same market. Also the product development which is deciding a major modification of the product, like style or quality. Then the market extension, so it is finding new market entrance for example by moving into other countries. The diversification which works by creating a new product or/and finding new markets. (Kotler & Armstrong & Saunders & Wong, 2002, 97-98; Mercer 1996, 28, 169)

4.1.2. Price

The price is what consumers pay to get the product. In other words it is the amount of money charged for a product or the sum of values that consumers exchange for the benefits of having or using the product.

The price of a classical wine would be quite different from the price of Champagne. However wines are classified per categories like: Table wine, regional wine, AOC, regional superior wine, AOC superior, sparkling wine, Champagne ...etc.

As a consequence wines are contained inside a price scale with a gap of sometimes only €5 between items of the same category, which is the case for example for table wine. However for some categories like Champagne and especially sparkling wine

the gap could be much bigger. Sparkling wine is a category with diversified types of wine, a “Mousseu” for example would be place in bottom of the range and appears cheaper than most part of the wine, and a “Crémant” would on the top part, with quality often compared to real Champagne by professionals.

4.1.3. Promotion

Promotion means the activities that communicate the merits of the product and persuade target consumers to buy it. It must include developing an appropriate promotional message, using the right promotional method and the appropriate choice of media. As a consequence, in a promotional strategy there are two parts: the communication method and the sales promotion.

Communication

Every company is inevitably put into the role of communicator and promoter. There is a goal to define: what to say, to whom and how often. Communication is for the moment one of the big lack of the French wine industry.

In marketing we can say that there are five main modes of communication a company uses, plus others variety of instruments. It is the “Marketing Communication Mix”.

It is characterised by the techniques of:

First advertising, which is the non personal mass communication using mass media (such as TV, radio, newspaper, magazines...). The content is determined and paid by a clearly identified sender. It is the public relation and publicity.

Secondly personal selling, it is an oral presentation or demonstration of the product in order to create a direct and personal contact between the company and the client targeted.

Then sales promotion, e.g. sales stimulating campaigns, for example free samples, price cuts...etc

And finally the direct and interactive marketing. For example direct mail, telemarketing, personalized brochures and especially today internet marketing,

thanks to this main new media: internet. (De Pelsmacker, Geuens & Van den Bergh 2001, 5)

Nowadays, these communication processes consist in an interactive dialogue between the company and the consumers that begins during the pre-selling, and continues then during the selling, consuming and post-selling steps. The producer has to ask itself: how would he reach the consumer and how the latest would reach his products. To make the choice of the tools that the company will use, it is important for this later to be fixed on the reach level and the frequency and the impact that the company wants to produce. The reach level means the number of different persons that would be exposed to a particular media schedule at least once during a specified period. The frequency is the number of times included inside the specific time period, than an average person is exposed to the message. Finally the impact is defined by the qualitative value of an exposure through a given medium.

Sometimes the company can choose to apply an integrated marketing communication (IMC), where all the tools presented first can be mixed, regrouped, maximised and integrated in a global communication strategy. IMC produces stronger messages consistency and bigger sales impact, it also helps the marketer to unify the company's various brand, image, and messages. To sum up, if it well realized, IMC would improve the company's ability to reach the right customer, with the right message, in the right place and at the right time.

The communication cost stays a problem. That is why it is important to focus on the efficiency of techniques used. Today, the most used is still the mass communication which reach a large audience unidentifiable however there is more and more targeted communication, or in other words personal communication. One more time defining well the target is vital to stay efficient.

In order not to waste too many resources in the promotion strategy it is essential to measure the impact of the promotional campaign. The marketer works on members of the target audience, he analyse whether if the message is recognized, how many times it has been seen, and how it has changed the consumer's behaviour toward the product. His role is also to check the audience response, in order to know how many

people bought the product, enjoyed, and advised it to some other people. (Kotler & Armstrong 2006, 427; Kotler 2003, 564, 566; Kotler 2001, 280)

Sales Promotion

Promotional differentiation may stem from unique, valued images created by advertising or other service provided by sales people. As we explained before promotion depends on the communication mix, and it is often the person in charge of the communication who would manage with the product promotion. The promotional tool reinforces the firm's image positioning. In general the company uses to rely on its sales strength to achieve promotional objectives.

To sum up the traditional promotional process includes various methods of using messages to communicate the benefits of its products to a potential customers. The promotion of the service which is around the product is often as important as the promotion of the product itself. Indeed product promotion decision often has an effect to the customers' expectations of service quality. Sometimes a product of the same quality than its competitors would be considered with a higher quality because it has been promoted differently.

The promotion of the all organisation of the firm can also be a concept, for example by putting the employees' role, or particular status, in the front line. Then the building or the place where the product is proposed plays also a role in the promotional process. (Jobber 2007, 305; Palmer 2008; 358)

The primary objective of a sales promotion is to improve a company's sales by predicting and modifying your target customers purchasing behavior and patterns. Sales promotion is very important as it not only helps to boost sales but it also helps a business to draw new customers while at the same time retaining older ones.

This is a way of bringing forward sales, encouraging brand loyalty or manipulating the prices level in order to push the sales up. That technique is often used in sectors where differences between brands are slight and the market is well developed, if not overcrowded.

When developing a sales promotion strategy for your business, it is important that you keep the following points in mind: Consumer attitudes and buying patterns, your brand and competitive and communication strategy and finally other external factors that can influence your products availability and pricing.

There are three types of sales promotion strategies: A push strategy, pull strategy or a combination of the two. A 'push' sales promotion strategy involves 'pushing' distributors and retailers to sell your products and services to the consumer by offering various kinds of promotions and personal selling efforts. A 'pull' sales promotion strategy focuses more on the consumer instead of the reseller or distributor. This strategy involves getting the consumer to 'pull' or purchase the product directly from the company itself. This strategy targets its marketing efforts directly on the consumers with the hope that it will stimulate interest and demand for the product. And the last the combination of both. (Patten 1995, 178; Smallbusinessbible. 2008.)

Consumer Promotions

Incentive promotions divided into three categories: monetary incentives (extra volume, saving cards, coupons, cash refunds), product promotions (sampling, premiums, free in mail...) and the chance to win a prize (contests, sweepstakes and lotteries).

4.1.4. Place: Distribution

The place is described by all the activities that make the product available, thanks to the role of the distribution. (Kotler & Armstrong & Saunders & Wong, 2002, 98)

The aim of the distribution process is to expose to the consumers the company's product as efficiently as possible. In other words distribution is making the buying situation the most convenient for the clients. Products need to be available in adequate quantities, in convenient locations and at times when customers want to buy them. The aim is making products available where potential buyers can find them. The problem is that many producers are not in direct contact with their customers. They will use wholesalers and other types of intermediaries that is why it

is necessary that the company succeed to involve itself in a distribution channel in which it trusts. A distribution channel would enable the company to get involved in long-term commitments to other firms, but also delimit the portion of the market that it could reach and finally, according to the distribution strategy adopted affect all other marketing decisions.

The all distribution strategy includes:

Bringing customers into contact with offered products and offering a sufficient choice to meet customers' needs. Then maintaining through the intermediaries adequate level of sales and providing the all network appropriate services and information to help purchase decisions. And finally maintaining an acceptable final price, which means negotiating the price of intermediaries' services, but also taking into account the profit requirements of those intermediaries. (Mercer 1998, 263; Paley 1999, 372; Adcock & Halborg & Ross 2001, 231, 269)

For choosing the most suitable strategy, a distribution analysis is for sure helpful for determining a channel strategy. It consists in examining the attractiveness of different distribution channels, distributor buyer behaviour, their strengths and weaknesses, and alternative methods of physical distribution. To define a distribution channel we can say that it is the means by which products moved from production site to the last customer.

Maximising the distribution channel is sometimes difficult for limited companies. It might be hard to avoid geographical situation, or advertising efficiently the all channel intermediaries, and even maintaining a good cooperation between the company and the all distribution channel. The choice of the most effective channel of distribution is an important aspect of marketing strategy. Indeed it would then involve many steps from transporting the product, to keeping an inventory, selecting wholesalers and retailers, deciding on the types of outlet that would be distributed in, and in which assortment. In its choice of organizing of the distribution network, it is vital for the wine producers to manage its target's usual distribution network and even to search constantly for new ways to distribute its products.

E-commerce for example would be considered as a new way of distributing them. Some distribution methods that would be unbelievable for the French market like distributing wine in cans could work efficiently in some other markets. With this

example we understand better the importance of distribution strategy. (Jobber 2007, 45, 306, 679; De Pelsmacker, Geuens & Van den Bergh 2001, 3)

It is important to know that French wine producer are use to work also with direct distribution channels. A direct channel exists when there are no intermediaries between the supply organisation and its customers. Such contact could be really direct, maybe face-to-face, as for example buying in the “domaine” (company’s place of wine creation). However this system in wine market could only works in small localize market. By explaining this situation we understand that deciding of a distribution strategy and applying it would be essential for the French producers to compete their new competitors. Adcock & Halborg & Ross 2001, 238)

4.2.Targeting a market

The target marketing is the process of evaluating each market segment’s attractiveness and selecting one or more segment to enter. It is the consequent strategy of a first segmentation step. Once the firm has analysed its market segments opportunities, it has to decide how many and which ones to target. Very often, companies start marketing to one segment, and then expand to others.

Market can be targeted at four levels:

The first one is the market segments (like we saw before): large recognizable groups. The next one is the niches, more narrowly defined groups. The third one is the local areas. And the last one is the individual groups which is a form of self marketing where the consumers themselves take the initiative in designing products and brand. (Kotler & Armstrong 2006, 47; Kotler 2003, 9)

Selecting the right target group is an important decision to stay with the most important attractive target group(s). In order to succeed in this task the firm has to look at: the size and growth of segments, its structural attractiveness, the final objectives and budgets of the company, and the stability of the segments chosen. The firm must look at two dimensions: segment attractiveness and company fit. Before concluding on a segment and making a final choice, the company would evaluate, for each segment, the current turnover, potential growth and the global profitability.

The company must also collect data about sales value, projected sales growth, expected profit margins for the various segments, if its goal is to target large segments. However, smaller companies would choose, maybe less attractive growing but profitable with their actual skills and resources.

It is sometimes important also to define competitor targets. These are the organizations against which the company decides to compete. Classifying them according to their weaknesses, distribution channel network, areas of activity is useful to find the strategies for attacking and defending against competitors. Moreover, the producers have to stay aware with not only the current competitors but also the potential entrants and the power of the customers and suppliers influence on the global competition. Finally, for small companies like wine producers, it could be more successful to target smaller or less attractive segments, or niches, when competition is too strong in the larger segments. (Jobber 2007, 53; De Pelsmacker, Geuens & Van den Bergh 2001, 106)

Target Costing

The target costing strategy consists in reversing the usual targeting process. Actually, in the usual process, the company designs its new product, analyzes its cost, and then tries to find the best target segment to sell its product. In the target costing case, the firm first knows which target to touch at which cost, before adapting or creating a new product.

In a long-term process, the company has to be careful with the availability of its choices. Indeed, sometimes it happens that some attractive segments at short terms might not fit with the global strategic objectives or long-term goals of the company.

5. PURPOSE OF THE STUDY AND CONCEPTUAL FRAMEWORK

5.1. Purpose of the study and research objectives

The aim of the study was to find out how the French wine companies were trying to find solution to fight against the active competition of the new wine producing countries. Additionally, the research objectives were to try to show the different strategies between the two main types of wine: classical wine and champagne; and their different tools to compete efficiently.

Research Objectives:

- How would it be possible for the French wine to stay on the top of the list of the wine market?

Research problems:

- What are the differences in the strategies for the two wine categories?
- What are the real problems in French wine competition?
- How is characterised the competition inside the domestic market?
- How is characterised the competition in the global international market?
- What would be the benefits of applying marketing strategies?
- What are the possible issue?

5.2. Conceptual Framework



Figure 9. Conceptual Framework of the study: Marketing strategies for fighting the new wine market competition.

This conceptual framework has been created according to research made on the theoretical part, in order to meet the objectives of the research.

It remains quite simple and follows the plan of the theoretical part.

This conceptual framework indorses the observations pointed out in the theory. Marketing strategies and competitive strategies are dependant in the market competition.

The strategies differs whether it is small classic wine company, a major wine producing house, or a Champagne producing house.

6. RESEARCH METHODOLOGY

6.1. Research Methods

For organising any research it requires to plan the method used to describe correctly trends and to add the adapted explanations.

This thesis is divided into two parts the theoretical part and the empirical part.

In the theoretical part a quantitative research has been used. It is based statistics and findings of sources, from books and else about marketing strategies, wine market, and competitive strategies.

In the Empirical part of the dissertation a qualitative research has been used. It means that the two case companies have first answered to a questionnaire and then have asked open-ended questions during a telephonic interview. This two step interview with open-ended questions enables to obtain a complete answer on the subject; on one hand it enables also the interviewee to react directly and freely to the questions, to add comments and answered that the researcher was not thinking to ask. And on the other hand the researcher can ask additional questions in reaction to the interviewee answers. This situation enables the writer to treat more deeper the subject.

6.1.1. Quantitative research

A quantitative research corresponds more to statistical and numeral measurement, analysis of information sources.

The advantage of a quantitative method is that the survey can be repeated in the future and results compared, and that it is less dependent on research executive skills or orientation.

6.1.2. Qualitative research

Qualitative research is an empirical research, whose method includes case studies, observations, questionnaires and interviews.

The advantage of a qualitative method is that it is more interactive, with open-ended questions, dynamic, flexible and interpretive. It also gives depth of understanding, many information per respondent and provides a richer source of ideas for marketing analyses.

A questionnaire and then open-ended questions during a telephonic interview, have been chosen because it is one of the most suitable research method for the empirical part and it gives the possibility to make sure the respondent has understood the questions. (Daymon 2002, 3-5)

6.2. Collection of data

Primary and Secondary data

The use of both primary and secondary data is compatible. Of course the most reliable data would be the primary data, but most part of the time both are used to write a bachelor thesis.

Collecting secondary data is usually faster. Indeed data are already available because they were already collected previously by other searcher for different purposes. Mainly for theoretical, it is secondary data that are used. The writer can have collected the information through different sources like books, websites, and articles in magazines or newspapers, previous studies...etc. It is important to notice that books from library and articles are more reliable than sources from internet sites. However for gathering statistical data and information about the French wine market and global one, library theoretical books where not really useful and internet specified website, like official website about wine were much more helpful.

Collecting primary data happens more for the needs of the empirical part. Mainly because the methods used is qualitative method with questionnaires and interviews.

Empirical data refers more to collecting data from experiments and observations rather than from theory.

In order to treat correctly the data, after having collecting the questionnaires and interviews, it was required to observe and interpret the information. The next step was to organize, link and obtain conclusion regarding to the all results. The two companies answered to a French questionnaire so it was also important to translate correctly to answers without modifying the sense of the sentences, in order to well understand the meaning.

7. CASE COMPANY & RESEARCH FINDINGS

7.1. Companies case presentation

7.1.1. Domaine de la Garelle

Domaine de la Garelle is a company producing in South France, near Avignon, on the Luberon (cf appendix nb). Their vineyard is 200 years old and its 16 hectares are separated in four types of soil. Their production is mainly for red and white wine but they also produce a good rosé. It is a production of quality especially for the red wine which is product at a level of AOC (Appellation d'Origine Contrôlée) which is granting a quality security. White and rosé are wines of the region more dedicated to the everyday consumption.

The actual domain has been managed by the same director since 1996, Mr Robert Vlasman; a Dutch business man specialized in import of wine in Germany and Netherland. His experience will be helpful for the future exportations of the company. It is now own by Mr Alain Audet, who drives the domain with the same concern of quality. (lagarelle. 2009)

The total of the sales in 2007 has constituted a turnover of € 250 000; including the sales abroad and inside France. Indeed Domaine de la Garelle has a dynamic activity

with foreign markets and its sales realized in foreign countries constitute 60% of the total turnover. The three main clients are Germany first and then Netherland and UK, and more and more United States. 40% of the turnover is composed by sales realized in the French domestic market. It is less than the half and it illustrate the difficulties of this small company to compete get a place in this saturated market.

The company's clients in France are regional and national shops specialized in wine, supermarkets and restaurants.

The Domain is proud today of obtained results, more than 60 golden medals, silver and bronze, at the Competitions of Paris, Mâcon, Orange and Avignon came to reward more than a work, a passion. During this competitions, Domaine de la Garelle wine have to face wines of the same category coming from all other the world. These medals are the symbol of the quality of the production. (Domaine de la Garelle Company)

7.1.2. Champagne Fleury

Champagne Fleury is familial company existing since 1929. Their production is based in the region of Champagne, in the town of Couteron. It employs constantly 10 people to work at the production and at the saling part. The firm owns a vineyard of more than 25 hectares where Champagne is produced at 90% and pinot noir (white wine) at 10%. All the wine they offer to the market (Champagne like classic wine), belong to the AOC range which one more criteria of quality.

Moreover the particularity of this Champagne with raise its quality to "exceptional" is that all the grapes are organic food, and so the Champagne is produced in respect of "2bio-dynamy" method. It means that all the steps of the production, and all the production volume, are made in respect of the land, the environment, to obtain "organic Champagne". In its vineyard company uses only natural products. (Champagne-fleury, 2009)

The company realized in 2007 a turnover of € 3 million. Among this turnover 40% are realized on the French market and 60% abroad. This company realized more value in the foreign market than in the domestic one. It is important to notice the

difference of amount between the turnover of this company and the turnover of the Domaine de la Garelle Company, which is much smaller.

The figure below illustrates global repartition of the export sales for the year 2007.

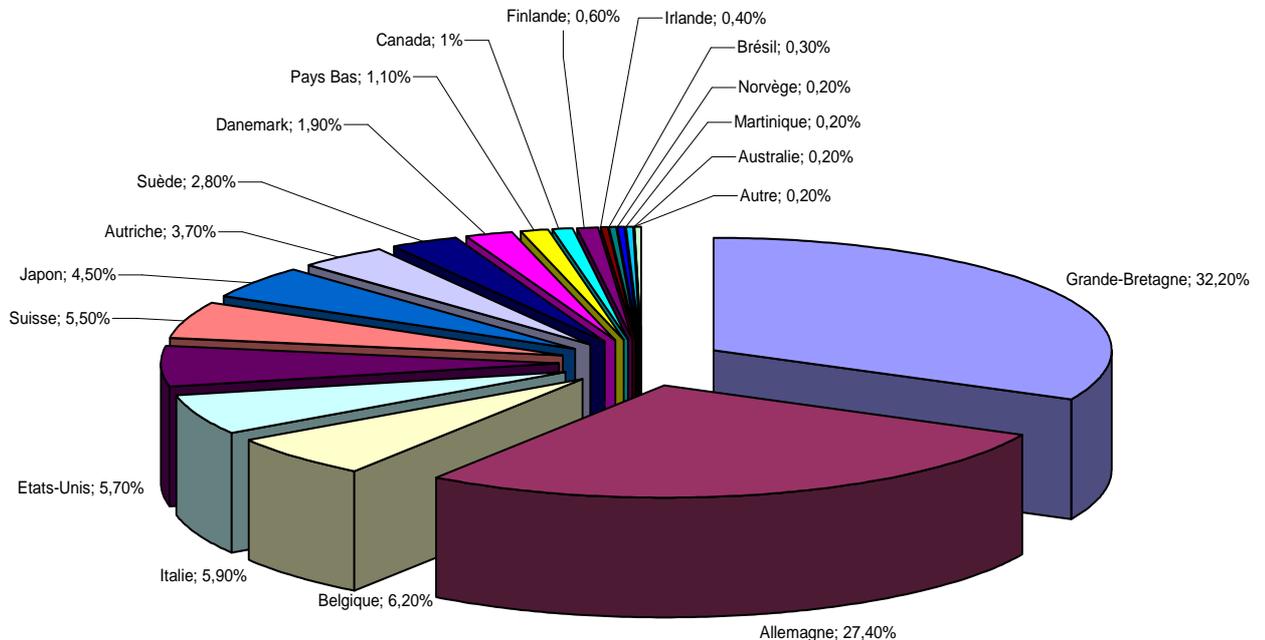


Figure 10. The export sales of the company in 2007 (Champagne Fleury Company)

The name of the countries in this figure are in French, however we can notice that there two big purchasing countries: UK with 32, 2% of the export sales and Germany with 27,4%. The rest of the sales are dedicated to all the different continents (Sweden USA, Australia, Japan, Brazil...), and the purchasing countries are really diversified.

Their Champagne is appreciated all over the world.

Moreover the manager was able to assert with happiness that the company's global turnover was even increasing of 5% the first semester of the year 2009.

This situation is an exceptional case even for Champagne, where some others house of productions (companies) would lose until 50% of their turn over during this year 2009.

7.2. Findings and analysis of the interviews

7.2.1. Interview with Domaine de la Garelle company

The questionnaire was sent by mail to the company on the 20.03.09 and was replied on the 20.04.09.

The actual questionnaire, as well as the telephonic interview was conducted with Mr. Florian Viens assistant of Mr. Frédéric Blanc cellar master himself.

Market Competition

Mr Florian Viens wanted to insist on the actual situation of the company, in front of a competition still more numerous and aggressive. He emphasize the fact that for small appellation like them the most difficult is to get known and recognized.

The AOC appellation, whose application criterion to companies is complicated, is not a symbol any more of high quality, and is not really understood outside France.

The company suffers both from competition inside and outside France. But the competition is first Franco- French. Indeed there are many many companies like Domaine de la Garelle whose main aim is to get known and then recognized. Then the new competition coming from countries like Australia, Chili, Argentina, just increases the battle to sale its own wine.

One positive aspect that explains Florian is that French wine is still considered abroad as the best wine ever. However they are still scared that this status, threatened by the new competition, and the oldest competitors like Italy, could change suddenly. Moreover he adds than the company is directly touched by the actual crisis, and its feels the changes in the consumers purchasing behavior. Indeed wine is not a priority anymore and the demand is decreasing. This remark fit to the explanations about the French and global demand made during the first part of this dissertation. It is a quite new idea for this company to adopt global marketing

strategies to develop itself. It used to be before some specific marketing strategies which were implying few changes in the global marketing plan of the company.

Marketing strategies

The strategies advanced by the company have the goal to first solve its main problem, to get known and recognized for their name and their wine quality.

Speaking first about the marketing strategies, what can be said is that by adopting the AOC appellation the company was adopting a positioning strategy. Indeed proposing AOC wine was creating in the mind of the consumer an idea of good wine quality. The problem is that this positioning strategy could work for French consumers, but definitely not for foreigners. Actually the principle of AOC is still misunderstood by the consumers.

Differentiating by the service is also something that the company is actually building. This point is important to underline, because it is a criteria still quite weak in the small producing company. Concretely, the company decided to hire a seller specialized in wine and in international sales in order first to propose an efficient interlocutor to the actual customers, who would be able to answer better their needs and secondly to work hard on finding new customers and why not new foreign markets. As it was said first this is important to underline because the smallest house doesn't have the reflex to invest in a real commercial service.

Speaking then about the marketing mix strategies, and about the four Ps, is vital for this company, because it is with these marketing mix strategies that the company made the biggest efforts.

First the company tried to work on the existing product development and its communication. For that it has changed the design and the content of bottle label and also the carton label. This is a critical aspect for the company because it has been pointed out by all the French official wine organizations working for the prosperity of the French wine, that the bottle labels were completely not adapted to the sale. Actually for the moment labels are too complicated, not enough well designed and too traditional. Mr Viens explained that they tried to simplify at maximum the mentions written on the label, keeping the essential parts and also what would attract

the most the consumers. The aim of all this changes was also to modernize the domain image.

Still with the goal to modernize the domain image, but especially to increase the level of production in order to increase the sales, the company had invested in machines in order to mechanize some parts of the work labor inside the vineyard.

Another initiative was to work on the diversification of the offer by creating new range of wine in order to satisfy more consumers, but also more types of market. In other words by creating new range of wine the company aims to attract new market segments.

For the communication they try to emphasize about their medals which are granting to the customers a security level of quality.

7.2.2. Interview with Champagne Fleury Company

The questionnaire was sent by mail to the company on the 20.03.09 and was also replied on the 20.04.09.

The actual questionnaire, as well as the telephonic interview was conducted with Mr. Jean-Pierre Fleury, actual director of the house. He has the responsibility of the company previously own by his father and launched by his grand-father in 1929.

Market Competition

As we have seen in the company case presentation, Champagne Fleury Company competes on both markets: international and French, even if more than half of the production is dedicated to be sold abroad.

Despite the competitors, it succeed to keep a continual growth, even this actual year of crisis, became difficult for many wine houses, even in Champagne sector.

The head manager of this company is happy to assert that its production does not suffer from competition, either on the domestic market or abroad. This exceptional situation can be explained by the long term strategies adopted by the successive directors, in order to stay as efficient, as competitive and productive as possible.

Their only threaten competitors in the French market are big supermarket chains as Leclerc in France or Briant in UK for the main ones.

Globally Champagne Fleury is a competitive company which a good balance sheet about its activity since its creation. It has been able to analyze itself and to adopt the strategies at the good time.

Marketing strategies

Speaking first about the marketing strategies, the main point that has to be noticed is that the company has found with success its competitive advantage and differential advantage. Finally it has adopted a strategy which regroups all the general marketing strategies.

The company has been able to use its strength; the production of “organic Champagne”, to position itself has an offering company of excellent Champagne, to differentiate from all others Champagne and sparkling wine producers, and to target a specific segment market which is specific enough to be protected from the most part of the competitors, but a market which is exploding in term of size and of numbers of buyers. Indeed the organic food consumers are still more numerous, and more and more people are getting sensitive to this kind of offer; in France like abroad. For example the British market is one of the most sensible to organic production and is the biggest foreign client of Champagne Fleury Company. This is so a profitable segmentation strategy, but also a successful differentiation that make even easier the positioning of very high Champagne quality in the mind of the consumers.

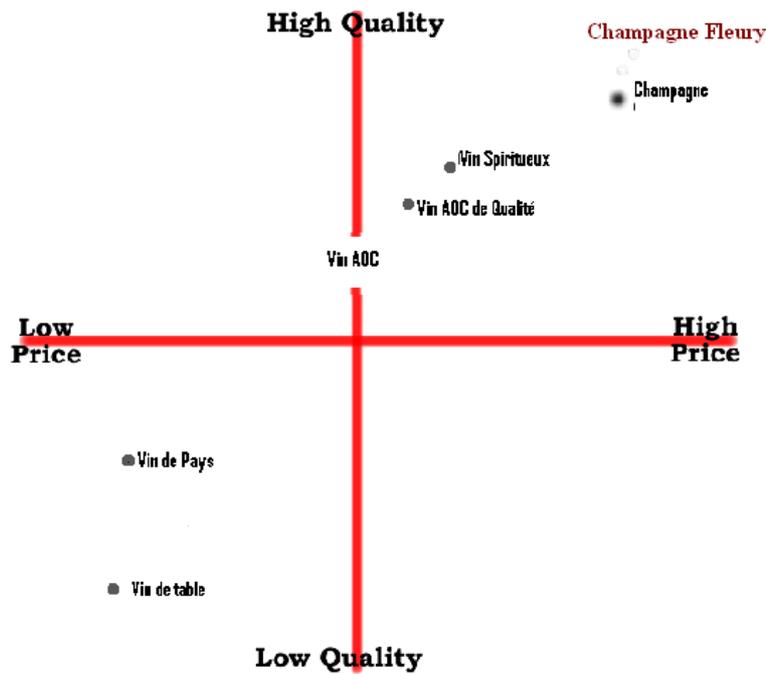


Figure 11. Diagram: Perceptual Map French Wine Types

Re-using this figure help use to understand the positioning strategy of this Champagne company.

Speaking then about the marketing mix strategies, for this company it is a way to stay on the top part.

Indeed it has succeed to target the right target group.

For that the company works on it product range. Thanks to a promotional strategy it products specific cuvee, specific bottles, all very temporary in order to attract new customers, and then develop their loyalty. For example they produced a special cuvee named, cuvee Robert Fleury (second director of the house), produced in 1998 to pay homage to him.

Mr Fleury adds that Champagne is a protected name, like a brand, and that it could be only produced in the Region of Champagne in France. This strategy settled by French government enables the Champagne House to play with that.

Indeed Champagne has a famous prestige for all the world consumers and this protection oblige them to by Champagne directly to France. It grants producers, a future with more prosperity which is uncertain for classical wine producers.

8. SUMMARY

8.1. Summary Table

Table 4. Summing up the two interviews

| | <u>Domaine de la Garelle</u> | <u>Champagne Fleury</u> |
|--|---|---|
| Kind of Wine | Red (AOC), white, rosé | Organic Champagne |
| Date of Creation | 1996 | 1929 |
| Turnover | € 250 000 | € 3 million |
| Place in the international market | 60% of its turnover 3 main clients: Germany, Netherland and UK | 60% of its turnover 2 main client UK, and Germany and many clients all other the world |
| Actual Competition | Compete to get known and recognized, same situation in France, and abroad | Very few competitors |
| Competitive Marketing Strategy | Differentiation and Positionning | Excellent competitive advantage |
| Marketing Mix Strategies | Product development and diversification + improving the communication | Sales and consumers Promotions |

If we have a look at both companies' strategies we can notice one fundamental difference.

Champagne Fleury Company is especially resting on global marketing and competitive strategies. Whereas for Domaine de la Garelle the main support strategies are the marketing mix strategies.

8.2.Conclusion

The goal of this bachelor thesis was two shows first the changes appearing in the international wine market since the entrance in the competition of new producing countries like South Africa, Australia, New-Zealand, and others mentioned previously. This report made the next goal was two explain how could French wine producers could fight these changes and stay the best competitors of the world, and showing the difference of situation between classic wine producers and Champagne ones. In order to complete the theoretical part explaining all the strategies possible for the wine firms, two case companies have been studied.

This study of case companies was revealed helpful, first to show the actual situation and the differences between the two types of wine. In a second time this study was also really helpful to prove concretely which strategies were chosen, and if they were working.

Moreover the theoretical and the empirical part have been written and structured the same way in order to make easier for the reader the comparisons of the similarities and differences between the theories and how does it actually work inside the companies' business.

8.3.Recommendations

The Australian Plan for 2025 exposed on the first part of this dissertation could be a good example of recommendations for our two companies. This could be helpful for both of them, even the wine type and actual situation is completely different.

Indeed even if Mr Jean-Pierre Fleury is proud to assert that they almost don't suffer from competitions, the market segment they are working with is becoming more and more attractive for other Champagne houses, or sparkling wine producers that could make decrease the actual selling price for organic sparkling wine. That is why they have to care about the evolution of the marker and continue anticipating, in order to keep their actual strategies evolving.

Many possibilities are available for helping the company, Domaine de la Garelle to compete actively inside the domestic market than outside. They have to go deeper with the strategies they already launched.

In the idea of the label working on the packaging could be something more, for example diversifying the volume of the bottles, or proposing the wine in other or forms to contain it like small barrels (domestic size) or cubits.

The willing of being classified AOC and position has good quality wine, could be followed and extended to white wine and rosé.

Speaking about the benefits on the health is also a good way to communicate about the product. One glass of wine a bring benefits on the health of the consumer.

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APPENDIXES

APPENDIX 1

QUESTIONNAIRE SENT BY EMAIL TO BOTH COMPANIES

- 1. Company name ? Place of the production ?**

- 2. Wine type ? (area of production, cepages, name...)?**

- 3. Since when the company as been existing ?**

- 4. Turnover ? Size of company ? (volume of production, number of employees...)**

- 5. Turnover realized with the French market ?**

- 6. Turnover realized with the Export market ? (if the company is exporting)**

- 7. What are the main foreign customers ? (country, distributors, companies)**

- 8. Main competitors in the French market, and export market ?**

- 9. Is the company suffering from new wine producers competition ? (Argentina, Chilli, Australia, South Africa...)**
 - a. On the domestic market**
 - b. On the sales realized abroad**

- 10. Which strategies have been used ?**

Any comments on :

- **Positionning and differencing strategies**
- **Communication and promotion strategy**
- **Segmentation and targeting strategy**
- **distribution strategy**
- **Others**

This part would be moreover reasked by telephone.

APPENDIX 2

LOCALISATION

