

Letter from Italy and France

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I am writing this after a quick visit to Florence and Bordeaux. I was mostly teaching young wine business students and planning some collaborative research projects with their professors. The trip gave me some time to think about how the major wine producing countries are facing the issues in a relatively stagnant global market.

I found the students and academics in Italy excited about the future for wine business management in their country. The people I met came mostly from an economics background and were using mainly quantitative techniques to understand wine buying behaviour. They have paid for ACNielsen data for wine sales in supermarkets and looked at the effects of regionality and price promotions. The vast majority of wine in Italy sells for under 4 euros and these people have good data on what is bought where by whom. Most wines above this price are sold only in tiny independent wine speciality stores, so there is almost no information on what sells and to whom at higher price points.

The mood in Italy is positive but a bit worried. There are major wine companies which are successful both in Italy and in exporting lower priced wines. These are growing. They grow grapes and also buy them to make both Italian and New World styles. The tens of thousands of small producers have problems selling their wine and are mainly focused on getting their wines in local shops and restaurants.

I did see and taste quite a few New World-style wines made by small Tuscan wineries using both local and international grapes. The idea inspired years ago by the 'super-Tuscans', that if you want to make something different, do it and don't worry about having the regional label, is becoming more and more common.

In contrast to France, these thousands of Tuscan growers are multiple crop farmers. Although they do worry about selling their wines and the grape prices, most of them have olives and other fruit and crops planted on their farms. This diversification protects them from the vagaries of the

wine market. However, most of them are very traditional and not entrepreneurial. It is unlikely they are going to change soon.

In Bordeaux, the wine business students and their professors mainly study business. Wine is an afterthought for most of them. The students of the Bordeaux Business School Wine MBA are different, being highly dedicated to studying and working in the wine business. Of the 12 students, however, only two are French (one of whom lives and works in the UK. This may be symptomatic of the problems facing the French.

As I noted last month in *WBM*, France has again changed its labelling rules and is now considering the Vignobles of France, where the grape variety can be put on the label of wines blended from multiple regions. I still don't see the point of this. The rules provide for another level of wine and supposedly quality, above that of Vin de Table, but I doubt many consumers buying wines in these low price points know or even notice anything about the origin, except that it is French.

The French seem to take a governmental approach to solving problems, rather than allowing the market to sort things out. One thing I can say positively about the French—and to some degree the Italians—is that they passionately believe in their regions and most of their promotional efforts go through the region, rather than through the country or proprietary brand.

In Australia, we allow the market to do the sorting but that certainly doesn't mean that we have no marketing problems. I am coming to believe, more and more, that Australia needs to utilise some of this regional focus to take us to the next level. Because most of our wines are sold by the largest companies as brands in competitive price points, there is not much hope for Australia to build its image in the higher price points in specialty stores and restaurants by relying on our major exporters. Also, consumers in grocery stores see large amounts of our wine on the shelf, but don't see the same percentage in restaurants or specialty stores. This is where the French and Italians have us beaten, whether in Europe, America or Asia.

The new branding segments promoted by the Australian Wine & Brandy

Corporation (AWBC) are a step in the right direction. The four types of wine to be promoted and differentiated are Brand Champions (large volume brands); Regional Heroes; Generation Next (innovative styles and packaging), and Landmark Australia (ultra-premium collectables). It certainly is innovative to use these four different facets to promote our wines.

Italy and France have created their reputation by focusing on the 'Regional' and 'Landmark' types, mainly promoted by regional associations with individual wineries communicating their 'Landmark' status.

The problem I see for Australia is one of money and focus. As soon as any communication campaign has more than one message, the complexity and the cost go up dramatically. By creating these four types, we seem to be assuming there are four different wine buying segments, each focused on one of these types. If we assume that different buyers buy wine across these types, then we have to communicate a complex message, so that each buyer understands these different aspects of our wine and associates these quite different characteristics with the overall country brand.

Europe's approach has been simpler—promote the region, especially the top regions. Where they have fallen down is in the styles and variability in lower priced wines. But overall, France and Italy have managed to create positive country images at multiple price points while creating strong images for some of their regions.

Australia's marketing and national brand building is still the envy of most wine producing nations. The AWBC has started to change course and some wineries are also refocusing their marketing on-premise and to other more specialised channels. But we will be disappointed in the time it will take to gain strong results if we don't increase the spend on region-based communications in our major markets.

As Peter Fuller said in *WBM* last month, we also need to burn the shoe leather getting wines into these more specialised channels. There is no substitute for talking directly to the market. Both of these activities together will re-establish Australia as the world's leading wine marketer.