

Marketing perspectives within the Western Australian wine industry

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Abstract

This paper considers attitudes within the Western Australian wine industry towards marketing. It is based on a qualitative, exploratory study, of relevance because wine crosses primary, secondary and tertiary industries, and because it has a craft or aesthetic dimension. The key conclusion was a sense displayed by producers that the wine industry is different from other industries; with a general product orientation. As most producers concentrate on crafting beautiful wine there seems to be a general ignorance of the role of marketing and the need for long-term planning for their survival, which may also be significant for similar industries.

Keywords: market orientation; wine marketing; Australia

Topic: Area: Marketing Strategy

Introduction

This study examines the views of owners and managers within the Western Australian wine industry about marketing. Using qualitative processes to conduct an exploratory study issues such as market orientation, marketing skills and planning were investigated.

The study has significance at both practical and theoretical levels. Practically because of the relevance of the wine industry to the Australian economy. Employment in the industry has been rising by 12% per annum and wine is the country's fourth most important agricultural export; in 2007 exports were valued at over \$3 billion (Australian Wine Online, 2008). In addition there are interesting theoretical reasons for this study. The first is that the wine industry is unusual, in that it comprises primary, secondary and (often) tertiary activity (Carlsen & Charters, 2006). A further theoretical dimension which adds to the interest of this study is the quasi-aesthetic nature of wine. Wine is consumed in part for its aesthetic qualities (Amerine & Roessler, 1976; Charters & Pettigrew, 2005). Thus it is of value to investigate the approaches and motivations of those who create the wine and who may perceive themselves to be in the role of a craftsman or artist (Beverland, 2005).

Context: Market orientation and the Australian wine industry

The present study was constructed using an open-ended data collection process, and was without hypotheses. Key themes thus emerged and it became clear that underpinning all other marketing activity the marketing orientation of the different producers was fundamental. 'Market orientation means developing systems and a culture to focus on customer needs, but it also involves the effectiveness of implementing the marketing mix and the development of a strong brand' (Beverland, 2004 p. 60). The concept was first developed in the early 1990s (Kohli & Jaworski, 1990) and it has been established for some time that such a focus immeasurably strengthens the marketing performance of organisations (Kirca, Jayachandran, & Bearden, 2005).

'New World' wine producing countries, including Australia, have a reputation for effectively delivering what the international consumer wants: simply labelled, reliable, consistent wines (Lockshin, 2002). In part this is based on comparatively better management of organisational issues. Staff skills and the willingness to search actively for new overseas markets, underpinned by a clear customer orientation have been shown to be key drivers of export success for the Australian wine industry (Remaud, 2006). It has also been noted that, compared with wineries in France, 'Australian wineries [are] higher in market orientation, growth strategy, export proactiveness, perceived innovative environment, perceived entrepreneurial environment, more interorganisational collaboration, and less perceived constraining legislation' (Jordan, Zidda, & Lockshin, 2006 p. 1). Furthermore, by concentrating on the dynamic of exports, these perspectives tend to focus on the very largest Australian wine companies, rather than the small or medium-sized enterprises (SMEs) which numerically dominate the Australian wine industry. The large companies are organised and managed very differently from the roughly 2180 SMEs, having a substantially different marketing focus.

The most successful wineries seem to be those which are most focused on customers and their relationships with customers (Lockshin, 2005). Nevertheless, there is a paradox in this; anecdotally the most successful SME wine producers are also highly product focused. Product quality is clearly a key factor in winery success – with quality being measured against a benchmark of expected 'style', and judged by shows and critics or continuing recognition over a long period (Lockshin, 2005). Consequently, in some wine businesses market focus may be specifically subordinated to a concentration on crafting wines, to great success. Crucially, Beverland (2005) observes that producers who adopt a product-based approach see themselves as craftsmen, even artists, rather than business people; this is an echo, perhaps, of the caution urged by Voss and Voss (2000) who argue that artisans cannot be seen to give into market demands too eagerly at the expense of craft integrity.

There are consequently a series of interrelated marketing issues affecting the Australian wine industry. Market focus, the drive to export, profitability and craft attitudes are all interrelated if a wine company is to be successful, and were the issues explored by the study.

Process

This research study was based solely in the State of Western Australia. Although responsible for only 5% of national wine production during 2007 (Australian Wine Online, 2008), a disproportionately high proportion of Western Australian wine is premium wine. The state also contains a notably high number of wineries (Australian Wine Online, 2006), although, with the exception of Constellation Wines, the major national producers are underrepresented.

The present study was primarily focused on the managerial expertise of winery owners and/or managers, and as part of that overall project marketing expertise and planning were investigated. It was an exploratory study, so it was decided that qualitative methods would be adopted to gain a broad perspective - a 'complete' picture of a specific sample, rather than more widely generalisable data (Calder, 1977). Interviews generate the depth of data needed (Douglas, 1985), so they were the methodology chosen.

A semi-structured interview guide was created as the primary means of collecting data. This was used to ensure some continuity of data between informants and because it offered flexibility. Thus other, unexpected information could enhance the data collection process, giving less cognitive and less conscious perspectives on marketing in a wine business (Fontana & Frey, 1994). Specific questions explored interviewees' ideas about how they measure success, what their marketing background was (if any), and discussed marketing planning, exporting and training. Data used for this paper have arisen primarily from the responses to those questions.

Interviews were tape-recorded and noted in detailed field notes. During and following data collection the research team met regularly to evaluate the process, Data analysis was an on-going and cross-comparative process involving the entire research team (Janesick, 1994), although different researchers took responsibility for various disciplinary areas of the project. The use of different research locations, variably-sized businesses and an interactive interdisciplinary team allowed a level of data triangulation (Wallendorf & Belk, 1989).

Twenty-eight interviews were conducted over four wine regions. The interviewees were usually owner-managers, but in two cases they were employee managers who ran the wine business. The interviews took place in four Western Australian wine regions which were chosen for particular characteristics. These included: (1) the Swan Valley, the oldest wine region in Western Australia; (2) Margaret River, the largest and most significant region; (3) the Great Southern, much further from Perth and; (4) the Peel region, of interest because it is a very new region. Wineries included in the study varied in size, with an average of production of 20,590 cases p.a. Many had related tertiary activities such as a gallery, shop or café. Nine of the wineries do not export wine; the others have exports varying between 5% and 75% of total production. Details of the wineries are contained at appendix A.

Findings

This paper focuses on three key issues which have an impact on the ability of wineries to market themselves and their product. These areas comprise (1) the marketing orientation of the businesses, (2) their skills, expertise and planning in marketing, and (3) the concept that the wine industry may be, in some way, different from other business of similar size. This latter idea is central to the marketing focus of the businesses and hence is considered first.

The wine industry is different

There was a strong feeling amongst the managers interviewed that the wine industry is different from any other industry. In one sense this view reflects the fact, noted above, that running a winery involves primary, secondary and – usually – tertiary production. However, for many informants it was more than that. The difference for them was in the focus on the product itself – an often obsessive desire to craft great wine. The comment was made that ‘Winemaking is a job like no other; you get a passion for it, it takes over your life’. Another informant noted that, if he could arrange his time better, he would happily spend two months each year just blending his fortified wines. Other aspects of the difference included the fact that what is essentially an agricultural product, in this case wine, is different each year and, given the different challenges offered by varying weather and environmental conditions, still necessitates a focus on production to guarantee a distinctive, drinkable product. It was suggested that wine production is a uniquely collaborative industry. Those who make wine do not see other wineries as competitors (even if they work within the same market) but as friends and allies. As one interviewee said, ‘It’s the only industry where people share, it’s a very nurturing kind of industry. When you open [your business] you are viewed as an asset, not a competitor’. A new business is an asset because it attracts yet more visitors and gives greater credibility to the locality’s reputation as a wine-producing region. Only occasionally were there dissenting voices, stressing that wine is a business to be managed like any other.

Marketing orientation

The ‘specialness’ of the wine industry results very much from producers’ concentration on the quality and style of the wine they make. In order to evaluate the market orientation of organisations involved in wine production, the interviewees’ companies were assessed as having a customer, sales, or product focus, depending on data obtained in the interviews. This was a qualitative evaluation of data and therefore might not necessarily be precise – but is still informative. As the analysis progressed an organisation’s focus was often clear cut, but some companies appeared to straddle two (even three) approaches. In part this reflects the suggestion made by Kohli and Jaworski (1990) that customer focus is not dichotomous (either/or) but exists on a continuum with other forms of orientation. Although this was not a quantitative study it is worth noting that most of the wineries were assessed as having a product focus (n=12), and the fewest (n=7) as having a customer focus, although the categorisation of four of the latter was far from certain, and they wavered between a sales and customer orientation. Nine were assessed as having a sales focus.

The key feature which distinguished the wineries with a customer orientation was that they said they had developed a business or marketing plan. The other producers may have developed such a plan but if so it not important enough to mention. The wineries which acknowledged that they had a plan saw it as fundamental to the organisation. It has been noted that entrepreneurial action may often be unfocused and unplanned especially in the wine industry (Beverland, 2004), and certainly a focus on planning appeared to be atypical in this study. The wineries with a marketing plan also tended to have a concentration not so much on sales *per se* but on distribution as a process and the customer. Indeed, as one interviewee in this category said, ‘it isn’t sales which matter, it is repeat sales’, noting the long term perspective inherent in developing good customer relationship management.

It had been anticipated before the start of the research that producers who had a long term history in wine production, rather than having prior business experience elsewhere, would be running companies which were less focused towards the customer, and more towards the product. In the event this was not the case. Three of the seven producers considered to have a customer orientation had degrees in wine science, and two of those were long-term industry members. Conversely, those with business or marketing education or background, were as likely to have a product or a sales focus. One interviewee had been a wine distributor in Perth for some years prior to moving into production, but was still fixated on the quality of his product. It may be that this person had been seduced by the notion of marketing a product based on craftsmanship, heritage and reputation,

points noted as important by Beverland (2005) but which are less viable for new entrants to a crowded market.

Slightly more wineries had a sales orientation, often well organised, and driven by an awareness of the importance of profits. It was the sales-oriented producers who tended to note, often early in the interview, the need to make money. Those who focused on sales were profit driven, often with a fairly short-term perspective on the business. By contrast, those oriented to the customer tended to be more focused on the long-term development of the business overall, whilst not losing sight of the need to remain profitable. Many of those with a sales orientation had come into the industry from another business background, sometimes farmers, but including doctors, accountants, and land valuers. Interestingly, these backgrounds require some overall business skills, but may not necessarily have demanded strong sales and promotional marketing expertise; new clients come off the street or by word of mouth. The sales-oriented producers often exported some of their wine, but not as much as the large customer-oriented wineries in the sample. Additionally, their exporting appeared to be much more reactive; it existed because someone had approached them, rather than because they had chosen and assessed a specific export market and then worked to establish an appropriate form of distribution. One producer exports to Virginia, in the USA, a process which 'started by accident when [the distributor] knocked on the door'.

Most of the producers had a product focus, either as their prime motivation, or as a strong secondary focus. Generally this approach centred on the romance of crafting the wine itself but also on the romance of the wine business. Wine could be a marker for artistic achievement, for linking the owner to the land and even to a relaxed lifestyle. Further it was clear that a number of interviewees preferred dealing with the product to dealing with customers. Nevertheless, a product focus can be combined with apparent business success. One such interviewee had doubled sales of his company's wines in a few years. Another, qualified in wine science, has worked in the industry for most of his life and was clear about the need to run his business efficiently so he could focus on crafting the product. He also explicitly looked for 'long term relationships', suggesting he is in business for the long term.

Developing marketing skills

Many interviewees had come to the industry with a business background (accountancy, land management, legal) or a business degree. There appeared to be a sub-conscious assumption that their skills would be transferable to the wine industry and that business skills and competencies would just happen. Often, however, they would find that they do not. A fundamental difference was that they are marketing a mass-produced agricultural product, rather than a limited professional service. With many professional services there are legal restrictions on the amount and type of marketing that is allowed so many of the producers had had no real exposure to having to market anything.

As a result of this skills gap, many acknowledged the need for marketing training. Yet it was also clear that some interviewees misunderstood the issue of skills. Thus one, when asked about the key skills needed to run a successful wine business, included 'a good quality product'. Whilst undoubtedly correct, that suggests a lack of thought about marketing.

Most interviewees indicated that these skills were of high importance regardless of whether they were focused on selling locally or internationally, and many stressed the paramount need to gain training in this area. With a number of interviewees, however, there was a sense that they confused sales and marketing. They wanted training which would enable them to gain more sales in the short term, rather than to develop a long term marketing plan.

A key issue facing many of the managers was the need to overcome the lack of sales when no-one knew them. One interviewee, previously the manager of a property development company, said 'it is a very debilitating experience going and knocking on those doors'. It may well be that many of those

who were newer to the industry came from a background of success, and found it hard starting from nothing when the customers they were dealing with did not know about or react to their previous background and success.

Conclusion

Wine production is a complex interaction of the producer's aims, their market focus, their marketing background and the changes in the industry generally. Two main theoretical issues were raised at the start of this paper as being relevant to this exploratory study. The first was the fact that wine crosses primary, secondary and tertiary activity. The second was the quasi-aesthetic (artistic or craft-related) aspect of wine consumption and production.

Both these factors are reflected in the initial finding – 'the wine industry is different'. However, most of the focus on this difference was on the creative side of the industry – the obsession with making high-quality wine – together with its concomitant 'unique selling proposition' of quality. Unfortunately the fact is that most of the producers who concentrate above all on crafting beautiful wine see quality as the goal, which diminishes the 'unique' aspect of their proposition. Conversely, there is an overall lack of awareness of the role of marketing and the need for long-term planning for their survival. It may be that where products cross the boundaries of types of activity there is a greater tendency to focus on the product at the expense of managing a successful business in its totality.

This sense of being an artist – or at least a craftsperson – confirms Beverland's (2003, 2005) consideration of luxury wine producers. However, the producers in this study did not generally have the latitude of producing luxury wines, as they were in a much more competitive market. Many producers, including those from a successful business background, seemed to be seduced by their creative urges to ignore, or at least reduce, the need to focus on running a successful and profitable enterprise. Meanwhile it was evident, particularly in the focus on crafting the product, that the mixed nature of the wine business, especially the tertiary, service element, was often overlooked. Interviewees were much more likely to discuss the product and the issues surrounding striving to produce the perfect wine, rather than the issues of running a successful cellar door or other ancillary activities.

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Appendix A - Summary of Interviewees

(The 'role' is self-reported).

Role at winery	Winery GI	Cases Produced	Years in Operation	Tertiary activity
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GS1	C.E.O	Great Southern	100 000	30	No
GS2	Managing Director	Great Southern	8000	24	Yes
GS3	Managing Director	Great Southern	4000	3	No
GS4	Owner/Manager	Great Southern	4000	21	Yes
GS5	C.E.O	Great Southern	150 000	8	Yes
GS6	Owner/Manager	Great Southern	1 000	5	Yes
GS7	Owner/Manager	Great Southern	7 000	8	Yes
GS8	Owner/Manager	Great Southern	90 000	30	Yes
GS9	General Manager	Great Southern	25 000	28	Yes
MR01	Winemaker/Director/Owner	Margaret River	15 000	32	No
MR02	Director/Winemaker	Margaret River	14 000	26	No
MR03	Principal/Managing Director	Margaret River	1 500	8	No
MR04	Director/Winemaker	Margaret River	6 000	8	No
MR05	Managing Director	Margaret River	82 000	7	Yes
MR06	General Manager	Margaret River	4000	8	No
MR07	Owner/Manager	Margaret River	6000	8	No
MR08	Owner/Manager	Margaret River	8 000	10	Yes
MR09	Managing Director	Margaret River	17 500	6	No
MR10	Owner/Manager	Margaret River	7 500	6	Yes
MR11	Everything	Margaret River	2 500	3	No
SW1	Owner/Manager	Swan District	3 000	10	Yes
SW2	Owner/Manager	Swan District	8 000	74	No
SW3	Owner	Swan District	5 000	8	Yes
SW4	Owner	Swan District	1 000	10	No
SW5	Manager/Chief Winemaker	Swan District	40 000	16	Yes
SW6	Owner/Manager	Swan District	500	8	No
PE1	Owner/Manager/Supervising Winemaker	Peel Region	1 500	7	No
PE2	Owner/Manager	Peel Region	4500	33	No
PE3	Owner/Manager	Peel Region	450	8	No
PE4	Marketing/Winemaker and Owners	Peel Region	750	2	Soon