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Generic Branding of New Zealand Wine: From Global Allocator to Global Marketing

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Using the New Zealand wine industry as a case study we examine the challenges in developing a generic branding strategy to sustain its high value positioning as the industry transitions from being a global allocator to global marketing. The paper's contribution is to give a broad picture of branding as it may apply to a national wine industry and potentially to regions within that rather than merely to one company. This is done through identifying the key research issues at the firm, brand and national levels of the New Zealand industry, which could be applicable in other contexts.

INTRODUCTION

The New Zealand wine industry continues to expand rapidly having achieved NZ$700 million in exports in 2007 with projection of NZ$1 billion in exports by 2010. In the last decade, success in new and existing export markets has created an excess demand for New Zealand wines which producers have scrambled to meet. Positioned under the generic brand "New Zealand Wine", New Zealand wine brands have achieved average price premiums of 10-20% over wines from other countries in most international markets, and even higher (as much as 48% above the industry average) in the UK (NZWG 2007). However increases in production and competition from other national producers have meant that New Zealand must now face the challenges of being a marketer rather than an allocator in global markets. This implies that the industry should prepare for the end of under-supply and high demand for its products and understand more clearly the value of its brands. In order to grow export sales the industry recognises that it needs to invest more in the marketing of its wines. While all involved in the industry agree that a generic branding strategy has a vital role to play in the interface between buyer/distributor/wine writer/the bottle, the specific nature and role of the parties in enhancing the strategy needs to be considered.

New Zealand Winegrowers (NZWG), formed in 2002 from the amalgamation of the Wine Institute and the Grape Growers Council, is playing a significant role in developing a generic marketing strategy and building the collective brand. This strategy is based on being internationally recognised as a leading producer and marketer of highly distinctive premium high quality wines. This overall strategy takes into account the wine styles, varieties and special features of New Zealand as a wine producer, with specific strategies for the key target markets. The activities have focused on public relations, promotional events and fostering relationships with trade representatives, media and consumers. With initial investments in the order of NZ$3 million in generic promotions this has increased to NZ$5 million in 2007 (NZWG 2007).

In 2007 the New Zealand Wine growers re-launched its generic branding strategy after undertaking a major brand audit which included international research with key markets. The research revealed a strongly positive perception of New Zealand wine. Not only did it have an image of high quality but it also had feelings of adventure or discovery. The re-styled national brand image was developed with a new tagline, "New Zealand Wine -

Pure Discovery". The new strategy focuses on the excitement and clarity of flavour that New Zealand wines offer the market. It also summarises the journey the industry has embarked upon, as it continues to discover, innovate, improve and diversify from the dominant focus on Marlborough Sauvignon Blanc. For example the annual international Pinot Noir conference which is held in New Zealand is now flanked by the Syrah and Aromatics Symposia, and is aimed at the "discovery" of the broader spectrum of quality New Zealand wines. The theme of "discovery" was the focus in the international events which included the emerging Asian markets: Singapore, Tokyo, Hong Kong, Seoul and Shanghai and the traditional UK, Australia and USA markets. The number of New Zealand wineries that participated in these events is response to this new campaign has increased considerably (NZWG 2007).

While NZWG is enjoying considerable success, the industry faces many challenges ahead to sustain its high value positioning. These range from understanding the nature of the successful elements of the current strategy and ensuring the future resourcing of the initiative. Complications occur in accommodating distinctive regional identities and coordinating these with national messages, determining protocols of use and ownership, protecting the brand against free-loaders and those who would damage it for short term gain, and ensuring that generic activities add value relatively proportionally to the vast range of different wine company identities. In this paper we focus on these challenges.

The remainder of paper is divided into three sections. First we provide an overview of the New Zealand industry and the key issues it is facing, analysing the current roles of the multiple industry players in branding its wine in international markets against the background of strong demand and high growth. Our objective is to question of the role of generic branding in sustaining the high value niche New Zealand wines currently enjoy. In the second section we focus on some specific questions around wine branding and develop a conceptual framework to understand the sources of value created by New Zealand's generic branding strategy. In the final section we outline issues for a research-informed understanding of the continued strategic development of the generic brand, and set this within an agenda of research to understand the multiple levels (including global, industry, region, firm and brand) at which value is created.

KEY MARKETING ISSUES FACING THE NEW ZEALAND WINE INDUSTRY

New Zealand's wine industry is characterised by a number of distinctive features. These include its small size, diversity of enterprises, export dependence, single product dependence, foreign ownership, history of industry collaboration, cool climate product profile, and reputation for high quality wines (Lewis and Prince 2004). Each of these features impacts on issues associated with national brand building and is also either reflective of or implicated in significant changes in the nature of the industry, processes that have arguably ushered in a new phase of development in the industry.

The emergence of an export-dependent quality industry

In the last two decades the New Zealand wine industry has undergone rapid and dramatic change. The key indicators in Table 1 highlight the story of rapid growth - in the number of producers, total production and exports. It points to the shift to quality as the basis of the current growth path. The average yield fell from 14.4 tonnes per hectare in 1990 to 8.3 tonnes in 2007 as growers replaced high-yielding, lower value Muller Thurgau and shifted towards lower yielding, higher priced grapes whilst more generally adopting viticulture practices designed to emphasise quality over quantity. While the higher value wine has been exported, lower priced wine (largely Australian) has been imported and substituted to meet domestic consumption. Imported wines now account for just over half of all domestic sales. The loss of this lower end of the market in the face of continuing increases in output highlights the problem of export dependence and the reality that all additional output must now be exported - and by many small producers operating in distant markets.

Table 1: New Zealand Wine Industry: Key Indicators of recent growth

Indicator	1990	2007	change
Number of wineries	131	543	415%↑
Producing area (hectares)	4880	24,666	505%↑
Average yield (tonnes per hectare)	14.4	8.3	*-58%* ↓
Tonnes crushed	70,000	205,000	293%↑
Wine exports (million litres)	4	76	1,900% ↑
Wine exports ($million)	18.4	698.3	3,795% ↑
Domestic sales of NZ wine (million litres)	39.2	51.0	130% ↑
Imported wine (million litres)	4.5	43.0	955% ↑
Imported wine ($million)	27.8	175.0	629% ↑

Source: NZ Winegrowers (NZWG 1997;2007)

Although it has grown rapidly the New Zealand wine industry remains very small on a global scale. With production in the current vintage around 200,000 tonnes and exports at NZ$700 million, New Zealand still produces less than 1% of both global output and global exports. Another characteristic is that the majority of the wine companies themselves are small. Whilst a number of the world's largest wine and beverage companies have New Zealand operations, only Allied Domecq's New Zealand operation (formerly Montana Wines) and perhaps the Constellation Brands owned Nobilo Wine Group are anything but small by global standards. In 2007, only four of New Zealand's 543 wineries had sales of greater than 2 million litres, whilst more than 400 had sales of less than 200,000 litres (NZWG 2007).

New Zealand has built a production profile centred on classic French varieties with Sauvignon Blanc making up over 40% of the vineyard area, Pinot Noir 17% and Chardonnay 16% of producing area in 2007 (NZWG 2007). This profile reflects New Zealand's reputation in the wine world as a cool climate producer of quality wines (Clarke 2002; Johnson 2003).

In 2004, the industry for the first time exported a greater proportion of its output than it placed on domestic markets (NZWG 2007). In 2007 of its NZ$700 million of exports, 33% went to the UK, 26% to Australia and 25%, to the USA. Exports are dominated by

Sauvignon Blanc which made up 74% of the volume in 2007 with the majority of this coming from Marlborough. The continued expansion of exports is heavily reliant on the iconic product – Marlborough Sauvignon Blanc. It is this brand that has attracted international drinks giants into the New Zealand industry. However, Sauvignon Blanc is not the only success story, with New Zealand becoming increasingly recognised as a producer of both top-class and moderately-priced Pinot Noir. Pinot Noir from Central Otago and Martinborough regions are found in top restaurants around the world, whilst Pinot Noirs from Marlborough are prominent in the making of a new market for this wine at premium-super-premium price points.

From allocator to marketing – the end of under-supply

By contrast with the preceding production-led period of industry development, the emerging trend is increasingly interpreted in terms of its market implications. Producers of all types and sizes lament the projected end of under-supply and allocation – particularly of Marlborough Sauvignon Blanc (Lewis and Prince 2004). They now refer to a coming period of active export marketing, and to the need for more sophisticated marketing strategies – at national, regional and company levels. Strategies are required to establish new markets, secure existing markets and stave off competition. In the short-medium term much of this work must involve capturing and securing market share in the United States, which has become an increasingly important market in recent years. Whilst the UK is expected to remain New Zealand's top export market for wine in terms of volume, the US and Australia each takes over 25% of the value of New Zealand wine exports. Exports to the US achieved higher f.o.b. prices and were expected to overtake the UK in terms of value (Lewis and Prince, 2004). This projection reflected the current rapid growth in largely underdeveloped US wine markets generally, as well as differences in the profiles of exports to the two markets. Although data is not available to separate the different effects, it is clear that more middle range wines are going to highly competitive, price-discounting UK supermarkets, whilst exporters are achieving higher per-litre prices from the same or higher range wines going to US specialists.

New Zealand in the global industry

New Zealand producers, like those in other countries, are operating in conditions of narrowing distribution channels, increasingly difficult and competitive struggles for shelf-space, and pressure on prices. However, rather than translating into the global wine glut and universal price pressures routinely reported by industry commentators, these global forces and trends have different implications for different competitors. They have particular implications for the New Zealand wine industry, which faces them from both positions of strength and weakness (Brodie et al. 2006).

In Table 2 we examine the implications of issues and trends in terms of opportunities and threats. The opportunities are related to the strength of its national brand and owe much to the reputation and consequent international demand for its signature Sauvignon Blanc and its premium Pinot Noirs. These wines fit neatly into those consistent, single varietal, high quality market segments sheltered from the worst effects of global overproduction.

The key challenge is to sustain the current success and to continue to develop new markets where there is demand for the New Zealand style wines. Pricing strategy is crucial, particularly as competitors emerge to contest New Zealand's dominance in the markets served by its Sauvignon Blanc. Price is a pivotal indicator of "quality" both real, in terms of its reflection of production yields and other quality determinants, and perceptual. As a result, New Zealand needs to safeguard against cost-cutting and price-cutting strategies as a fundamental element of its brand protection initiatives. New Zealand wines are highly regarded and attract higher margins for quality and differentiation. In UK supermarkets, for example, where over 90% of sales are below the critical price point of £5.00, the average non-discounted price for New Zealand wines is marginally under £7.00. Any increased pressure to reduce margins to achieve retail positioning will weaken its quality image and may eventually expose New Zealand's relatively high cost structure (Lewis and Prince 2004). These practices would also place under pressure the collaborative ethos that has been instrumental in the development of the industry and the success of brand New Zealand Wine.

Table 2: Global Trends and Issues for the Generic Branding Strategy for New Zealand Wine

Trends and Issues	**Key dimensions for New Zealand**	**Strengths and opportunities**	**Threats and weaknesses**
Increased production	New World centred Bulk wine centred Response from competitors	Premium-super-premium positioning Brand premium Small size	Increased competition in existing markets Pressures on super-premium, premium segments
Increasing international competition	New regions/nations	Collective action through WWTG	Potential challenge to Marlborough SB New entrant competition
Shifting patterns of demand	Challenge of developing new markets	Continued excess demand for Marlborough SB	Marketing challenge Price pressures
Internationalisation of Ownership Structures	Structural change in domestic industry Potential changes in relations between conglomerates and small companies Relations between drinks companies and retailers	Improved distribution channels Investment capital	Pressures on collective industry development Managing the ownership and growth of NZ companies Managing the identity of NZ wine Global strategies Capture of intellectual property
Altered institutions of governance	New regulatory interventions – non-tariff barriers to trade	Tradition of industry cohesion	Trade and market entry barriers
Increasing retail power	Importance of key UK and US markets Supply chain and channel access	Links into international distribution networks	Sustaining pressures on premium pricing Managing NZ's high cost structures Building new distribution channel relationships and rent-raiding

Increasing importance of marketing and branding	Coordination of national, regional and company marketing Protection/ownership of NZ brands Maintaining value of generic brand NZ and managing its role	Brand still strong Good relations in channels	Increasing diversity among size strata of the industry

Source: Developed for this paper

CREATING VALUE WITH BRAND NEW ZEALAND WINE

Brand New Zealand Wine – elements of recent success

The heart of any successful marketing strategy is the strategic management of brands. However for wine this is complicated by the hierarchical character of the brand identity and rather than there being a single identity there is a brand architecture involving multiple identities. Traditionally this has included country of origin, region and/or appellation, domaine/bodega/estate, producer (and commonly also distributor) labels, and retailer labels. For the New World producers country and region have had a particular significance, whilst the variety has also played a major role. Wine tourism and hospitality place a new emphasis on developing broader identities of the various wine regions. The brand New Zealand Wine has worked well in these contexts.

The brand New Zealand wine comprises a number of elements. At its core is a discourse of quality, promoted by industry participants, local wine media and the industry's representative organisations – the Wine Institute of New Zealand and, since 2001, New Zealand Winegrowers. This discourse is sustained by continued attention to quality from winemakers, effective programmes of collective marketing and careful cultivation of key gatekeepers – supermarket buyers and international wine media. The brand is supported by effective information exchange in production, commitments from winemakers, and a powerful discourse of shared fate. More directly, it is supported by brand collateral ranging from effective collation and dissemination of industry information made available through the industry website, a series of over fifty trade shows and tastings around the world annually, and the new logo of "pure discovery" which is underpinned with the theme of the previous logo of "the riches of a clean green land". This collateral is developed and administered by the New Zealand Winegrowers.

Terroir, regionalism and the national brand

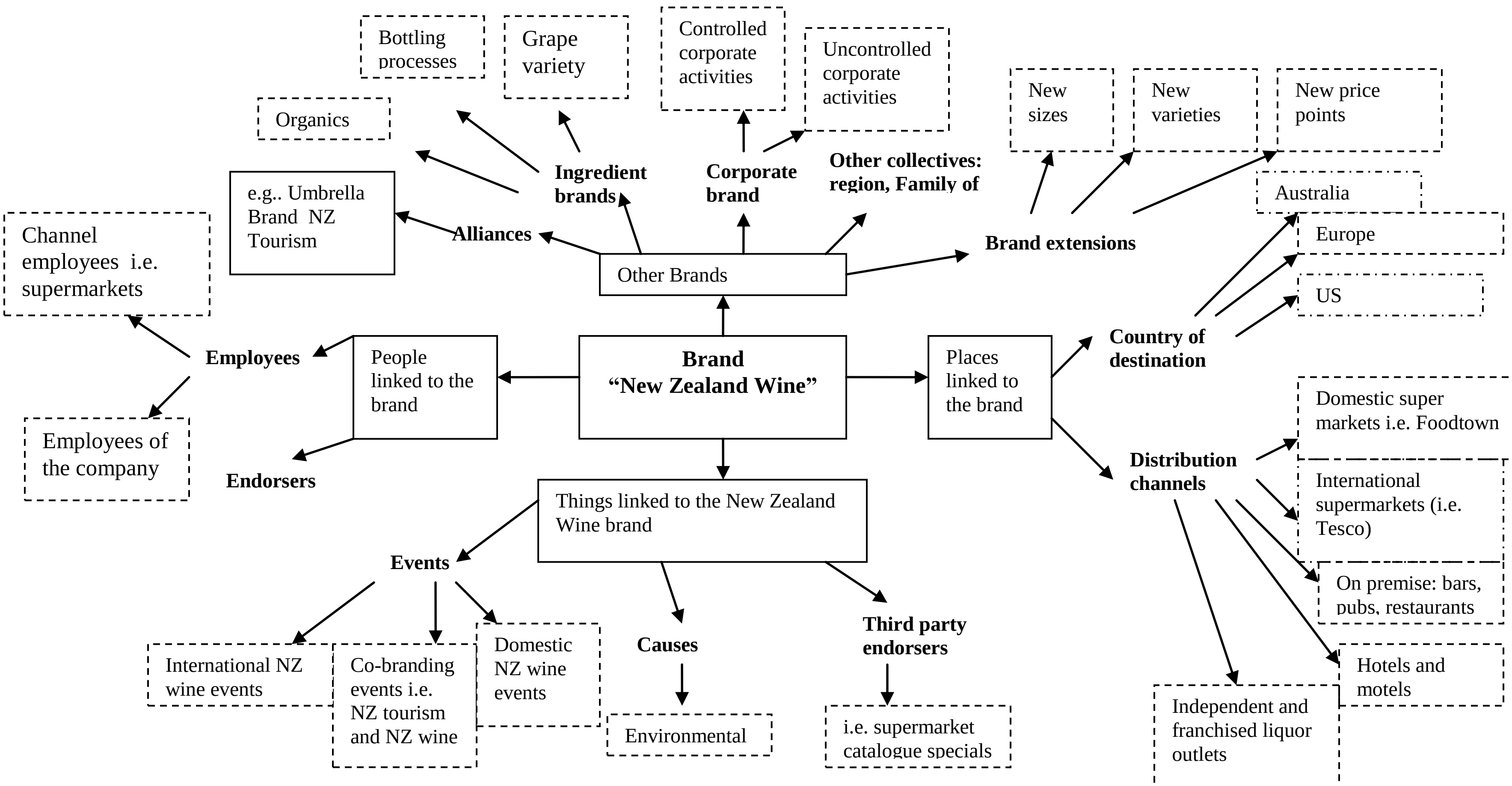
The New Zealand industry, like all other national industries, is composed of regional and local parts. In fact, it is a feature of the brand New Zealand Wine that the New Zealand industry has been able to build and sustain a national brand somewhat in opposition to traditional regional or local conceptions of *terroir*. The qualities of any wine have long been associated with the particular locality in which it is grown and made. This reflects an underlying relationship between grapes and the physical environments in which they are grown, both edaphic and climatic. Although commonly reduced to the relationship between soil and wine, particularly in English translation and popular discourse, the concept might be better understood as a French referent for the relationship between place and wine. In this interpretation, it encompasses the cultural attributes of place, particularly localised traditions of viticulture, winemaking and wine business (Moran 1993; 2001). It is this wider understanding of *terroir* that underpins the French *Appellation d'Origine Controlée* (AOC), the contentious regulatory structure that is so significant in institutionalising the distinctions between Old and New Worlds of wine and defining the various interests at play. Whilst a fiercely debated concept that is deployed differently in different contexts to make various arguments, including commonly in its most reductionist form by various French interests, *terroir* has become a global master discourse of wine quality (Barham 2003, Gade 2005, Moran 1993, Vaudour 2002).

Whilst other New World producers have enjoyed some success with national strategies, New Zealand's small size and strength of cooperative endeavour have helped it to build a distinctive national image. 'New Zealand' has been used as an umbrella brand behind which it has left notions of *terroir* largely underdeveloped in a formal sense. Or rather, individual wine enterprises, regional bodies and international wine writers have been left to develop understandings of *terroir*. However, the persistence of *terroir* as a dominant global discourse of wine quality, the extensive references to region in marketing practices and the work of market mediators, and a domestic history fraught with inter-regional competition confirm that the industry and its products remain highly regionalised, despite the impact of various national institutions (Barker et al. 2001). There is a strong suggestion that the New Zealand brand would benefit from more systematic attention to how particular regions are articulated to it.

Understanding how the brand New Zealand Wine creates value

The emerging diversity of interests within the New Zealand industry described above make it essential to understand the different sources of value creation for the different players – particularly those around size, marketing strategy and positioning in particular segments of the market. The additional facets to branding around *terroir* and multidimensional conceptualisations of place in the global marketing of wine signal additional complexities to the construct of the brand: especially the variables around slogan (images, sense-making, marketing and adverting) and what Vaudour (2002) calls conscience (identity and socio-cultural meanings). The role that the brand New Zealand Wine plays in creating value must be carefully conceptualised. Keller (2003) provides a useful starting point to conceptualising the multiple ways in which brands can create value, or what he refers to as brand equity. He focuses on "brand knowledge", recognising its multiple dimensions as well as multiple potential sources or means to create brand knowledge. By focusing on knowledge he shows that several forms of information may be linked to the brand including: awareness, attributes, benefits, images, thoughts, feelings, attitudes, experiences. These sources are seen as the key dimensions of brand knowledge. Moreover, brand knowledge is a source of brand equity. What is of particular importance is the brand with the potential to leverage brand knowledge from several sources – i.e. the store, the celebrity endorser, the corporate reputation, brand personality etc. In Figure 1 we apply the Keller framework to examine how the brand New Zealand Wine creates value, and in doing so a very broad and diverse set of entities are identified. We extend the Keller framework by taking the generic brand interfaces with these entities and so map how the value is co-created, a process whereby value is created by the interaction of partners not solely by one actor (Normann & Ramirez 1993).

Figure 1: Sources for the Co-creation of Value for the Generic Brand "New Zealand Wine"



Source: Adapted from Keller (2003)

Figure 1 provides a framework to understand the complex brand architecture associated with wine branding where the brand New Zealand Wine is part of a network of other brands that provide the identity for a broad and diverse range of enterprise. In particular it shows how the meanings and experiences of the generic brand New Zealand Wine are co-created. It suggests that these emerge from a network of relationships and interactions with employees, channels, retailers, other stakeholders as well as consumers. It highlights both the interdependencies among those involved and the potentially different investments in, and requirements of, a national brand by different players. Thus while the generic national brand strategy is articulated as being targeted at key export markets, its influence is far broader and more complex. We suggest that focusing on how the value is co-created between these entities provides an effective way to understand this complexity.

To take just one part of this mapping: what are the implications of connections among and with "other brands"? At the industry level there are those involved in the strategic and operational decisions – especially funding and participation as well as governance processes around co-operation. At the firm level, managers will be deciding among their branding options: participation in industry initiatives, pursuing their own firm level approaches, and working with smaller groups of others (including grape growers) in co-branding alliances (involving multiple brand levels) as well as working with the influence of new and changing ownership structures.

A RESEARCH INFORMED AGENDA FOR THE BRAND NEW ZEALAND WINE

Review of Challenges

In the previous sections we have suggested that the generic brand New Zealand Wine has a strong base. The recent strategy with the tag line "pure discovery" is providing a distinctive positioning for the industry to sustain the high value export strategy as the industry transitions from a global allocator to a global marketer. However the industry faces various divisions of interest that increasingly make a unified strategy difficult to achieve – for examples the regions, size, foreign ownership that make up the multiple stakeholder groups involved in the branding, value creation and delivery processes.

How would we go about developing a research-informed agenda for maintaining and building this generic brand strategy? While paying attention to more specific branding communications and marketing related issues is important we take the position that such a strategy must first recognise the implications and broader trends facing the industry. These have been outlined in this paper and are summarised in Table 3. The changing scope of the New Zealand wine industry and the emergence of a new phase of growth present some particular challenges. They include sustaining high levels of collaboration in an increasingly diverse industry, selling higher volumes in existing export markets, competing more effectively in domestic markets, breaking into new international markets, enhancing profitability, and accommodating regional diversity effectively in the promotion of the generic brand New Zealand Wine.

Perhaps the most significant challenge for practitioners and industry leaders is to synchronize national and regional branding, particularly in the context of cross-cutting regional and corporate interests. The regional imitative "The Hawke's Bay challenge" and the co-branding "Family of 12" are examples of these. Second is the protection and ownership of New Zealand brands. We believe that research is called for to clearly articulate the national identity of our wines – both from within and from outside, which can inform collective efforts and firm level strategy and ownership decisions. Firms can greatly benefit from their own individual efforts plus a clear national message, and understanding the balance between the two in stakeholder value creation.

Table 3: Issues and Challenges for the Industry, Wine Companies and Branding

Area	Industry	Wine Companies	Branding
Production	Growth, planning	Integration vs. contracting Grape supply/inventory Investment Internal vs modular production	Varietal choices Grape supply
Demand	Strategic market portfolio/balance	Manage targeted growth	Location Segments: global vs. country-based Brand decisions
Competition	New entrants Rejuvenated old alliances, cooperation, innovation	Ownership linkages Investment	Uniqueness, innovation
Governance	Location Collective	Ownership linkages Managing modular approaches	Rationalisation Drinks portfolios
Retail	Ownership, integration vs relationship-based	Relationships, crowding locations	Relationships Pricing Portfolios
Marketing	Brand New Zealand, commitment	Collective balance, abandon?	Sustainability, growth, value

Source: Developed for this paper

However, we note that Table 3 presents these conditions only in broad outline. An effective generic brand strategy must be informed by more focused research into the industry's economic structure and development trajectories. Whilst some of this work has been done (Parminter 2002, Lewis and Prince 2004), it has not yet analysed closely enough the marketing strategies, practices and profitability of New Zealand's wine enterprises, their effectiveness, or the market conditions that New Zealand enterprises face. A recent industry-researcher forum on these issues highlighted the need to generate better analysis of how New Zealand wines perform at different price points in key international markets, and of market institutions and consumer behaviour in new markets. The forum directed particular attention to questions of how the brand New Zealand Wine performs in distribution channels as well as final markets. There is a need to tease out the relative impacts of winery reputation, wine quality, branding, region and winery size on price and sales success of *different* wines. As companies turn attention increasingly to marketing in their corporate development strategies, manipulating these variables has become increasingly important. This requires a series of decisions to be made, decisions that must be informed.

More specifically, little is known at an industry scale about how current price pressures in international markets are being translated into the market for New Zealand's wines in particular, how resistant New Zealand wines are to these pressures, or what impacts they are having on company profitability, investment decisions and the prices of different bundles of grapes under different contracts. Fine-grained information and analysis is required to predict how these pressures will impact upon different participants and regions, so as to make proactive strategic decisions. Whilst some of this work has been done at an individual company level, particularly by the larger companies, there is a strong place in the building of a national brand for extensive participation from the independent research community.

Central to the understanding of the role of the national brand is to understand the complexity around how the generic brand interfaces with what is a diverse set of entities. In Figure 1 we have provided a conceptual framework to allow for this analysis. It highlights that the additional facets of branding around *terroir* and multidimensional conceptualisations of place in the global marketing of wine signal additional complexities to the construct of the brand and its associated brand architecture. Thus fundamental to a research informed agenda must be the careful conceptualisation of the role that the brand New Zealand Wine plays in co-creating value.

Prioritising the Challenges

Among the key challenges for the industry's future are how to further develop its position globally and maintain its identity and characteristics on which its differentiation is based. The recent initiative with the theme of "pure discovery" provides this platform but the traditional closely connected structure of the New Zealand industry may be breaking down, though there is recognition that local network roles can be sustainable strategic resources (Uzzi 1996). In the climate of global industry rationalisation, and merger activity, these roles and positions should not be overlooked. In terms of the unique characteristics of the New Zealand industry, it may possess dynamic capabilities which arise from its local and international network management, whether entry, threshold-level operational capabilities arising from production or distribution relationships, through to higher-order capabilities, arising from exchange of personnel, through to innovation and market knowledge (Helfat and Peteraf 2003; Winter 2003). In managing their portfolios of relationships, creation of value in close relationships may be essential for New Zealand wine companies to achieve successful branding within the multiple stakeholder contexts.

In terms of the industry as a reflexively evolving dynamic, social system, the system is being opened up to more influence and players. This is seen in the mobility of staff, in international influences from visitors and customers and, crucially for the industry's future, from new entrants and new investment – especially takeovers by overseas investors. It has yet to be seen how much the industry system is shaping new entrants and how much they are reshaping the industry as a system. The New Zealand wine industry is seen as dynamic and highly successful in world wine markets and further research will contribute to understanding the structure of interactions and strategies within such achievements.

For the industry, the possible strategic development of the New Zealand wine industry towards what has been referred to as a system of 'modular production', a new organisational form which is neither internally integrated nor networked but a tight coupling along the value chain based on specific skills outsourced (but controlled) by a lead firm, (Langlois 2002; Sturgeon 2002) has serious implications for the knowledge base and strategic capabilities of the industry. The notion of being able to manage strategic relationships within the branding process will be a key management concern for large and growing hub firms in the industry, both New Zealand based and offshore.

Concluding Comment

As exports continue to expand at a dramatic rate the challenges in developing a generic branding strategy to sustain its high value positioning as the New Zealand industry are formidable. Central to this challenge is the understanding the transition from being a global allocator to global marketing. In meeting this challenge it is vital the industry has a broad picture of its generic branding as it applies to the national wine industry and to the regions within that as well as to the wine companies. This can only be done through identifying the key research issues at the company, region and national levels that may lead to developing branding strategies and by initiating a more in-depth understanding about how these issues interrelate.

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