

# **How to distinguish 'brands' and 'generics' among wines OR could an origin be a brand?**

**Dieter Hoffmann**

Geisenheim Research Center,  
Section of Economics and Market Research  
Von-Lade-Str. 1, 65366 Geisenheim, Germany

## **Abstract**

The wine market is characterized by a great variety of different products. Owing to the multitude of terms given on the labels, it is increasingly difficult for the consumer to select a suitable wine. To make his decision, he has to balance his confidence in wine categories regulated by law against his confidence in producers and brands.

For many years, the observation of retailers' wine shelves, as well as of wines marketed directly by the producer, has revealed a trend towards simplifying the information on the front label. It emphasizes the producer as a brand with some terms describing the product, such as grape variety, vintage and taste while legally stipulated details and optional information are shifted to the back label.

Keywords: wine labeling, brand, category, generics, country of origin

## Introduction

The wine market is characterized by a great variety of different products. Owing to the multitude of terms given on the labels, it is increasingly difficult for the consumer to select a suitable wine. To make his decision, he has to balance his confidence in wine categories regulated by law against his confidence in producers and brands. The way many wine producers design their labels reveals a tendency to shift conceptual information more and more from the front to the mostly smaller back label.

Moreover, the label design of wines displayed on the shelves of retail outlets is increasingly dominated by only a few legally stipulated terms.

The observation of these markedly differing label designs brings up the questions:

1. Can brands (emphasizing the producer on the label) and 'generics' (emphasizing generic (legally stipulated) concepts) be clearly distinguished?
2. Which are the price segments predominantly occupied by 'generics' or 'brands'?
3. Is there a difference in the importance of brands between wines from the Old and New World?

The observation of the broad consumer goods range in Germany leads to the hypothesis that 'brands' occupy the medium- and premium price segment while 'generics' dominate the lower entry price segment.

With the envisaged reform of the wine labeling regulations, the European CMO for wine intends to strengthen origin as generic concept in the future. Thereby the concept 'origin of wines' enters in a hierarchical competition with 'brands'. Many studies have measured the CO-effect (country of origin) in various ways and origin was acknowledged to have brand character Remaud and Lockshin (2009), Durrieu (2008), Johnson and Bruwer (2007), Schrader (2008), Roth and Romeo (1992), Möller (1997), Aboulnasar (2006). This leads to the question whether origin as a generic concept correlates with the requirement (definition) of a brand or whether there has to be a sharp distinction between brands and generics Bourdreaux and Palmer (2007), Lockshin and Jarvis (2005), Wade and Rungie (2003), Penn(2003).

It is the aim of this paper to work out the distinction between brands and legally stipulated concepts ('generics') and to determine their relevance taking the German market as an example. At that we concentrate on the analysis of label design. The hypothesis underlying this approach is that producers adapt their label design to the consumer taste. Sales figures reflect consumer decisions which – on their part – are influenced by the label design.

## Assessment of the wine product range

Marketing literature extensively deals with the definition of and distinction between 'brands' and a range of non-brands ('no-names' and/ or 'generics'). The English term 'generics' has entered the international classification system for wines and corresponds to the German term 'generic products' (or categories).

Observing the variety of wines on the shelves of retail outlets or the range a single producer offers, the question arises how to group the products properly with respect to their shared characteristics. Thus it becomes evident that a great number of brands dominate the wine range because many wineries clearly and markedly highlight the family name through professional label design regardless of whether it is a registered trademark or not.

While single producers offer varied product ranges ordered by origin, variety, quality and taste under a largely homogeneous image (with producer, brand name and signet) including winery, packaging and optical presentation, there is also a great number of suppliers whose range differs greatly with respect to quality and price partly even within a single category such as origin, variety or quality.

Comparing the wine range with other consumer goods there are parallels with respect to a brand/producer-based differentiation achieved by means of a clear optical identification. With the exception of company-specific monobrand, the segmentation within the range of a brand family or umbrella brands follows different, partly legally stipulated, categories.

### **Definition of brands**

Armstrong and Kotler (2003) describe the market relevance of brands:

'... branding has become so strong that today hardly nothing goes unbranded. ... Brand names help consumers identify products, ... tell ... something about product quality ..., ... brandname and trademark provide legal protection ...' 'A brand is a name, term, sign, symbol, or design, or a combination of these, that identifies the maker or seller of a product. ... Brands have higher brand equity to the extent that they have higher brand loyalty, name awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks and channel relationships.

Another extensive discussion on brand definition and characteristics can be found in Esch (2000) and Meffert (1998).

This definition of an impact-oriented view focuses on aspects such as quality, risk of purchase, recognition (brands), emotions and values thus conforming to the requirement to distinguish a particular brand from other products belonging to the same category both on a rational and an emotional level. Applying this definition to the product wine we can establish the hypothesis that the range of wines is differentiated in a great number of brands, mostly umbrella brands Hoffmann (2000).

### **Definition of categories (generics)**

Brands and thereby the company-specific differentiation of a wine range is opposed to a classification of wines based on categories. Category, being derived from Greek, is a general term used to describe type, class or variety thus a term classifying different aspects of a specific matter. Categories are classifications characterized by equal properties that can be attached to the respective terms. Such 'categories' can be e.g. indications of origin like countries, regions or vineyard sites, as well as e.g. grape varieties, quality categories or taste styles.

With respect to legal classifications, there is also a logical explanation: categories can be distinguished on the basis of a legal definition which is available for all companies. Trademark law, on the other hand, concomitantly stipulates a company-specific distinction.

### **Methodology for the distinction of brands and generics (no names)**

Usually, a wine label contains concepts and graphic elements describing and communicating the content. Assuming that the concept design is supposed to communicate the desired

information in an order of priority, size and conceptual hierarchy could be a measure for their relevance in transferring information. Other distinctions for brands like market share, advertising expenditures or pricing terms fail in practice if a brand is to be distinguished uniformly across all quality segments from generics (no names).

For the differentiation between brands and non-brands (no names) the following approach which takes wine as model for optical design commends itself. According to our definition, brands are products clearly identifying the producer whose name recognizably dominates the label through its design.

A clue for the accomplishment of this condition could be character size and conceptual hierarchy on the label as can be seen in the following examples (Figs. 1 and 2)

Figure 1: Sample generics design (no-name)

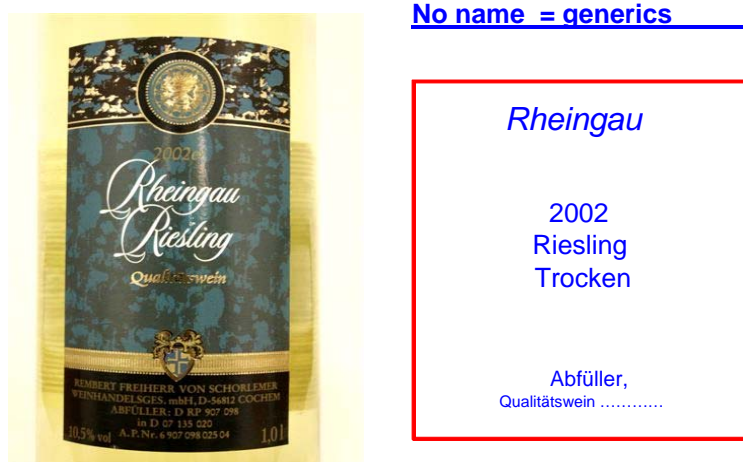


Figure 2: Sample brand design (containing several category terms)



The specific company name 'Monrepos' could be replaced by other names, e.g. Domäne XYZ, wine estate XYZ, Château XYZ, etc.

Figure 2 illustrates the brand staging and thus the hierarchical structure of the information on the label, especially when compared with Figure 1. In Figure 1 the producer is only mentioned in the lower black area reducing his importance in terms of hierarchical order.

This study is still in progress. The follow up will be done in three steps:

First, we will do case – studies of the assortment of international wine companies, how they use brands and categories in their label design.

Second, we will collect a sample of around 200 different wines from different distribution channels at random to measure the relevance of brand elements on one hand and the use of categories on the other hand. One criteria which would be measured are the size of words and another criteria would be the share of space for the brand on one side and the share of space for the 3-5 most important terms of categories.

Third, we will do statistical analysis with the data collected in the second step to answer question 1-3 compiled at the beginning.

### Results of a case study

The following results are based on case studies conducted at producers' and traders' outlets.

For this case study we employed wines of the internationally operating French wine producer 'Barons de Rothschild' distributed by the mail order company HAWESKO (2008). Figure 3 illustrates the differentiation:

Figure 3: Product line of the company Barons de Rothschild ordered by price and labeling

GENERICS		
Origin	Producer	Price €
<b>Bordeaux Reserve Speciale</b>	<i>Domaine Baron de Rothschild</i>	<b>8,90</b>

BRANDS		
Producer	Origin	Price €
<b>MOULIN DE DUHART</b>	Paulliac	<b>24,90</b>
<b>ChateAU MoUToN RothScHild</b>	Paulliac	<b>279,--</b>
<b>CHATEAU LAFITE ROTHSCHILD</b>	Paulliac	<b>440,--</b>

According to the above, brands dominate the premium segment because they are the sole, reliable qualification allowing the consumer to differentiate an assortment within a category. The great price differences between 'brands' like e.g. 'Chateau Petrus', 'Penfolds Grange', 'Opus One' or 'Gaja' illustrate the importance brands play in the differentiation of an assortment.

A survey of the current labeling practice, as observed at different retail outlets, proves that especially in the entry level price segment the grape variety is the most prominent concept.

Among others, this development becomes particularly apparent at discounters in Germany and the UK. Also, regions of origin if they are clearly and distinctly associated with a typical style of wine like, e.g. in the AOC/DOC regions, Bordeaux, Chianti or Côtes du Rhone are used as generics. With grape varieties usually marketed as a combination of region of origin and grape variety on the label, special emphasis is being placed on the grape variety thus allowing trading companies to continually provide their range with the same varietal category from different cultivation areas at a constant price level.

Looking at the shelves in retail outlets, specialized wine shops or into the catalogues of internet and mail order companies it is obvious that, with increasing prices and values, producers and thus the brands dominate the wine label. This can also be derived from the label design of high-end wines: the producer dominates the design and thereby defines the value and the trust in quality. Besides, brands and producers communicate legally stipulated concepts like grape variety or quality category in order to further differentiate their internal product range.

Figure 4: Price level and character size in brands and categories

2,79 €/bottle	<b>Bordeaux</b> Chateau ...XYZ...
279.- €/bottle	<b>Mouton Rothschild</b> Paulliac

### Discussion

Summarizing this analysis, the usage of a brand as quality differentiating image/ carrier of meaning has become more important over the last years while legally stipulated concepts like grape variety and region of origin have markedly lost importance and are partly being shifted to the back label.

On the German market, where discounters successfully penetrate the lower price segment by using category concepts for the distinctive labeling of wine in the sense of the above definition of generics 'no names', it becomes evident that brands are necessary to communicate intelligibly the increased countervalue of higher quality and price segments to the consumer.

Certainly this makes brand management the crucial performance indicator. Legally stipulated categories are losing ground due to the supply-oriented policy of discounters and other trading outlets. Despite numerous efforts to profile these categories some producers again and again use them to sell remnant volumes which cannot be placed in higher price segments at cheaper prices as bulk wines.

The overall tendency to promote the building of wine brands for individual company market positioning, especially in the medium and premium price segment, relaxes the present discussion on the changes of labeling rules in the frame of the CMO for wine in Europe.

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