

Case study on the introduction of the screwcap to the Australian wine market

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Abstract

The following case study details the launch of the screwcap closure into the Australian wine market in 1976. The initial failure of this closure on the Australian market led to the rigorous preparations adopted for the closure's relaunch in the 21st Century. The case illustrates how technical superiority to an incumbent product is, by itself, insufficient to warrant market acceptance. The progress of the case shows how management of innovation requires the communication of a product's advantages to a market, not just in a practical sense, but according to the consumer's perceptions. The case begins with a discussion of the challenges faced in the commercial wine environment that led to the introduction of an alternative form of wine bottle closure. Through a collection of documentation, commercial archives and interviews with those involved in the introduction of this innovation, the findings of this study suggest that the combination of a focus on product features, and a poor understanding of the wine consumer are explanations for a failure of the screwcap launch to 'cross the chasm' between the introduction and growth periods of Perry's curve of product adoption. The details of this case illustrate the commercial environment of this era as both highly creative and financially challenging. Such conditions are typically regarded as conducive to the introduction and adoption of innovations within a market. Protagonists involved with the initial launch of the screwcap provided their substantiation of the results: The dearth of marketing knowledge in this era meant that any latent market opportunity for the screwcap was unlikely to succeed. This case follows a familiar theme to the case of Nissan motors' Bluebird. That case illustrated how the launch of a better product with the same branding suffers from the consumer's existing perceptions. The difference with this case is that the closure brand was not salient in the consumer's mind, so the perceptions of the product carried over to restrict the product's successful release into the market. However, the lessons learned from this initial foray into the alternative closure sector helped pioneer the successful relaunch of this closure within the Australian and New Zealand wine sectors over 20 years later.

Key words: Case study, Innovation adoption, Closures, Consumer learning, Marketing failure

Topic Area: Innovation processes and product development

Introduction

The 1970s were a turbulent time in the Australian wine sector. Recent advances in technology meant that refrigeration was being rapidly implemented across the wine sector as an advance in processing methods. Winemaking practices were becoming more and more scientific, and wine styles were changing so readily that consumers started becoming conditioned to expect something new in their local wine vendor each time they visited their local store. At the same time, winemakers were becoming more demanding of their suppliers, who also had to deal with advances in packaging technology, and a market that was demanding greater volumes of table wine in more convenient packages. Accordingly, with so much change taking place in the market combined with the pressure to forecast demands so as to take advantage of emerging opportunities, the time appeared appropriate to minimise those aspects of production and distribution that were detrimental to a winery's sales and image.

This case begins with an illustration of the prevailing conditions of the wine market in the mid-70s in Australia. The challenges in keeping up with technological advances and changing consumer demands in an otherwise difficult agricultural sector are outlined for the purposes of providing a scenario of the business culture at the time. The second section details the important considerations by practitioners of wine marketing in this era, with the intention of taking advantage of emerging opportunities in the market. The final section concludes with a summary of the challenges faced by the wineries involved in this case, with a post-script including the questions for consideration in responding to the specifics of this case study. The use of a 'Delphi-esque' practice of returning the case for review and comment by interviewees, allowed for the findings to both trigger the inclusion of valuable additional details, whilst evaluating the consistency in interpretation by those responsible for making the decision at the time.

The Australian Wine Sector circa 1970

The 1970s was an era that witnessed a number of notable changes in the Australian wine market. The three components of the wine sector in viticulture, oenology and markets were all undergoing rapid change. This era was synonymous with viticulturists experimenting with trellising systems as it became clear that row spaces and vine spacing needed to be adjusted to account for the different soil types, lack of water and abundant sunshine during the vine's period of growth (Beeston 1994). In the winery, oenologists were finding that the traditional, high alcohol and over-ripe character of much of the country's production was able to be kept in check with the use of temperature control during processing. Additionally, the style of wine that could be made lent itself to a new range of processing options as winemakers began to realise that they had a new level of control over processing practices (Beeston 1994; Halliday 1994). The challenge became to identify the best oenological practices for these new wine styles. Irrespective of any interest that the market had in these new wine styles, no-one was willing to struggle through a winemaker's experiments in search of a better wine.

The wine consumer was also experiencing a new-found interest in wine. Although the volume of wine consumed by the population did not change much throughout this decade, the style demanded by the market did. In the mid- 1960s, the adult population consumed approximately 10 bottles of fortified wine to every one bottle of table wine. However, by 1970 that figure was

1 to 1; and by the mid-1970s, table wine outsold fortified wine by a range of 6 to 1 (AWBC 2002).

Further obscuring the view of the wine market was that the new practice of labelling by grape variety was inconsistent. To begin with, viticulturists were often unaware of the grapes used in production, as record-keeping was seldom considered as important as production procedures. The skills of ampelography were not well developed in this era in Australia, and frequently a wine labelled as one grape in one year, could well be identified as a completely different grape in subsequent years.

A common response by producers in this chaotic era was to adopt a variety that was well known and just use that variety's name on other wines. Given that the regulations about labelling and packaging were less developed, this practice sufficed to help producers sell wine, at the expense of the consumer being informed about what they were drinking. As a consequence, in later years as the wine market grew rapidly, the grape varieties that suffered the most from this unclear labelling practice were Riesling, Sémillon and Grenache.

However, these new wines required amendments to packaging. Traditionally, wine packaging was relatively simple. The standard format for sale was the glass 'flagon' of wine [figure 1], which was seldom adorned with more than a standard rectangular label with the brand name, producer's address, generic label for the contents and the degree of alcohol.



Figure 1: Image of a typical wine 'flagon' as they looked in the Australian wine market

Each flagon contained 2 litres of fortified wine, within clear glass, sealed with a roll-on, tamper-evident seal- known as a screwcap. Most wine was sold in this bulk format, and flagons were frequently refilled with little attention paid to standards of hygiene or cleanliness (James 1978; Halliday 1985). This format was all about conveying the image associated with a low price. The glass was thin, simple and without adornments. The style was the same for each and every flagon, allowing producers to utilise economies of scale in production. The screwcap closure is tamper-evident, but this safety mechanism is of little use if the flagon is constantly reused.

However, the flagon was an ideal package for distributing a larger amount of standardised product to fortified wine consumers. It was well suited to its era.

Marketing Support

With the change in consumption behaviour from fortified to table wines, consumers were compelled to start learning more about wine, and how to identify their preferred style. As winemakers began to identify the grape varieties that grew best in their location, they learned to promote these wines in a more informative manner. Bottle shapes, colours and sizes began to change throughout this decade as producers found success by launching waves of product after product. The consumer's interest in novelty appeared unbounded. Producers were able to keep up with the consumers' changes in wine preference, but the cost of continually designing and launching new wines, brands and packages was high.

There was also an unforeseen side-effect in this change from fortified to table wine preference. As the level of alcohol in these new wine styles fell, the wines became less robust, and more elegant in character. With this occurrence, faults in winemaking became more obvious, especially among the more experienced wine consumers. Although winemakers were working to address faults in their level of skill, it became clear that a more insidious fault, outside of their control was starting to have an effect on market share.

Natural Corks

The natural cork used for bottling wine is taken from the bark of the species of tree, *Quercus Suber*. The cork makes an effective bottle seal over for wine over extended periods, and has been used for maintaining an integral closure for wine bottles for over 300 years. The cork is resilient, flexible, plentiful and, in the best examples, moisture-proof with an airtight seal.

However, Halliday and Johnson (1994) outlined a variety of faults attributable to natural cork as technical issues (Halliday and Johnson 1994), and these were summarised by Murray and Lockshin (1997) as cork taint [a specific flavour imparted by infected corks], inconsistent quality [leading to oxidation], crumbling of the cork and leakage of wine, all of which lead to increased risks of a poor purchase and even more so for cellaring expensive wines. These physical attributes of cork do not provide much guidance for consumer or trade perceptions about cork or cork alternatives.

A natural cork is also given a useful period of life of approximately twenty to twenty-five years before bottle re-corking would be considered prudent practice (Halliday and Johnson 1994). But, the closure's strongest redeeming feature is that it is strongly ingrained with wine consuming tradition with the consumer (CorkMasters 2002).

For wine producers struggling to make a profit, and wine commentators attributing between less than 1% to approximately 10% of all wines faulty, due to an effect from the natural cork (Murray and Lockshin 1997; CorkMasters 2002; Walsh 2002) there was the very real prospect of losing control over sales and the business. The winery has little capacity to measure the prevalence of such faults, particularly if the consumer is unfamiliar with them. From a

marketing perspective, any preventable fault should therefore be minimised as much as possible.

The Screwcap Initiative

As table wines were becoming more popular, and winemakers began recognising a growing incidence of cork-taint, researchers began looking at alternative options for sealing a wine bottle. In 1973, the Australian wine research institute (AWRI) started conducting research on the practicalities of France's Stelvin® closure. The Stelvin® was a brand of screwcap, which had improved technical merits over the model used to seal 'flagons'. After three years of testing on the technical and sensory merits of wines bottled under Stelvin®, Eric and others found that their screw cap closure was superior to natural cork for keeping wine free of faults (Eric, Leyland et al. 1976).

On the release of this scientific evidence, a number of wineries were intrigued enough to begin trials of bottling wine under the Stelvin® closure for release to the market. Wineries such as Heggies, Pewsey Vale and Yalumba were three of the better-known producers in the Australian market at the time. At the time, Yalumba was the largest family-owned winery in the country. It was believed that these producers had the size and market penetration to launch wines under Stelvin® effectively.

The producers decided that the best wines to use to bottle under this closure would need to be those most obviously affected by cork taint. As such, by using the Stelvin® closure (Figure 2), the incidence of cork-taint reduction would be most noticeable by consumers. The decision was made by these producers to start only with their Rieslings, as these wines fit the criteria desired.

"Pewsey Vale Riesling has always had a loyal following. It has always been a single vineyard, single varietal wine of limited quantity. The wine was first released in 1961. When the vineyard was replanted at this time, the grapes were grown using the best quality methods that could be achieved to meet consumers' expectations." (Peter Wall, Yalumba Chairman)



Figure 2: The Stelvin® closure

The change in closure for this wine (and concurrently for the others) would require support from the evidence of consumer preferences, along with a requirement of appropriate promotional

support. Accordingly, Pewsey Vale surveyed their customers at the winery on their opinion of changing the closure from a cork to a screwcap. Consumers indicated that they were more familiar with the natural cork, but interested in the idea of using a screwcap.

Given the interest exhibited by consumers, these wineries began communicating the merits of the new closure to the wine distribution channel through the use of trade magazines. These magazines were well respected by members of the wine trade, but were inaccessible to consumers. A short run of advertisements was conducted at the time to help inform members of the wine trade as to the release of the Stelvin closure on a commercial level. In addition to loyal consumers indicating their support for the screwcap, further endorsement was forthcoming from many of the larger producers in the wine sector:

«Customer convenience of Stelvin is obvious and Renmano will soon be releasing a new range of table wines using Stelvin. I anticipate that most Australian dry whites will be using this form of closure within 5 years.» G. Kraehe General Manager, Renmano Wines- Taken from an ACI report into the future of screwcaps, 1980. (Mortensen and Marks 2002)

The sales teams within each of these wineries were informed of the reasons for the change in closure so that any questions could be dealt with easily and consistently at the winery. The trade was informed, and the major producers appeared to be supporting the idea. By the late 1970s, these wines were ready for the market.

Results

So, what went wrong? An explanation of the challenges afforded the protagonists behind the screwcap's initial release is summarised in this section. The paraphrasing of commentary and reviews from a winery executive from an adopting firm, a wine writer from the era, a technical expert on the closure, a winemaker adopting the closure at the time and a researcher on closure specifications provided their explanations. Their responses are summarised for the purposes of brevity.

Each reviewer concurred that on release, Pewsey Vale Riesling under screwcap received a decidedly cool response. Regular consumers stopped buying the wine, and new consumers expressed skepticism at buying a wine under a screwcap. The sales of these wines deteriorated and in a few short years, a market leading Pewsey Vale Riesling was having to be sold at discounts just to try and make sales.

After a few years of bottling under screwcap, with the continuing decline in sales, a modified version of the screwcap was launched to counter the perceived reluctance by consumers to accept the closure. The modified screwcap had a 'Champagne grade' disk of cork inserted inside the closure. The idea was to show consumers that the cork still existed, but that the screwcap design was the way the wine sector was headed. The non-technical reviewers believed, however, that this action signalled the death of the closure. Indicating that the closure required cork to be valuable went against the image that was trying to be conveyed to the market.

The wineries persisted with the screwcap believing that if they persisted long enough that the consumer would believe that the change was for the right reasons. However, the fight was

taking its toll, and natural cork producers were working hard to improve their processing methods to reduce the incidence of cork-taint. So, when better quality corks became available, Pewsey Vale Riesling went back under these in the early 1980s. By 1984, the brand had been relegated to the category of 'entry level' Riesling, and despite its continuation today, it lost the position in the market as leader that it had held for years. The other wineries continuing the trial followed along with this move, and the movement to screwcap died for the next 15 years.

Case Notes

Explanations for this market failure abound, and it is difficult to say for sure whether any specific oversight was responsible for the innovation not being adopted by the market. However, a simple analogy with the wine branding theory provides some insight. It is noted by Spawton and others of the difficulty that a firm experiences in trying to expand 'from the bottom, up', when trying to extend a brand's reach into a market (Spawton 1994). Apply this principle to the screwcap case, and it explains the situation clearly. For Stelvin®, the consumer already associated their closure with cheap wines. The Flagon's closure was another type of screwcap, which meant that irrespective of what Stelvin® did with the launch of a new model, the consumer had the product pigeon-holed as consistent with cheap. As such, an attempt to expand into more expensive climes was always going to be difficult. Consequently, Yalumba would have to fight for its brand AND Stelvin®'s image.

As interests were being generated for table wine, the styles and expectations were changing. In a period of liminality, the consumer looks to adhere to those conditions that represent a level of stability (Noble and Walker 1997). Like a child wanting its 'teddy bear' for comfort, consumers witnessing such regular change would be more comfortable knowing that one less consideration needed to be evaluating in purchasing considerations. Accordingly, any adoption of such a practice would have required convincing evidence for the market to accept such a change as in their interests.

"The problem was that the market wasn't prepared for this closure".

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