Developing a Research Agenda for Export Lead Growth: The Case of the New Zealand Wine Industry

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Paper for the 3rd International Wine Business & Marketing Research Conference
Ecole Nationale Supérieure Agronomique Montpellier, France
July 6-8, 2006

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Since the 1980s the New Zealand Wine Industry has undergone dramatic export growth and by 2010 exports are projected to reach $1NZ billion, which is more than a doubling of current exports. In this paper we develop a research agenda about business and marketing issues facing the industry for it to achieve these ambitious projections. We first provide an update on the discussion of the strategic issues facing the New Zealand Wine industry presented at the 1st Wine Business and Marketing Conference held at the University of South Australia in 2003 and then derive the research priorities.

1. Introduction

Historically, wine has been very much a European product. As recently as 2001, more than three quarters of the world's wine production, consumption and trade still involved the European Union (EU). France, Italy and Spain have generally been recognised as the dominant producers in the global wine industry with combined production, in 1997, of 13.6 billion litres which represented approximately 54% of global wine production. New Zealand, in comparison, produced approximately forty-five million litres which equated to approximately 0.2% of global production (NZ Commerce Commission 2000).

Traditionally, the countries producing wine were also the countries consuming it with exports accounting for less than 10% of global volume in the 1980's. However, by 1999 the proportion of wine traded internationally had increased to more than 25% of global production. This growth in world trade was primarily driven by increased production in the "New World" wine producing nations of Australia, Argentina, Chile, New Zealand, South Africa and the United States. In the ten years to 1997 the EU's share of global exports declined from 82% to 59% (excluding intra-EU trade) (Anderson and Berger 1999). This rapid growth in wine exports from the New World is paradoxical as it coincided with an overall decline in world wine production and consumption. Over the decade to 1997 world wine consumption fell 0.8% per year but global wine trade rose by 4.1% per year. Sales of wine have developed in new markets such as the USA, the UK, Northern Europe, Japan and China. In the UK, where sales have doubled each decade since the 1960s European wines have accounted for only 29% of this growth and wine sales in Asia have doubled (Lewis and Prince 2004). Thus, wine has become an increasingly internationally traded product.

At the turn of the millennium the global wine industry was extremely fragmented with Gallo, the world's largest supplier of wine, accounting for less than 1% of world supply (NZ Commerce Commission 2000). In contrast to the static global demand for wine are the huge increases in plantings, principally in Australia and the USA, that were made during this period. This caused industry analysts to predict vast over-supplies of wine in the near future which was expected to lead to falling world prices for wine and be a driving force behind global consolidation and restructuring (UK Wine Survey 1999).

New Zealand's wine established itself in the global market with its unique Marlborough Sauvignon Blanc and while a wide range of varieties such as pinot noir are being exported Sauvignon Blanc is the dominant variety. New Zealand wines premium positioning was established at time when trends showed high-end, premium wine brands growing at a faster rate than other alcoholic beverages and the industry expects this trend to continue (Allied Domecq 2003). This has led to considerable optimism with increased plantings and it is forecast that by 2010 it will be a $1.5NZ billion dollar industry. For this to be achieved exports are projected to reach $1NZ billion which is more than doubling current exports of $435NZ million (NZWG 2005). In addition the domestic market is expected to grow to $0.5 billion.

The purpose of this paper is to develop a research agenda about business and marketing issues facing the industry for it achieve these ambitious projections. We first provide an update on the discussion of the strategic issues facing the New Zealand Wine industry presented at the 1st Wine Business and Marketing Conference held at the University of South Australia in 2003 and then derive the research priorities.

2. The New Zealand Wine Industry

Background

Commercial development of the New Zealand wine industry started in the 1960's and, like most industries at that time, was heavily protected through tariff quotas restricting the value of wine imports and a tariff threshold of $2 per litre, or higher when the world price was below the $2 level (Mikic 1998). Wine production became the focus of particular governmental attention in the 1970's when it was decided that special support was needed to help the industry grow both domestically and internationally. A complex structure of composite tariffs, tariff quotas and a tariff threshold was introduced that had the effect of making imports of cheap wine prohibitive. New Zealanders were generally not sophisticated wine drinkers at the time and low-end wines comprised the majority of the market. Thus, the New Zealand wine industry in the 1970's could be characterised as a heavily-regulated and introspective industry that produced low-quality wines for the local market (Mikic 1998).

Industry Deregulation

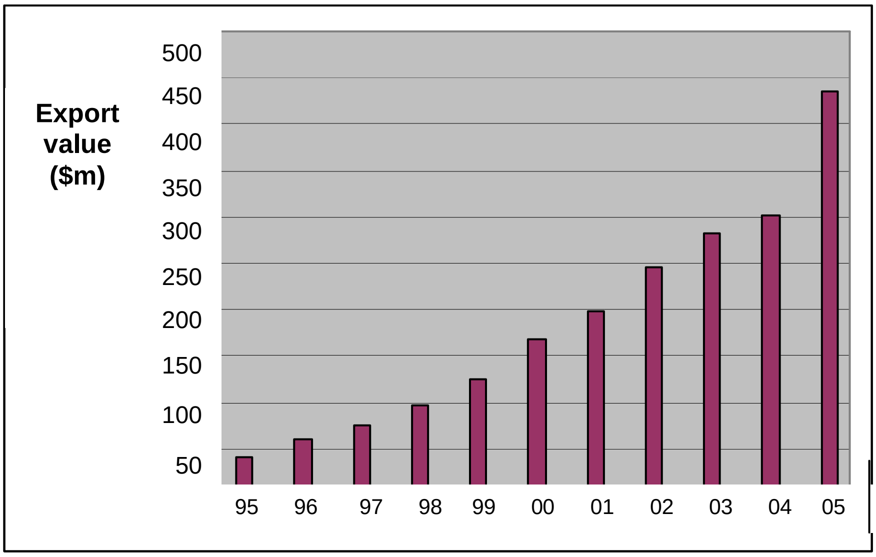
In the period 1981-1986, production of wine grapes grew much more rapidly than the market for New Zealand wine and by the mid 1980's there was a grape over-supply that threatened a number of wine companies with insolvency. As a consequence, the government introduced the Grape Extraction Scheme (GES) in 1985 to subsidise vineyards to remove grapevines. At the same time, a reform in tariff policy saw the removal of import quotas and other trade barriers that had penalised relatively low-end imports. The establishment of a free trade area with Australia further exposed the domestic market to increased competition from imports (Barker et al 2001). The combined effect of these developments was a substantial increase in wine imports from 2.8 million litres in 1986 to 44.0 million litres in 2004 (NZWG 2004).

New Zealand Wine Imports and Exports

In 2005 New Zealand industry sales reached 96 million litres and importantly exports for the first time exceeded domestic sales accounting for 53% of the total sales. These achievements with exports have led to a high level of optimism and confidence for further expansion and the export lead growth is projected to continue with over a doubling of current exports by 2010.

Domestic production totalled 142 million litres in 2005, of which 51 million litres were exported (NZWG 2005), while 1993 exports amounted to only 8.6 million litres. The dramatic growth in exports in the last decade is shown in Figure One.

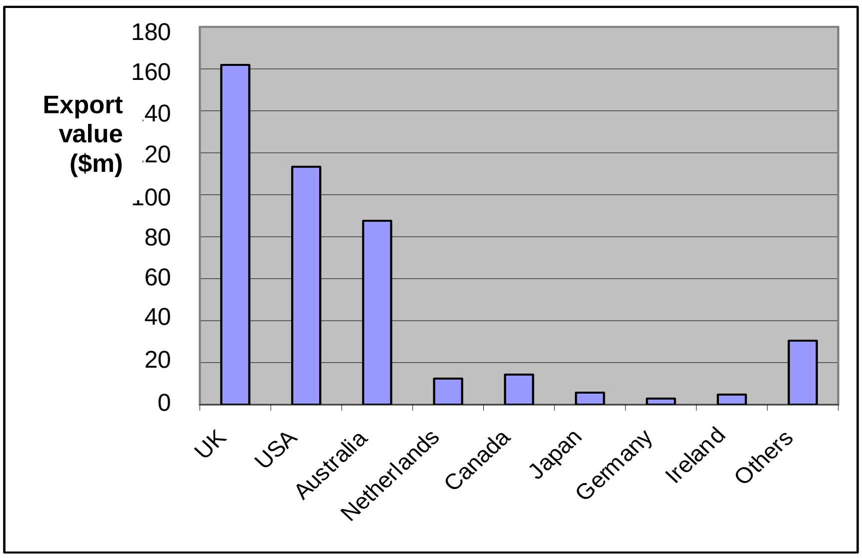
Figure One: NZ Wine Exports By Value 1995 - 2005



Source: New Zealand Wine Growers (2005)

The United Kingdom continues to be the most important export market (41%), and New Zealand wine continues to enjoy a considerable average price premium over other countries' wines. Other major export markets for New Zealand wine include United States (25%), Australia (19%) with a large variety of other smaller export markets (Figure Two).

Figure Two: NZ Wine Exports (2005) By Destination Market



Source: New Zealand Wine Growers (2005)

New Zealand was a net exporter of 15 million litres of wine in 2005, with exports totalling 51 million litres, while imports amounted to 36 million litres (NZWG 2005). A substantial trade surplus has been recorded for New Zealand in wine, which can be attributed to the fact that the average price of exported wine, was almost three times higher than the average price of imported wine. Thus, New Zealand effectively imported cheaper wine to satisfy the local market and exported premium New Zealand wine to take advantage of more affluent market segments in its overseas markets.

Thirty-six percent of New Zealand wine imports were sourced from Australia in 1988, whereas this figure had climbed to 68% by 2005 (NZWG 2005). A number of other countries including South Africa, Italy, France, Argentina, Chile and Spain make up the remainder of the imports and represent a rising tide of competition to New Zealand's domestic producers.

Domestic Distribution Structure

The New Zealand liquor industry was highly regulated until the late 1950's, which meant that sales of alcohol, including wine, were restricted by law to traditional venues such as hotels and bottle shops. Recommendations made by the 1958 Winemaking Industry Committee and the 1959 State Committee on Licensing permitted alcoholic beverages to be sold in alternative locations over the following decades, including licensed and bring-your-own (BYO) restaurants, specialist wine shops, and vineyard shops. Furthermore, the six o'clock closing law for the sale of alcohol in bars was removed during this period (Barker et al 2001).

Subsequent legal changes from 1989 onwards further lifted trading restrictions on alcohol. Supermarket sales of beer and wine were permitted, alcohol trading on Sundays allowed and the legal drinking age lowered to 18. Additionally, these changes permitted greater quantities of alcohol to be sold at one time (Barker et al 2001). Whereas previously the majority of sales were through liquor outlets such as bottle shops, these traditional outlets now only account for a small proportion of wine sales. Instead, supermarkets have grown over time to become the dominant new outlet, accounting for over 50% of wine sales since 2000 (Ball 2002).

Market Participants

The number of wineries in New Zealand has grown significantly since 1990. In March 2000, 358 New Zealand wineries were recorded, which was more than double the 1993 figure. A total of over 500 New Zealand wineries were recorded in 2005, with fifty-nine wineries of significant size, i.e. with sales of more than 200,000 litres per annum (NZWG 2005) and fourteen of these wineries had annual sales exceeding two million litres (NZWG 2005). In addition to continued growth in new entrants, the industry is also exhibiting much merger and acquisition activity. Montana Wines was taken over by the liquor giant Allied Domecq in September 2001, and was subsequently acquired by the French company Pernod Ricard, which has grown to become one of the world's three largest wine and spirits companies since its establishment in 1975 (Pernod Ricard 2005). Corresponding with the growth in winery numbers, New Zealand's grape producing area has substantially grown, increasing from 5,980 hectares in 1993 to 22,024 in 2005 (NZWG 2005). It is estimated that it takes two years from planting to production, with a further two to three years to achieve full economic production (NZ Commerce Commission 2000).

Large New Zealand winemakers historically grow approximately two-thirds of their grape requirements in-house with the remaining third being contract-grown (NZ Commerce Commission 2000). Since grape harvests are highly susceptible to weather conditions, seasonal fluctuations may cause either an abundance or shortage of grapes for the winemaking market, such as the heavy 2004 vintage (166,000 tonnes) followed by a lower 2005 (final figures are expected to be 140,000 tonnes) (McNabb 2006).

As supermarkets grew to become the major distribution channel for domestic wine sales, they correspondingly played an increasingly important role in the wine industry's value chain. In 2002 the New Zealand supermarket sector was dominated by two corporates, Foodstuffs and Progressive Enterprises, which collectively controlled 95% of the market (Ball 2002). Consequently, supermarkets have become a very important channel for any wine company (NZ Commerce Commission 2000).

The average New Zealand consumer readily substitutes between varieties and differently packaged wine, meaning that their brand loyalty is low (NZ Commerce Commission 2000). Further, an extensive array of wine labels became available as a result of both the increased number of domestic wineries and low barriers to importing foreign wines.

3. New Zealand's Position in the World Wine Market

Clean Green Image

A number of unrelated world events have impacted on the development and growth of the New Zealand export market. For example, European Union-driven regionalism, developments in viticulture and oenology including technological and competence improvements, changing consumption patterns and differential fluctuations in national currencies as reflected in the foreign exchange market (Barker et al 2001).

A particularly interesting illustration is the series of worldwide events during the 1980's that directed New Zealand wine exports towards an environmentally-friendly premium product status, particularly in the UK market. The Chernobyl accident of April 1986 resulted in Western concerns about the safety of European food, including Eastern European grapes and wine. Additionally, the adulteration scandals of Austria and Italy represented significant influences shaping the contemporary New Zealand clean, green image, which provided a point of differentiation. Such differentiation has accredited New Zealand with a premium product advantage, which has proven central to the development of New Zealand's high-end wine export industry (Barker et al 2001).

A further advantage of making wine in New Zealand comes from the cool climate that is conducive to the growing of premium grapes. With the cooler climate grapes are able to ripen slowly which enables them to build intense fruit flavours, which is a plus for winemaking. This contrasts to other New World wine producers (such as

Australia) where hot continental summer air masses accelerate grape ripening (Courtney 2003).

These developments led the New Zealand wine industry to actively recognise the growing importance of environmental sustainability in the international marketplace. New Zealand producers therefore attempted to position themselves as premium niche players. Implementation of the Sustainable Winegrowing New Zealand (SWNZ) programme assisted in achieving this desired positioning through conducting national promotion of vineyard and winery best practice with a sustainable management focus (NZWG 2005). The ultimate objective of this world-leading programme is to help the New Zealand wine industry capitalise on the increasing trade and consumer demand for environmentally friendly products.

Establishment of Industry Association: New Zealand Wine Growers

New Zealand Winegrowers (NZWG) was initiated as a joint initiative between the New Zealand Grape Growers Council (NZGGC) and The Wine Institute of New Zealand (WINZ) and was intended to create a single, unified industry organisation (NZWG 2003). NZGGC represented the interests of New Zealand's independent grape growers such as through research, collection and dissemination of information on issues including biosecurity investigating matters such as pests affecting grape vines, education and resource management. The role of WINZ was to promote and represent the national and international interests of the New Zealand wine industry and New Zealand wine makers such as through lobbying for relevant legislative changes, research on the delivery of 'green solutions' such as viticultural and resource management issues and promoting the high-quality brand image of New Zealand wine (NZWG 2005).

NZWG was established in March 2002 and its aim was to represent, promote and research the national and international interests of the New Zealand wine industry. Its responsibilities included provision of information to the industry, undertaking industry relevant research, promoting New Zealand wines and representing the industry in legislative issues (NZWG 2003). Its international promotional responsibilities include generic public relations, building important relationships and coordinating promotional events to showcase New Zealand wines. In summary, it is charged with investing in the New Zealand wine brand to ensure its continuing "fine international reputation" (NZWG 2004). All New Zealand wine producers are legally required to be members of this industry body.

4. Research Issues Associated with the Global Challenges

At the 1st Wine Business and Marketing Conference held at the University of South Australia in 2003 (Benson-Rea et al 2003) drew on the six key challenges affecting the global wine industry identified by Rabobank (1999) to examine the impact upon the New Zealand industry[1]. They were:

1. Changing patterns of and increased production
2. Shifting patterns of demand
3. Increasing retail power

[1] The Appendix has the Table 4 from (Benson-Rea et al 2003) that summarises the implications of the 6 global issues and for the New Zealand Wine Industry.

4. Increasing competition between countries
5. Increasing importance of branding
6. Changes to wine industry structures.

We now draw on this discussion to develop a research agenda about business and marketing issues facing the industry.

Changing and Increased Production and Shifting Patterns of Demand

The global and New Zealand wine industries have become increasingly consolidated as evident through a number of key strategic mergers and acquisitions. For example in New Zealand, Corban's Wines was first acquired by Montana Wines Ltd in 2000, while the latter was taken over by the international liquor giant Allied Domecq just a year later (NZ Commerce Commission 2000). Allied Domecq in turn is currently in the process of being acquired by global spirits company Diageo, which has an agreement to divest the majority of Montana brands to the French wine company Pernod Ricard, with the exceptions of e.g. Stoneleigh and Corban's (Diageo 2005). Thus, a high rate of consolidation is observed in the global and New Zealand wine industries, in which increased foreign ownership of New Zealand wine brands is implicit. Additionally, the substantial growth observed in the number of New Zealand wineries, which was addressed in Section 2, has contributed to increasing volumes of wine production (NZWG 2004).

Benson-Rea et al (2003) draw three main implications from the Rabobank (1999) trends for the New Zealand wine industry. A first challenge is to manage the increased competition in New Zealand's existing export markets. Industry consolidation is expected to generate increasingly complex layers of relevant wine brand hierarchies (Keller 1998), which may be comprised of elements such as country of origin, region of origin, estate, producer label and retailer/distributor labels (Spawton 1990). For example, Corban's acquisition by Montana, and Montana's currently proposed takeover by Pernod Ricard may generate shifts in Montana quality perceptions in the minds of various consumer segments such as those high in involvement with wine. By contrast certain other consumers may be unaware of these strategic acquisitions, resulting in relatively stable perceptions of the Montana brand over time for these consumers.

Achieving an appropriate strategic fit between relevant acquired brands and the acquiring company is important in ensuring sufficient and/or optimal future returns to the particular brands, warranting brand consistency and an appropriate level of synergy across past and future marketing communications for specific brands (unless brand repositioning is intended). Corresponding future research challenges for the industry may hence focus on consumer perceptions of New Zealand wine brands by establishing the relative importances of particular wine attributes or brand elements in consumers' purchase decisions and relevant purchase and consumption occasions, which may be undertaken using conjoint analysis methodologies (e.g. Gil and Sanchez 1997).

New Zealand wine exports can only be maximised when enhanced insights into consumer perceptions of New Zealand wines are obtained in key export markets, such as the UK. Additionally, research needs to be undertaken in markets with significant potential for future development of export growth of New Zealand wine in order to capitalise on the opportunities in these markets and to enter these markets at a large scale before other (New World) wine producing countries tap into these markets. Relevant countries include the ASEAN and China, and further development in the northern European market such as the Netherlands and Germany.

Key Research Issue

- *Investigating consumer perceptions of New Zealand wine brands in its established export markets, newer markets with significant growth potential, and the domestic market. This research needs to determine the relative importance of individual product attributes that are needed for NZ wine to maintain its premium positioning.*

The New Zealand wine industry also needs to manage growth through focusing on processing and marketing opportunities (Benson-Rea et al 2003). As stated previously, an increased focus on the sustainable, long-term marketing of New Zealand's cool climate, high quality wines, is required. The increased levels of production call for intensified marketing efforts, both within New Zealand and internationally, in order to increase demand for New Zealand wine. Thus, similar to the previous point, this industry challenge calls for further in-depth research into consumer perceptions of the branding of New Zealand wine. Particular preferences across relevant consumer segments need to be established, which may help how most effectively to display New Zealand wines on retail shelves and hence maximise sales revenues in relevant markets. Additional research into the most appropriate segmentation variables is also required, which may utilise factors such as relevant involvement types (e.g. product, purchase involvement), values, lifestyle information, demographics and/or the level of wine knowledge (e.g. Thomas and Pickering 2003) Additional research into the branding of New Zealand wine, both for individual producers and the generic brand New Zealand, is needed to understand how to enhance the competitive position of New Zealand wine in international markets.

Key Research Issues

- *Examining the branding of New Zealand wine for it to sustain its high value positioning.*
- *Determining appropriate bases for segmentation of wine consumers in different markets (e.g. product involvement, lifestyles, values.)*

Another requirement for the industry is to determine its long-term production goals (Benson-Rea et al 2003). Since the industry has developed into a high quality, niche provider, further growth in the number of wineries may, for example, cause some industry fragmentation. Therefore, efforts fostering industry unification such as the 2002 establishment of New Zealand Wine Growers (NZWG) are important in developing and maintaining a consistent image of New Zealand wines, both domestically and overseas. Research challenges include determining New Zealand's optimal wine production levels by variety. Corresponding production guidelines could be set in accordance with the relevant figures obtained in order to prevent a future glut of New Zealand wine, which may drive down prices (Rabobank 1999; Benson-Rea et al 2003) and seriously threaten winery profitability (McNabb 2006).

Key Research Issue

- *Establishing New Zealand's optimal short term and longer term wine production levels by variety in order to manage the risk of over-supply and the consequence of driving down prices.*

Global wine consumption has fallen since the 1990's (Parminter 2002), although the demand in non-traditional wine drinking countries has been growing (Benson-Rea et al 2003). High quality single varietal wines, such as New Zealand Sauvignon Blanc, have been associated with this shift in tastes. As stated above, a major challenge for the future development of the New Zealand wine industry is in developing new markets such as in the ASEAN region and northern European countries. Development of New Zealand wine exports into these non-traditional wine consuming countries represents a substantial opportunity for future growth of New Zealand wine exports. However, as addressed, New Zealand wine supply needs to be carefully managed in order to avoid over-supply incurring the risk of undesirable price reductions in New Zealand's premium-positioned wines. Again, research into consumer perceptions of New Zealand wine is required in order to identify the attributes and their relevant levels which consumers value most, and for which they are hence most willing to pay premium prices. Investigation into the most effective types of distribution channels may also be useful in relevant markets, which may assist improved future distribution of New Zealand wines in these markets, which are expected to generate sales increases. These research questions have also been addressed as key research issues above.

Increasing Retail Power

Supermarkets account for the majority of wine sales in the New Zealand market. Similar developments have been observed in the European, North American and Australian markets (Rabobank 1999; Benson-Rea et al 2003). For example in the UK, New Zealand's most important export market, 60 per cent of wine sales are through supermarkets (Benson-Rea et al 2003). Ninety-four per cent of those sales are below the critical price point, in terms of profitable trade for New Zealand producers, of £5.00 although the average selling price for New Zealand wines in that market is above that amount, at around £5.14 (e.g. Mikic 1998). The focus for UK supermarkets is thus on the higher volume end of the market (Benson-Rea et al 2003).

Although New Zealand wines may be sold at relatively high price points as a result of strong product differentiation and premium quality perceptions, increased retailer power (particularly supermarkets) may cause the resultant monetary gains to remain largely with the retailers. Increased supermarket chain buying also leads to smaller producers having limited access to shelf space since these retailers tend to demand high-volume, high-quality, competitively priced wine supply. Smaller producers have difficulty providing high volumes of consistently high quality wines based on their limited production and financial resources. Furthermore, in terms of shelf space, these smaller New Zealand producers are effectively competing for the mere 10% of our exports not covered by the large and medium-sized players. Therefore, boutique wines targeted at niche markets may not reach optimal distribution channels in relevant export markets. The relatively high cost structure by which the New Zealand wine industry is characterised represents one of the key issues in improving the competitive position of (smaller) New Zealand wineries (Benson-Rea et al 2003; Eddy 2001).

Research challenges arising from these trends include investigations into consumers' price sensitivities for wine in general and New Zealand wine in particular, leading to optimal pricing strategies for New Zealand wineries in relevant export markets. A strong focus on the branding of New Zealand wine, both of individual producers and generic brand New Zealand, is important in fostering consumers' willingness to pay increasingly high price premiums for New Zealand wine. Also, investigations into the most appropriate types of distribution outlets for particular wines may provide insights into how most effectively to distribute New Zealand wines.

Key Research Issues

- *Investigating consumers' and the trades price elasticity's for New Zealand wines, for individual brands and generic brand "New Zealand Wine"*
- *Research about pricing strategies and the relevant price points for New Zealand wines.*
- *Understanding the advantages and disadvantages of alternative distribution channels and the appropriate marketing strategies for these channels.*

Increasing International Competition

As addressed above, the international wine trade has increased over the last decade. New entrants to the global wine market in the last fifteen years have included Argentina, Chile, Australia, New Zealand, South Africa and the United States, while new consuming countries have included the Netherlands, Scandinavia, Japan and the UK (Benson-Rea et al 2003). Additionally, new markets are emerging in China and other parts of Asia.

Implications for the New Zealand wine industry include fierce competition in target export markets. Benson-Rea et al (2003) recommend the need for Trade Policy initiatives to avert these potential threats. New Zealand's recent winemaking history is also prone to being emulated and challenged by further new entrants. Overall New Zealand needs to balance its production constraints with relevant changing market demands, whilst servicing extant markets and generating increased awareness of potential new target markets.

Research challenges arising from these trends include studies to address how to further develop consumer perceptions of high quality, differentiated products in New Zealand's key export markets, and to establish these in potential future export markets. Strong emphasis on 'brand New Zealand' wine is also expected to generate benefits in terms of further strengthening consumer perceptions of New Zealand's fine wines in consumers' minds, thereby making perceptions of New Zealand wine more inimitable, rare and unsubstitutable, which is posited to enhance its competitive edge through being unique relative to competitive offerings (e.g. Barney 1991).

Key Research Issues

- *Investigating consumer perceptions of high quality, differentiated wine in New Zealand's key export markets and how to develop favourable perceptions in high-potential future export markets.*
- *Investigating consumer perceptions of generic brand "New Zealand Wine" to understand how to further develop product differentiation based on national identity.*

Increasing Importance of Branding

A further trend identified by Rabobank (1999) was the increasing importance of branding. Marketing has grown to be the force driving wine production of any significant scale, overcoming the production-led approach by which the New Zealand wine industry had historically been characterised (Eddy 2001). Strategic brand management is at the core of any successful marketing strategy through the development of firm and customer-based brand equity (Keller 2003). Recent research has found that country and region of origin play a critical role in consumers' wine purchase decisions and may hence contribute to the development of customer-based brand equity (e.g. Quester and Smart 1998; Gil and Sanchez 1997; Tustin and Lockshin 2001). Research into the relative importance of relevant wine attributes for wines sold in an e-commerce environment (i.e. through the Internet) is also needed because these may differ from those for wines offered in traditional brick-and-mortar distribution channels.

Key Research Issues

- *Investigating the development of measures of brand value (brand equity) for New Zealand wines and its major international competitors in order to determine how to further enhance New Zealand's competitive position in the global wine industry.*
- *Conduct studies identifying the relative importance of wine attributes in consumers' purchase decisions, in traditional as well as e-commerce wine selling environments.*

Consumers' preferred attributes, which hence become key value drivers of New Zealand wines, may be utilised in marketing communications such as point of purchase displays and print advertisements, while additional insights into prevalent consumption situations may be used to better tailor marketing communications to suit these types of occasions. Both qualitative (e.g. means-end chains) and quantitative research methodologies (e.g. conjoint analysis) may be adopted for investigating these types of issues.

Additional future research challenges include the establishment of how best to coordinate such wine attributes and brand elements (e.g. country, region of origin) with the identities of individual winemakers and how to achieve distinctive brand positioning (Benson-Rea et al 2003). This may be particularly challenging for smaller winemakers, who may successfully use these elements in conjunction with company-specific information such as a heritage of winemaking for a particular number of generations or specific location-based and/or climatic advantages, generating a point of difference in consumer perceptions. Research opportunities also exist in the area of co-branding for wine such as through the joint promotion of tourism in New Zealand and New Zealand wine (Brodie et al 2005). For example, consumers in New Zealand's key export markets may enter the draw to win a winery tour when purchasing a case of a particular wine brand. Such wine branding initiative would promote tourism to New Zealand and hence generate substantial benefits for the New Zealand economy.

Key Research Issues

- *Investigating how to most effectively translate consumers' preferred product attributes into successful marketing communications such as POP displays and advertising.*
- *Investigating how to foster the development of generic brand New Zealand while allowing for retention of unique brand identities of small, boutique wine companies.*
- *Investigating the effects of particular co-branding initiatives (e.g. joint promotion of tourism in New Zealand and New Zealand wine).*

Increasing industry consolidation may also imply increasing brand rationalisation where acquiring firms divest marginally profitable brands, such as Diageo's divestment of Montana Wines. Such brand rationalisation may have the benefit of retention of only the strongest and highest-performing brands, which may further strengthen consumer perceptions of New Zealand's premium-quality products. By contrast, brand rationalisation tends to occur through industry consolidation, which may result from increased foreign ownership of New Zealand wine brands. Under such increasing foreign ownership, it is important to maintain and further develop the unique identity of New Zealand's high-quality, cool climate wines through marketing these using appropriate marketing communications centred upon these location specific values. The situation should thus be avoided in which New Zealand wines are marketed in the acquiring international giants' mass brand portfolios because this may be detrimental to consumer perceptions of the unique positioning of New Zealand wines and generic brand New Zealand.

These trends call for further research to be conducted in the area of wine branding on a number of levels. First, consumer perceptions of individual product attributes may be examined across relevant consumer segments in order to establish the most preferred types of attributes across these segments. Second, research is needed into the brand architecture of New Zealand wines, which addresses how relevant layers of brand elements are utilised on retail shelves (e.g. wines arranged by variety, country or region of origin) and consumer decision-making when purchasing wine.

Studies could also be undertaken in the area of the prevalence of generic brand New Zealand in consumers' minds (Brodie et al 2005) through establishing relevant levels of consumers' perceived image of New Zealand and their awareness of the country's typical associations as a clean, green producer. Improving such perceptions is expected to be beneficial for the New Zealand economy as a whole through generating more favourable perceptions of New Zealand and fostering exports of other produce types (e.g. kiwifruit) and potentially tourism. Thus 'generic wine brand New Zealand' may play a role in developing an overall 'brand New Zealand' in international markets. Initiatives undertaken by New Zealand Wine Growers (NZWG), are important in consolidating New Zealand's quality positioning. NZWG's mission is to have New Zealand internationally recognised as the leading producer and marketer of premium quality wines (NZWG 2005). Thus the challenge is to achieve this vision through a focused differentiation strategy for New Zealand wines that is unified with the marketing and PR activities of industry participants, thus generating synergy across all marketing communications for New Zealand wine. Such synergy can be achieved through adopting an integrated marketing communications (IMC) philosophy, in which all industry participants closely collaborate and work towards common marketing goals (Van Zanten and Bruwer 2002). The establishment of NZWG represents a major step towards the achievement of a successful IMC approach.

Key Research Issues

- *Qualitative or quantitative investigations addressing how to establish and maintain synergies between acquired brands and global acquiring companies and how to ensure that these global companies appropriately represent the values and the desired image of the New Zealand wine industry.*
- *Investigating the brand architecture of New Zealand wines addressing how relevant layers of brand elements are utilised on retail shelves (e.g. wines arranged by variety, country or region of origin) and consumer decision-making when purchasing wine.*
- *Studies addressing consumer perceptions of generic brand New Zealand wine*
- *Investigating how to achieve NZWG's vision of becoming recognised as world's leader of quality wine production through a focused differentiation strategy unified with wineries' marketing activities.*
- *Investigating how to best achieve appropriate an IMC approach for the industry.*

Research into the appropriate pricing of New Zealand wines is also important since perceptions of high brand quality may enable higher prices to be charged. Determining appropriate distribution channels is also important, since these should correspond to the desired brand image of high quality, premium products. Therefore, selling the majority of New Zealand wines through supermarkets, as is currently the case, may be detrimental to the development of a premium quality positioning in consumers' minds (Benson-Rea et al 2003). Hence a push for increasing future sales of New Zealand wine through other types of distribution channels may be beneficial for the industry. However, prior research into the optimal division of New Zealand wine across all possible types of distribution channels in relevant markets may generate useful insights and assist decisions as to how to proceed with such strategic shift of distribution channels.

Key Research Issues

- *Investigating the appropriate pricing and distribution channels which correspond to the desired high-quality image of New Zealand wine.*
- *Investigating the optimal division of New Zealand wines across relevant types of distribution channels (e.g. supermarkets, fine wine shops, liquor stores).*

Changes to Wine Industry Structures

Structural industry changes may be analysed at two distinct levels, including local and global firm/industry levels (Benson-Rea et al 2003). At the global industry level, New World wine producers are united in New World Wine Producers' Forum (NWWP), which promotes international trade and market access of its members. Old World producers, notably the French, dominate the Office International de la Vigne et du Vin (Benson-Rea et al 2003). At the local firm/industry level, cross-border mergers and acquisitions are reshaping industry structures, as addressed above including establishing the New Zealand Wine Growers in 2003.

At the global company level, very large scale wine corporations have emerged, particularly in Australia and the United States, which resemble transnational organisations in that they are associated with ownership-driven strengthening of the vertical integration of production and distribution, with production on multiple sites (Benson-Rea et al 2003). An implication of the increasing industry consolidation, both nationally and globally, is that a growing proportion of New Zealand wine companies will be wholly or partially owned by offshore interests, as previously addressed, that will integrate production and marketing of New Zealand wines into their international strategies which will not necessarily coincide with the best interests of the New Zealand wine industry (Benson-Rea et al 2003), which was also addressed in Section 2. A challenge for the New Zealand industry will be how to manage its national competitive advantage in the context of global industry and firm consolidation and concentration, whilst acquiring the resources needed to achieve sustainable growth (Benson-Rea et al 2003).

A research agenda arising from these trends includes investigations into consumers' perceptions of synergies in relevant strategic acquisitions of wine companies and brands by international wine corporations, and particularly liquor giants since the marketing of wine is in many respects unique to the successful marketing of liquor products. Research into the network relationships between NZWG and its members may also provide valuable insights into the alignment of the goals and objectives of both parties and hence serve to strengthen the relationship between these organisations and engender improved common strategic vision and initiatives. Such investigations could also focus on optimal levels of centralised coordination within the industry and the amount of freedom for individual producers to make their own production, marketing and distribution decisions. Hence studies into the value driven impact of relationship quality are needed using constructs such as trust, commitment, conflict and satisfaction (Hingley and Lindgreen 2002).

Key Research Issues

- *Investigating consumers' perceptions of synergies in relevant strategic acquisitions of wine companies and brands by international wine corporations.*
- *Investigating the network relationships between NZWG and its members with the purpose of enhancing collaborative action, cooperation and potentially (some) knowledge sharing for innovation within the industry.*

Additional investigations could focus on establishing relevant optimal offshore interests held in particular New Zealand wine companies, which would be useful for government bodies such as the Overseas Investment Office (OIO) in deciding whether to accept or decline takeover bids or proposals for acquiring partial interests in New Zealand wine companies. Hence such studies could shed light on the trade-off of benefits and costs of foreign ownership of New Zealand wine companies. Benefits would typically include access to additional funding for product development and marketing opportunities, while potential drawbacks include a lack of synergy of international companies' strategic visions with those appropriate for the New Zealand wine industry. Additional investigations could be conducted identifying current and anticipated future industry dynamics such as through Porter's Five Forces framework (Porter 1980) or Parolini's (1999) value net.

Key Research Issues

- *Investigating the advantages and disadvantages of different levels of offshore ownership for New Zealand wine companies from consumer and wineries' perspectives.*
- *Investigating current and anticipated future industry dynamics using frameworks such as Porter's Five Forces model (Porter 1980) and Parolini's (1999) value net.*

5. Conclusion

While the New Zealand wine industry has characteristics in common with other New World Wine producing countries there are differences. It is very small but occupies a strongly differentiated position based on local innovation and the transfer of knowledge from international connections. It has a geographically based advantage and has built a brand based on location advantages. The culture of the country and its businesses is reflected in its wine industry – the lifestyle features of the country and its own particular structure within the global and company-based *filières* (Benson-Rea et al 2003). What is most different about the industry is it was relatively insignificant until the 1980s but since then it has undergone dramatic export growth and by 2010 exports are projected to reach $1NZ billion dollars which is more than a doubling of current exports.

In this paper we have developed a research agenda about business and marketing issues facing the industry for it to achieve its ambitious projections for export growth. The challenge is now for participants of the industry to workshop and refine our agenda and collaboratively undertake the research that is needed to ensure this young "honeymoon" industry sustains and capitalises on it very favourable global position. While some of this research can be undertaken privately by the larger wine exporting companies much of it needs to be industry based and thus there is the need for leadership from NZWG, NZ Trade and Enterprise, the Universities and other research institutions.

Finally, while this paper has focused largely on the exporting of wine it is also important not to neglect the domestic industry that provides the base for this export led growth. While the majority of wine companies, including the small wineries are actively exporting the economic base is within the domestic economy. The value of the domestic industry goes well beyond just the sale of wine but also extends to tourism, hospitality and entertainment industries. Thus it already makes a major contribution to New Zealand's service sector where it creates considerable employment especially with younger people. Compared with other land based industries it has a very attractive position and with the domestic sector of the industry projected to reach $0.5 NZ billion dollars in sales by 2010 it will make further contributions to the New Zealand economy and New Zealand cultural and social environment. Thus a similar research agenda is needed to be developed about issues to be investigated in the domestic industry.

Appendix: Table 4: Summary of Global Issues and Implications for the New Zealand Wine Industry (from Benson Rae et al 2003)

Global Issues	Implications for NZ
Changing patterns of and increased production	-Managing increased competition in existing markets -Managing growth: processing/marketing challenges -Planning NZ’s long term production goals
Shifting patterns of demand	-Demand falling -Challenge of developing new markets -Pricing in over-supply situation
Increasing retail power	-Strategic pricing decisions: premium versus volume -Managing NZ’s high cost structures -Building new distribution channel relationships
Increasing competition between countries	-Increased competition from new entrants -Challenging trade and market entry barriers -Collective action through international lobbying
Increasing importance of branding	-Ownership of NZ brands -Managing brand rationalisation -Managing the role of generic brand NZ
Changes to wine industry structures	-The future of collective NZ industry development -Managing the ownership and growth of NZ companies -Managing the identity of NZ wine.

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