

The drivers of regionality: the case of the Australian wine regions

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ABSTRACT

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The subject of this research is *regionality*, the reputation a wine region has for producing wines with a distinctive style. It is most associated with the 'Old World' regions such as Chablis and Rioja and others. In contrast, regionality is less developed in the wine regions of the New World. The comment has been made that whilst France may have too much regionality, Australia almost certainly has too little.

For wine producing countries to better develop the regionality profiles of their leading wine regions, they need to understand the drivers of regionality. This question was approached in three steps.

- Extract possible drivers by trawling through the wine literature on wine regions with regionality.
- Confirmation of the relevance of these drivers by discussing them with 29 wine professionals in Australia
- Quantitative testing of the drivers by means of a survey of some of Australia's leading wineries (sample size 442 cases).

The results provided strong statistical confirmation for the relevance of the drivers. Regions with high regionality have the following characteristics when compared to regions with low regionality:

- Specialise in a wine style
- Produce significant amounts
- Discussed by opinion formers
- Produce quality wines and do so consistently
- Have a wine *heritage*
- Produce distinctive wines
- Produce a wine that is made possible by the region's particular terroir

This research provides a first step towards the derivation of a wine regionality construct.

The limitations are worth noting. The work is exploratory. It has supported the general construct but the research also revealed that there are some components, not included, that are specific to Australia. It is likely that the construct has general relevance, but is likely to need customising to individual applications.

The drivers of regionality: the case of the Australian wine regions

The subject of this research is *regionality*, the reputation a wine region has for producing wines with a distinctive style. It is most associated with the 'Old World' regions such as Chablis and Rioja and others. These it could be argued have this mysterious concept of regionality. In contrast the New World, in particular Australia, has much less regionality having concentrated on developing bold, fruit-packed wines that have sold increasingly well throughout the world. But this was stage one only of the grand plan, and Australian wine makers are increasingly beginning to realise that stage two is likely to involve moving increasingly in the direction of regionality.

This piece of research looks at the topic of regionality. It is claimed that it is poorly understood. What constitutes regionality? What are the variables that deliver regionality? The research attempts to uncover the variables that indicate regionality.

First, the Australian context to regionality is examined.

THE AUSTRALIAN CONTEXT

The Australian wine industry has achieved some notable successes. It has come from virtually nowhere to become the fourth largest exporter by volume in the world. Its ambitious export targets, set in its strategy document, were met in half the time planned. In the UK retail market, it has done what only a few years ago appeared impossible, namely to overtake France in both volume and value terms. It is now enjoying significant share gains in the US market. However, much of this growth has been driven by heavily discounted brands. The industry was dismayed to discover that 64% of its wines were being sold on discount in UK supermarkets in 2003 (Lechmere, 2003). Southcorp suffered a profits collapse. Optimistic new plantings targets were seen to be pie-in-the-sky. Consultants KPMG were asked to analyse this situation, and concluded that the industry was merely suffering a collective loss of nerve. The solution, they concluded, is to resume new plantings as if there never had been a crisis and get those bottles out on the shelves.

Others, including the influential wine consultant Brian Croser, view this as an overly rosy interpretation and argue for a different approach, stating "In fact we need profits to promote regions, and to properly promote ourselves" adding that Australia's reputation for good, dependable wines is the ideal springboard "from which to take the next step: terroir" (Croser, 2004). Many others argue that Australia must educate customers on regional names, styles, varieties and flavours if it is to achieve differentiation within the overarching *Brand Australia* (Howland, 2002; Dean, 2002; Bulleid, 2001) and it must produce more *icon* wines to "lend a halo to the Australian image" (Lockshin, 2001, p123). Australia must differentiate its regions if it is to retain the custom of its increasingly informed customers at home and abroad as they trade up to more expensive wines (Dean, 2002). Customers in export markets such as the UK are ready for this step up in understanding (Bruwer & House, 2003)

And steps are already being taken in this direction. For instance, a high-profile audience of British retailers, sommeliers and wine writers was invited by the Australian Wine Bureau to a blind tasting of fine Australian wines to examine the proposition that Australian wines exhibit

diversity and regionality. Leading UK retailer Sainsbury's too is heading in this direction, introducing more expensive regional Australian wines to add interest to the category and to signpost regionality.

REGIONALITY

So what is regionality? Regionality is defined as the reputation a wine region has for producing wines with a distinctive style. Examples that might be proposed are:

- Chablis and its bone-dry, minerally, highly acidic white wines
- Rioja and its velvety reds with sweet vanilla oak
- Mosel-Saar-Ruwer and its elegant, crisp, complex whites

Ironically, as the New World puzzles how to take more regionality on board, the Old World is considering how it might back off. The strict Appellation d'Origine Contrôlée (AOC) type-systems in the Old World are thought to be too restrictive in some areas. Some members of the French wine industry are wondering if they have embraced the concept of regionality and terroir too passionately in the various AOC systems. For instance, with sales down at home and abroad, serious consideration is given in France to a relaxation of the AOC rules to allow individual producers the choice of either staying within the existing, stringent AOC rules or taking a new option of electing for greater winemaking and labelling flexibility within new, less stringent rules, yet to be defined (Joy, 2004). Wider sourcing of grapes might help create brands big enough to take on the New World brands.

And, lest we forget, regionality is of incalculable value. As has been commented: "How much would it cost to build something like Beaujolais today for a new wine region?" (Duboeuf, 2004). Well, quite a lot, and it would take quite a long time.

PURPOSES

As Brian Croser has commented, whilst France may have too much regionality, Australia almost certainly has too little (Croser, 2004). So Australia may wish to acquire more regionality, or more accurately to understand better the regionality that it already has, and to develop the potential that it has for regionality. How can this be done?

To explore this topic of regionality and its application in Australia, a number of steps are necessary.

Regionality itself is only understood in the sense that some regions are thought to have it (i.e. Chablis and Rioja mentioned above) and some regions are thought not to have it. But what it is that drives regionality, that creates it, is hardly understood at all. Presumably there are a number of variables or drivers that together create this property of regionality, but what are they and are they equally important? Hence the first step is to identify the possible component variables of regionality.

The second step is to test the relevance of these variables by holding discussions with relevant experts on the topic of regionality. This will be done in an Australian context.

The final step is to attempt to derive estimates of the drivers for a number of Australian wine regions, using informed wine professionals.

In summary, the objectives are:

- Identify the drivers of regionality.
- Test the validity of these drivers in an Australian context.

LITERATURE

Region of origin is an important factor for consumers choosing wine in retail outlets in Australia, ranking third in importance behind grape and personal recommendations but even higher when it is recognised that region and grape are, in many cases, composite constructs, in the sense that consumers use both simultaneously as quality indicators (Bruwer & House, 2003). A qualitative study, also in Australia, also found regionality ranked third in importance (Hall et al, 2001). It is possible that the regionality dimensions of a wine producing country have more resonance in that same country than in export markets simply because consumers can be expected to be more aware of regional factors in their own country. Certainly it has been found that the valuation of French wines with geographical appellation in the UK is quite low (Steiner, 2004).

And, of course, awareness of wine regions is assiduously researched (the Australian Wine Bureau questions 60,000 consumers a year, Howland, 2002), see also the work of the Wine Marketing Group of the University of South Australia, yet the causes or drivers of regionality are hardly addressed at all. One study did look at the *local* factors (friendly people, good restaurants, proximity to the city,...) that can help make a region an attractive local destination but not at the fundamentals of regionality (Bruwer & House, 2003).

When the reputation of a wine region is examined it is often its effect on price that is examined. Thus it has been found that region, along with other variables (grape variety, cellaring potential,..) does affect price (Oczkowski, 1994) and that the effect of region can be as high as +31% on price commanded (Wade, 1999). Others have examined the effect of the reputations of regions in one country on the market place in another (Davis & Ahmadi-Esfahani, 2005). Whereas big brands from big companies may succeed independently of regional identity, smaller wineries are more likely to align their brand identities with that of their wine regions (Bruwer & House, 2003). In France regional identity is protected by highly detailed *Appellation d'Origine Contrôlée* regulations. Regionality identity is just one tier that sits within the other branding layers of country, producer and grape, surely one of the more complex branding equations to be found? One way to reduce this complexity is to combine the region with a *spearhead* grape, as with *Wine Marlborough* and Sauvignon Blanc (Beckett, 2003).

Regionality is sometimes confused with *terroir*, erroneously so. *Terroir*, or “a sense of place”, is usually defined as the collective effect of climate, sun, topography, geology (soil and water retention) on the quality of the grapes produced and is essentially a local concept, in other words is specific to an individual site (Robinson, 1999). Thus, potentially, each site has a unique *terroir*, and this is why a single winery may have several different *terroirs* on its property and grow different grapes and produce wines of different styles and quality. The scope of regionality is, as its name suggests, much wider, representing an entire wine region

and implies something quite different, namely the wine region's reputation, not its soil/water retention etc properties. Even so some fairly compact wine regions can share a common terroir, Coonawarra for instance, but even when this happens the terroir is but one component of regionality, as will be shown. For a geologist's perspective on terroir see Wilson (1998), also Moran (2001). Some writers insist terroir is natural, unaffected by human intervention (Robinson, 1999) whilst others include cultural factors such as viticultural and vinification practises (Bohmrich, 2006). When terroir is interpreted to refer to wines that are distinctive and unique to their place of origin, so that it includes wine not just land, it is certainly widening its scope.

METHODOLOGY

The first major stage was an examination of the literature. Given that regionality is a matter of reputation and branding, this literature was examined first for possible insights (Aaker, 1997; Kapferer, 1997; Keller, 2001; Keller, 2003) as was the literature on brand equity creation (Keller, 2001; Ambler & Styles, 1997; Barwise & Ambler, 1998).

A second source is the country-of-origin literature (Johansson et al, 1985; Johansson & Nebenzahl, 1987)

Neither of these two main sources proved productive, not surprising given that as a wine regionality construct is to be derived, it is necessary to turn to wine-specific sources. We therefore turned next to the wine marketing literature (see above), but this also yielded little of value. It seems that the topic of the drivers of regionality has not been directly addressed in the wine marketing literature, surprising given that the topic of regionality is of the highest importance, and then understanding the bases of regionality must be of similar importance.

So recourse was made to the wine literature. It was decided to develop an understanding of the drivers of regionality in two steps. First identify some wine regions having this property of regionality, and then examine the wine literature to see what it has to say on the topic of regionality in regard to the selected regions. Not that even this literature has much to say that is explicitly regionality relevant. But what it does do is discuss topics such as *terroir* and *distinctive wine styles* and *wine quality* and others and explain how these factors help create wines with something unique and valued to deliver, in other words with regionality.

Three Old World regions were chosen that a) exhibit regionality at least to some degree (they do not need to exhibit five star regionality just some of the characteristics) and b) are drawn from three different countries (we do not want a France-centric definition of regionality). The regions chosen were:

- Chablis (France)
- Rioja (Spain)
- Mosel-Saar-Ruwer (Germany)

The next step was to trawl through several leading texts on the great wine regions of the world to abstract the factors that these sources repeatedly link to each wine region's unique

reputation. Reliance was primarily placed on three authoritative texts (Johnson & Robinson, 2001; Stevenson, 2001; Robinson, 1999)

The second major stage of the investigation was also qualitative, face-to-face meetings lasting about an hour each with wine professionals who had already given serious consideration to the matter of wine regionality in their professional lives. This part of the investigation took place in Australia.

A total of 29 meetings with leading players in the Australian wine industry were collected. They were drawn from a wide range of leading Australian wineries, large and small, located in many of Australia's top wine regions (Barossa Valley, Clare Valley, McLaren Vale, Coonawarra, Yarra Valley, Mornington Peninsula, Pyrenees, Sunbury, Ballarat, Grampians, Margaret River, Pemberton, Mount Barker, Cowra, Orange, Mudgee).

The purpose of these face-to-face meetings was to subject the initial list of regionality drivers, drawn from the wine literature, to critical scrutiny, to stimulate discussion of the topic of regionality, and possibly to generate additional drivers not identified at the first stage.

The third and final major stage of the investigation was designed to provide some quantitative evidence on the drivers and their relevance. The perspective was that of the owners and managers of Australian wineries. How do they see the relevance of the drivers? A total of 89 of Australia's leading wineries drawn from across the country (wine regions of South Australia, Victoria, NSW and Western Australia) agreed to participate, producing a sample of 442 cases.

FINDINGS

The qualitative steps produced a total of 14 different drivers of regionality. These 14 drivers could be represented under seven more general factors.

The apparent validities of the 14 drivers were tested in the following way. The respondents had been asked to provide estimates of the regionality of a large number of different Australian wine regions (30) and also were asked to provide individual estimates of the drivers for a small, but rotating number (5) of these wine regions. This was part of a long questionnaire and the estimates of regionality and the estimates of the drivers were separated in such a way that there was likely to be little or no cross-contamination. Almost no one noticed that estimates of drivers in one part of the questionnaire could possibly be connected or correlated with estimates of regionality collected in another part of the questionnaire (many of the early questionnaires were completed in the presence of the investigator).

The sample was then split as follows. Those regions given ratings by the respondents of 7 on the regionality scale (1: little or no regionality to 7: possessing very high regionality) were placed in the "*High Regionality*" group. Those regions given ratings by the respondents of 5 or less on the regionality scale were placed in the "*Low Regionality*" group. Then the average rating given for each of the possible drivers in the high and low regionality groups were compared, and tested for significant differences (a one-tailed t test).

The results are presented in Table 1.

It is worth adding here that not all of the drivers occur for all wine regions having strong regionality profiles all of the time. The results are averages. A wine region with an extremely strong regionality profile may not score highly on every single driver. It will probably achieve its position by performing well on a number of drivers, but not necessarily all, and by performing extremely well on a subset of the drivers. This unique subset will define its own unique position. Another region also with a strong regionality profile may achieve its position by performing well on a different subset of drivers.

The results are briefly discussed.

SPECIALISATION

It helps to focus on one wine style. If the wine region is to establish a strong regionality profile it will usually do so by specialising in one or a small number of wine styles. Rutherglen with its muscats and tokays is a prime example.

It is generally regarded as not possible to have a reputation for several different wine styles. For example, *Chablis* is made in just one style (dry, minerally with a lively acidity) and from one grape (chardonnay).

VOLUME PRODUCTION

To establish a reputation it is necessary to have a certain size, a certain critical mass. Critical mass delivers shelf space. This is part of the reason that the Barossa and the Hunter Valley have good recognition.

OPINION FORMATION

A second factor to gain recognition is to be talked about, to be the subject of articles, to be newsworthy.

This has become increasingly important. Reputations used to be established by longevity, but this is not the only factor anymore.

QUALITY

High average quality is important. Australia performs well here. This is an Australian strength. The average quality of the wine, region by region, in the opinion of many is probably as good as anywhere.

Also important is consistent high quality, for instance the Rhône:

“If you took half a dozen bottles of Rhône wine off the shelf at your average supermarket, you would find there is much less variation than in Bordeaux or Burgundy. In short, the Rhône has developed an enviable record for consistency” (Williams, 2004)

Bordeaux, in contrast, has polarised between the top end and the rest.

HERITAGE

Regionality is not built overnight. It derives from a region's heritage. This is where regions like the Barossa have the advantage. They have been building their reputation over several decades, and that makes it hard to undermine

DISTINCTIVE

It is important to have a style of wine that is distinctive and readily appreciated. For instance, Meursault in Burgundy can virtually claim the copyright to a 'melted butter on toast' style (Rose, 2005). This is very handy when it comes to building a reputation for a wine region.

This clearly can be important, although wine makers in Australia are free to produce their own style of wine and are not under pressure to conform to a regional style, as may happen in the Old World. Nevertheless there are many examples in Australia including Clare Valley Riesling, Hunter Semillon and Barossa Shiraz.

TERROIR

Finally, it also helps if the wine is a result of a particular *terroir* so that other regions will find it hard to replicate the wine style. Australian examples include Cabernet Sauvignon grown on Coonawarra's *terra rossa*, Sauvignon blanc in Adelaide Hill's cool climate and Bordeaux blend wines in Margaret River's sand and gravel over clay and maritime climate.

Undoubtedly it is not always easy to find unique geology and/or climate that make a particular style of wine possible anywhere in the world, but especially so in Australia..

CONCLUSION

This article has made two contributions to the literature on regionality. One, it has identified some of the drivers of regionality. Two it has shown that regions with high regionality have the following characteristics when compared to regions with low regionality:

- Specialise in a wine style
- Produce significant amounts
- Discussed by opinion formers
- Produce quality wines and do so consistently
- Have a wine *heritage*
- Produce distinctive wines
- Produce a wine that is made possible by the region's particular *terroir*

The fact that these factors do differentiate between high and low regionality scoring wine regions does support the proposition that these are indeed the drivers of regionality. Thus it can be claimed that a first step towards the derivation of a wine regionality construct has been taken.

This is the theoretical contribution of the work. A wine regionality construct has been created through an extensive examination of the relevant literature and tested first in discussions and then through the survey.

There are though limitations to the construct. It is exploratory. For instance, the research in Australia supported the components of the construct but also revealed new components specific to Australia (not discussed here). Thus the construct may turn out to have general relevance, but it is not claimed that it will be comprehensive in all wine producing countries. For instance work is currently underway on the development of a complete Australian

regionality construct and it is likely that similar research will be necessary in other wine producing countries.

A second limitation is the relatively straightforward nature of the quantitative analysis so far carried out. It will probably be the case that more quantitative analysis (Factor Analysis, Structural Equation Modelling for instance) will prove worthwhile and help define a more generic construct. This work is also planned.

As has been commented, “Make a Shiraz, and any Shiraz producer in the world can steal your market. But if you make a Barossa Shiraz, it’s yours and yours alone” (Lechmere, 2004). Understanding the concept of regionality is likely to be one of the most important issues facing the wine world in the next few years as wine producers from around the wine world attempt to wriggle free from the choking grip of commodity wine production. Not all will or should, but some, possessing the potential, most certainly should.

The quote above claims that it is better to be a Shiraz from Barossa than just a Shiraz but this depends very much on the Barossa standing for something distinctive and defensible. Hopefully this work can help in that direction, not just for the Barossa but also for wine regions around the world.

Table 1: Regions with high regionality versus regions with low regionality

	Mean: high regionality group	Mean: low regionality group	Difference¹
Specialisation:			
- The region specialises in the wine style	4.63	2.89	1.74
- Only one or two other notable wine styles are made in the region	3.72	3.24	0.48
Volume production:			
- Significant amounts are produced	3.94	2.90	1.04
Opinion formation:			
- Well supported by the local and/or state body	4.15	3.19	0.96
- Much discussed by opinion formers, such as wine writers	4.44	2.72	1.71
Quality:			
- The average quality level of the wine style across the region is consistently high	3.97	2.94	1.03
- There are some very highly rated examples of the particular wine style	4.74	3.55	1.19
- The wine style has potential for bottle-ageing	4.13	2.85	1.28
Heritage:			
- The wine style has been produced for some years	4.58	3.28	1.30
- The wine style has been well regarded for some time	4.58	3.12	1.46
Distinctive:			
- Has a well-defined taste profile	4.45	2.97	1.48
- The style of wine is distinctive	4.33	2.89	1.44
- Few other regions exist anywhere in the world making a similar style of wine	3.01	2.05	0.96
Terroir:			
• The region has a special 'terroir' that makes the particular style of wine possible	3.81	2.77	1.04

¹ All differences significant at 0.1%

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