

BUILDING ICON WINE BRANDS: EXPLORING THE SYSTEMIC NATURE OF LUXURY WINES

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Abstract

Despite the high profile of many international wine luxury brands, little is known about the processes by which these brands are created and maintained. Based upon 25 case studies in the luxury wine trade, this research sought to uncover the components of luxury wine brands. Results highlight that luxury brands are a complex system of dedication to product quality, a strong set of values, tacit understanding of marketing, a focus on detail, and strategic emergence. An integrated luxury wine brand model is proposed and discussed, that enriches our understanding of the cultural aspects of these brands.

Introduction

Despite the recent growth of the luxury market (The Economist, 2002) little systematic research has been conducted on the marketing of luxury brands (Vigneron and Johnson, 1999). Given the high profile of luxury brands, and the fact that luxury producers have managed to build widespread brand awareness while maintaining an image of product scarcity, the lack of research on how to create such brands seems remarkable. Research also suggests that luxury brand marketers face unique challenges. For example, how do luxury marketers create brand awareness, without undermining the perceived quality or positioning of the brand? (Kapferer, 2001) Many luxury producers are also struggling with mature markets, and the need to increase sales and shareholder returns (King, 2000). Yet evidence suggests that if luxury marketers increase sales and affinity branded products too much, they may lose their positioning, due to a perceived lack of scarcity (Moore, Fernie, and Burt, 2000), and concerns that brand extensions come at the price of reduced product quality (Heller, 2000). Others have noticed that many of these products, such as *Moët and Chandon* Champagne or *Louis Vuitton* luggage are mass-produced,

seemingly contradicting the view that luxury brands must have a rarity value (Phau and Prendergast, 2000). Finally these brands are seen by many as 'paradoxical':

"I would say that there are four characteristics required. A [luxury] brand is timeless, modern, fast growing, and highly profitable.... It is very hard to balance all four characteristics at once - after all, fast growth is often at odds with high profitability...a brand has to become an institution...but [also] remain current..." (*Louis Vuitton Moët Hennessey* Chairman, Bernard Arnault quoted in Wetlaufer, 2001, p. 121-122)

Therefore, how do wineries create luxury or 'icon' brands given that market analysts are now arguing that the successful future business model for luxury firms will be more akin to that of pharmaceutical companies who invest heavily in research and development in order to build new brands (The Economist, 2002). In brief, luxury brands may exist in a unique market niche, driven by unique marketing phenomena. An understanding of how luxury marketers have built brands, and maintained their positioning would make a contribution to both the marketing and branding literature. Sales and auction prices of fine wines have increased dramatically in the last two decades, and these wines represent a number of paradoxes associated with luxury brands as many of these brands do not easily fit the requirements of the modern wine market (including an emphasis on consistent product quality and pricing and strong relationships with distributors). Despite this, these brands continue to enjoy a high status, and in many cases set standards for the industry as a whole (for example, Champagne is the standard by which all sparkling wines continue to be judged).

The luxury wine market

Dramatic sales growth in the wine market in the last two decades has been mirrored in the increased demand for 'fine' wines represented by a very large increase in the auction prices of many established and not so established wine brands (MacDonogh, 2000). While little is known about the nature of the

luxury wine market, a recent report on the wine trade segmented the overall market (Geene, Heijbroek, Lagerwerf, and Wazir, 1999). Wines that would be classified as 'Icons' would be consistent with luxury status. The Icon market accounts for one per cent of the global wine market. These wines sell for over US\$50 per bottle, are generally consumed by connoisseurs and are relatively scarce. Geene et al (1999) stated that this segment is 'closed' and difficult to break into.

Connoisseurs and aspirational consumers are the most likely to be consumers of luxury wines (Spawton, 1991). Using Vigneron and Johnson's (1999) categories of luxury consumers, connoisseurs would fit the 'Hedonistic' and 'Perfectionist' consumer profiles; that is, they are more interested in the pleasures that the product gives to them, placing less emphasis on price and more emphasis on the quality derived from the product's characteristics and performance. These consumers know what they want and rely on their own judgement, using price as a guide to quality when choosing a product. Aspirational consumers exhibit many of the traits associated with the 'Veblenian', 'Snob' and 'Bandwagon' consumers (Vigneron and Johnson, 1999). These consumers view price as important with a high price being used as an indicator of prestige and quality. They often adopt products that are in limited supply to indicate status, or buy products to enhance their self- concept and impress others. Aspirational drinkers also have the financial resources to purchase luxury wines particularly when they deem the situation to be advantageous to their social standing.

Method

Due to the lack of research on these brands a more exploratory / theory building approach was appropriate (Eisenhardt, 1989). Also, the espoused paradoxical nature of these brands by practitioners

and academics requires methods that develop deep insights, as opposed to surface level observations, which can only be reached by close interaction between the researcher and 'client' after significant time in the field. Such approaches can also help marketers gain new insights about market behavior, forcing them to reconstruct their views of market realities (Zaltman, 1997). The strong historical associations used by each brand owner, suggests that each brand's development is path dependent, necessitating the development of detailed case histories focusing on underlying processes (Mahoney, 2000).

The sampled brands needed to have a high price, excellent quality and specialised distribution channels (Vigneron and Johnson, 1999), a prestige image and an element of uniqueness or exclusivity, a strong brand name and logo, and a history of high performance (Kapferer, 2001). Three sources of primary data were used. Firstly, a series of exploratory focus groups with regular Australian luxury wine consumers was carried out. In total, 110 consumers were interviewed. To identify marketing practices for these wines, eight international luxury wine distributors were interviewed. These sources and the secondary data enabled me to triangulate the data from the producers. Because the focus in this paper is on the actions of producers, the consumer and distributor data will be used as triangulating data (Kirk and Miller, 1986). Data was collected from 24 identified luxury wine producers in Australia (4), France (14), Lebanon (1), New Zealand (3), and Portugal (2). A total of 35 interviews were conducted. Interviews were conducted with marketing managers, and brand owners at their place of business, and on average lasted for three hours. Questions evolved around the firm's history, marketing strategy, positioning, business philosophy, product quality, and competitive pressures. In total, over 100 hours of interview material was recorded. At each winery, I was given a personalised tour of the production facilities in order to carry out observations and ask further technical questions. Following this, case data was integrated with secondary information from the general wine press, news media, specialist wine books,

and any secondary data gained from the firms (over 100 secondary sources were reviewed). Cases were analysed through within-case and cross-case analysis (Eisenhardt, 1989). Copies of the individual case and the final report were also returned to each firm for comment in order to improve the validity of the findings (Kirk and Miller, 1986).

Findings

The cross-case analysis revealed a number of key themes that emerged from the data. These themes consisted of a number of sub-categories. These sub-categories were then merged into six luxury wine brand components (see Figure 1). The findings will therefore be presented around these key themes.

Insert Figure 1 in here

Product Integrity

The dedication to production quality was self evident at each firm. These wineries were often fanatical about detail - "We don't pick by the bunch, we pick by the grape. This results in us gaining the best quality possible", with wineries integrating backward in a number of areas believed to affect end product quality (e.g., barrel production, transportation, and grape sourcing). Many producers not only carefully selected their suppliers; they often undertook much of the work usually left to their suppliers. A common example was in the production of wine barrels. Each firm was careful to select suppliers that sourced oak from the best plantations, but they then took ownership of the wood, stored and dried it themselves,

and made their own barrels rather than allowing the suppliers to produce barrels. This was done because the wineries believed that they could cure the wood to their exacting standards.

These firms often described their philosophy in terms that we would classify as a product concept - "I do not make a wine for a consumer. I make a wine that best expresses the vineyard and the vintage. I do not change it to suit a particular segment" (Producer). Due to variable weather conditions, greater emphasis was placed upon the ability of a vineyard to produce high quality products that were both an expression of 'place', vintage conditions, and the firm's wine making ability, regardless of seasonal weather conditions - "Great producers can make good wines in bad vintages. They will never reach the heights of a great vintage, but they will still express the unique vintage conditions, and have the right to bear our name," (Producer) or "Consistently excellent as well. They are usually wines that although there is vintage variation the variation is very small" (Consumer).

This would therefore result in significant product variability, although quality would remain relatively high (in very poor vintages the wines were not made). In the cases where the wines were not just an expression of a certain place, but were also an expression of a house style (Champagne and Port), the focus was on systems that improved the quality of the style - "By distilling our product for the fourth time, we produce the very best in quality. We lose around 25% of the product by doing this, which is why other producers don't do it, and it also why they don't have our reputation" (Producer). Each winery saw that this emphasis on quality gave their producers significant credibility. The seriousness with which they took this is exemplified by "If we had a terrible vintage, I would pour the wine down the drain and apologise to my customers." The decision not to bottle any wine in a very poor year was made by some smaller wineries that further emphasised their commitment to quality. While all strove to

produce greater wines in each season, seasons that were so poor saw wineries either refuse to release products under their own labels into the market or develop second labels. These labels were becoming more popular and were also used in high quality seasons to further re-emphasise the dedication to quality, via greater selectivity in raw material.

"Guigal - best Cote Rotie single vineyard, and then they have all their other labels supporting it. This means they recognise the different levels of quality within their vineyard, and gives them more credibility in my view" (Consumer)

"The second labels of the 1st growths are normally very good (they can't afford to let standards slip too much)." (Consumer)

This focus on production quality was best exemplified by the following comment "A great wine comes from a combination of details." This belief in a 'combination of details' emerged in the interviews and was explored in more detailed:

"It's got to have the works, as far as winemaking techniques goes it got to have everything, really good oak, really vibrant fruit." (Consumer)

"That's the other thing - it's the perceived value - you weigh up all the things like brand, vintage, style and so on and at the end of the day I know I'm going to enjoy this bottle of wine." (Consumer)

Credibility was further gained by the endorsement of each product by an external system such as an independent wine writer, or in the case of Europe, an institutionalised quality classification system - "There is a reason we have the classification in Bordeaux - it is true. For the last 300 hundred years or more, certain pieces of land had produced better wines. No amount of work in the winery will change that." In each case, the dedication to quality and the refusal to take short cuts formed a crucial part of each firm's marketing strategy. Tours of each firm focused exclusively on two things - the historical events associated with the firm (many of which emphasise the dedication to quality) and how the production processes lead to enhanced product quality. Likewise, promotional material also focuses almost exclusively on these factors.

Culture / History

The importance of history to each of the firms was also self-evident. All of the firms involved were very old, with the French and Portuguese firms deliberately drawing upon their histories in their marketing. This would consist of a detailed description of when and how the house was founded, the age of the house, and the back catalogues of products that they could produce to the public. For example, it was not uncommon for these producers to be able to provide a complete back catalogue of their wines, in some cases going back to the late 1800s. During the tours of facilities the historical links these firms had were made obvious, with firms in Burgundy having cellars going back to the 14th century, the Port houses using 17th century port boats to promote each house's flagship label being just two examples. In Australia and New Zealand, the use of history was different. Younger wineries placed a greater emphasis on their pioneering history, focusing on how they were the first to pioneer a regional style and / or varietal of wine.

All the firms retained their links to their history via a number of ways. These can be classified as 'stories' and policies. There were several important stories that each firm used - stories of people, stories of product, stories of association and stories of events. These, together with their supportive policies, helped retain a link to the past, as well as inform the present culture "We feel we must live up to the brand that has been gifted to us, and pass it on to the next generation." (Producer) They were also used in any promotion campaign, or tourism program. Stories of people were always related to the actions of the founder and previous owners. These may have involved their pioneering efforts in starting the firm, or their actions in past wars, or their efforts in pioneering new technologies or products, or strategies.

Stories of product, related to issues such as great vintages, the development of new products (e.g., the luck involved in making the first sweet wine), and stories about poor vintages (often linked romantically to events - such as the great Bordeaux vintage of 1945), and the choice not to make products in very poor years. Stories of associations related to links between famous users of the product or associations with sport stars, events, movie stars and political events.

"We have an obvious link today with Churchill. While the firm started out in the 19th Century to produce a style that would appeal to the English taste, we could never have foreseen that one of the most influential politicians of the 20th Century would take a liking to our wine." (Producer)

Stories of events related to special events that occurred in the life of the firm. For example, the Lebanese firm used stories about bringing in the harvest during wartime in its promotion, while the French also used stories about the role of wine in wartime France, provision of wine for the troops in 1914-1918, and the actions of winemakers in the occupation of 1940-1944, as part of their marketing, but also as part of their collective histories. This helped reinforce a culture dedicated to the past, and maintained the integrity of that past. Finally, these stories were integrated into a culture that attempted to bridge the past and the present. For example, houses that made a specific style of wine were keen to ensure that the style evolved but also remained distinctive. Port houses for example blended various parcels of wine into the final blend for their vintage port. They used teams of three to five (to ensure a result if a vote was required) tasters to put together the final blend. One taster was in their 60s (the senior taster), one in their 40s and one in their 20s. This process meant that the house style was retained over time, while also being open to new ideas and influences.

Value driven emergence

The cases differed as to whether they had deliberately set out to target the luxury market. Some were fairly deliberate, with one producer setting out over 200 years ago to make the very best quality product from the region and sell it at prices higher than others in the region. Most agreed that their strategy had been emergent, and for many, their current top of the range products had often been priced lower than their other products - "We had a great vineyard that consistently produced better wine than all our other vineyards, but we always blended it in with the other stuff. We thought why shouldn't we make a single vineyard wine that is truly different" (Producer). These firms also undertook deliberate strategic moves to exploit emergent situations - "we would have been foolish not to take advantage of the fact that Churchill liked our wine, and we have made the link ever since". Champagne brands in particular had often been used in popular television series or movies. In these cases, firms had not sought out these associations but had used them as a further endorsement following their adoption.

Marketing / Endorsements

Most producers had a good idea of who their consumers were, although they all stated that it was difficult to generalise about them. However, in terms of business-to-business customers, beyond their immediate agents, the European producers had less knowledge - "What I am trying to say is that we do not have a true marketing approach, nor our own distribution channels. For that matter I could not even give you accurate numbers concerning our export markets" (Producer). However, they did not view their customers in a traditional marketing sense, with many stating forcefully that they did not make a product to please a customer - "Putting Champagne in a small bottle with a straw is false marketing. My customers do not drink anything out of a straw! Doing this is not going to get them to drink and appreciate the top wines" (Producer). Despite this lack of market information or orientation, awareness

of their products and their quality remained high, not just with consumers, but among the general market place - "In languages far removed from French, people who have never seen, let alone tasted - the wines of Champagne use the word as an image" (Retailer).

This awareness was deliberately cultivated, either through endorsement from the press, or through promotion and experiential strategies (cellar door sales or 'wine by the glass' in up-market restaurants). Many of the wineries had budgets that allowed them to sponsor high profile sporting and cultural events, and run mass marketing campaigns, which helped establish the positioning of the product. Smaller wineries often ran special events so that people could taste their wines, or offered their finest wines for tasting at cellar door (a practice which is not common) - "A cellar door customer may never buy my luxury wine, he may never be able to afford to. However, if he tastes that wine, he'll talk about it, and he will help maintain the image I'm after. He'll know that for a special occasion, my wine is one he should consider" (Producer). This strategy was believed to create a mass awareness, even among non-involved wine consumers, that this brand was special and something to aspire to, which of course gave the brand widespread social approval.

Virtually all the cases stated, "We do no marketing." Many of the producers viewed marketing as programs that created market awareness about a product (they contrasted this with their programs which were seen as endorsements or promotional activities, which they did not count as 'marketing'), or that targeted a product to a certain segment, rather than as a wider philosophy or strategy. While the wineries mostly placed a great deal of emphasis on selecting agents and distributors, the day-to-day business relationships with distributors were often deliberately competitive, so that consumers thought they weren't abusing their position. By giving the impression that the wineries and agents battled over prices

(this was usually done very publicly prior to the first public tasting of wines, which was critical for determining release prices), the producers believed consumers would see that prices were not just enforced top down, but were subject to some negotiation.

As part of their commitment to product integrity, the firms all kept the volumes of products low, as vine yield has a direct impact on final wine quality (one firm managed to produce just one glass of wine per hectare), and perceived scarcity was believed to be important to positioning - "I would say that the limited quantities would probably be a key element that I would look for" (Consumer). However, many of the producers also realised that given the link between a certain place and their positioning, there was always going to be a limited amount of wine, and therefore higher prices had to be achieved because of competition from newer producers - "We cannot produce more Champagne. The area of the region is fixed, therefore consumers know that only so much can ever be in the market at once." This saw them seek higher prices due to higher costs. While a number of firms viewed this issue differently, preferring to have a fixed amount of product in the market at any one time as this gave consumers certainty, and helped build relationships with agents and distributors:

"Regardless of how much we produce, we always make sure we only have 100,000 cases of wine in the market at any one time. This means that in years were we produce more we hold back part of our stocks, and in years were we produce less, we release those old stocks into the market."
(Producer)

Finally, the attention to detail shown in relation to production also came through in marketing. I was present at a meeting when one producer sought to change the colours of their label. The number of mock-ups, and detailed discussion of what seemed a minor issue indicated the commitment to detail and quality, as well as the conservatism of the culture. This attention to detail affected other public aspects of the mix such as the presentation of the winery / house, the selection of service staff, and the promotional

advertising undertaken. Attention to detail also drove the selection of agents and representatives - "We sell it at a high price. We position ourselves strictly as a quality producer and make sure that we're placed in the right places to maximize the yield. We're not in supermarkets. We are generally on the shelves of the better retailers and good wine lists" (Producer).

The firms were also concerned that the 'dominant design' of a great wine was changing - "My only concern is that the definition of what constitutes a great wine will change. Certain wine critics are doing enormous damage to our region, and ultimately to the consumer" (Producer), or "You don't think that phenomenon has already happened. Look at Cabernet. The thing about Burgundy is that we can prove that we have got better in the face of the competition" (Producer). This was partly driven by the influential American wine critic Robert Parker, whose ratings could have a major affect on prices and demand (a 90 / 100 was seen as positive, an 89 /100 as disastrous). This had encouraged the emergence of a number of cult wines, and there was concern that this development was undermining the traditional order of house status in each region. So much attention to detail limited the ability of these firms to see the bigger picture at a business level. Coupled with a highly emergent strategy in which owners saw themselves as stewards of great names meant that many firms continued to do what had always been done, as opposed to questioning the appropriateness of their actions. The stewardship role that many of the owners took often meant they took few risks.

Discussion and conclusions

This research sought to address three gaps in the literature on luxury brands. Firstly, through an examination of the actions undertaken by luxury wine marketers, this research identified six interrelated

components of a luxury wine brand. In contrast to previous studies that defined luxury brands in terms of surface level phenomena (e.g., high price, retained sales, high awareness; Phau and Prendergast, 2000), this research uncovered a number of deeper level values and processes underpinning luxury brands. Firms seeking to build such brands developed values to ensure the continued credibility of these brands, as opposed to simply charging a high price or developing an exclusive image. These six components partly answered the second aim of this research, which was to understand how these brands were developed and maintained over time. In terms of creation, while all the brand owners made substantial commitments to quality from the beginning of their existence, the differing circumstances of each firm led them to place greater emphasis on one or more of the six components. This meant that each brand's evolution was path dependent. Brand evolution was primarily an emergent process, although guided by a strong set of values. Links to the past are maintained through the use of images, stories, and systems as a means of ensuring stability and continued relevance.

The third aim of this research was to examine the paradoxical nature of luxury brands that have simultaneously achieved mass awareness and high loyalty, whilst being managed by owners who are often opposed to the marketing concept. The brand owners often had an intuitive understanding of marketing while rejecting traditional (transactional) definitions of marketing. Secondly, some of the brand owners practice marketing but it is based on timeless images of craftsmanship, quality, dedication to place, and links with historical personalities and events to convey an image of being above the need to undertake marketing. Thirdly, the long-term success of each brand owner suggests that our definitions of marketing may be too narrow. For example, many of these firms have achieved a brand positioning both within their niche, and in mass-market terms that many companies can only aspire to. However, one is

hard pressed to find examples of these firms in many standard marketing texts - small firms, with long histories, a heavy product orientation, and strong brand presence.

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Figure 1: Proposed Components of a Luxury Wine Brand

