

ISSUES CONCERNING THE GENERIC PROMOTION OF WINE

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Abstract

The globalization of the wine market is forcing changes on most wine producers, distributors, consumers and governments¹ These changes challenge all participants in the wine sector to adapt to the new situation so that profits or other benefits remain stable or increase –i.e. do not decrease. In some areas this may mean shifting resources away from the wine sector. This analysis is concerned with just one aspect of adjustment strategies: generic product promotion. Our objectives are to (1) review past studies to learn what makes generic promotions successful or not; (2) analyze the issues raised by such programs; and (3) identify alternative adjustment strategies. We examine issues of finance, organization, politics and business. A brief summary of a few issues is listed below. Our final report will be far more extensive, fully documented and make recommendations for the private and the public sector.

Risks

How to finance generic promotion

There is continuing debate about the "best" way to finance generic campaigns. The choices vary from country to country and include full financing by government with no specific assessments of producers, partial financing by public agencies combined with specific taxes on producers, complete financing by producers through an enforceable tax on producers, and voluntary financing by producers through an association or council. One of the problems is that, in order to have significant positive effects, there needs to be complementary commercial activities initiated by private wineries to gain support within the distribution system. This is one of the weakest parts of generic promotions.

¹ For extensive analysis of these changes and strategies for dealing with them, see Gatti et al, *Wine in the Old World*, Milano, Franco Angeli, 2003; Anderson, Kym (ed), *The World's Wine Markets*; Cheltenham, UK, Edgar Elgar Publishing, 2004; and Moulton, Kirby and James Lapsley (eds), *Successful Wine Marketing*, Gaithersburg, MD, Aspen Publishing, 2001.

How to organize to undertake a generic promotion campaign

Proper organization is critical to success. This suggests that the organization should be fully and professionally qualified in marketing, communications, research, and consumer analysis. Improved collaboration within the industry can yield higher returns to generic marketing regardless of how the program is financed.

What are the political issues?

Fears that promotion of wine consumption may increase the risk of alcoholism are an important issue in seeking government support of generic promotion programs. Another issue is the compatibility of government production and quality rules with the needs for successful generic promotion programs. In some cases, regulation can weaken generic promotion programs. These issues are emphasized in analyses of the conflict raised by AOC regulations in France and DOC standards in Italy².

What are the commercial issues?

The leading commercial issue is whether the generic campaign has specifically defined its target market. In the absence of this, the message may be inappropriate, the distribution chain may be confused, and consumers may be unresponsive. Australia has had evident success in positioning its wines throughout the world. It has made a specific commitment in its generic program to target casual users of wine.

CONCLUSION

There is ample evidence of the benefits and risks of generic promotion and how to design and implement effective programs to achieve specified objectives. The next step is for private sector members and relevant public agencies to decide how they should alter existing programs to meet changed circumstances. The proper responses might vary between active involvement and complete withdrawal, depending on legal, commercial, and political considerations.

² See Geraud-Heraud, et al “International Competition in the Wine Growing Sector:” and Carbone, Ana, “The Role of Designation of Origin in the Italian Food System” in Gatti et al. *Op. cit.*