



Regional Development within South Australia – An Analysis of the Current Situation and Proposal for Future Developments in the Wine Sector

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Abstract

Purpose: to investigate the situation for regional wine producing regions in the most important wine state in Australia. With the Australian wine sector being in a state of crisis and its wines being widely perceived as commercially competent, but qualitatively deficient, the sector is looking to develop its reputation as a producer of quality wines. Consistent with the European perspective that regionality is the one of the keys to producing quality, this study undertook a series of interviews with influential producers in three of South Australia's most highly regarded regions for wine production.

Methodology: a range of producers, from small, boutique-style wineries, through to the managers of some of the country's largest production facilities were interviewed on the nature and importance of regionality as a way to develop Australia's reputation as quality wine producer.

Findings: The results suggest that regionality is a desirable trait for wine producers seeking a reputation for quality, but not if it meant conceding the National image as a wine producer. Producers expressed interest in the development of an image as a quality producer, but were unsure as to the best way to launch such a strategy in a consistent manner among peers.

Key words: Interviews, South Australia, Regional promotion, quality wines

1. INTRODUCTION

Regionality forms the basis of the European model of marketing wines from specific places, and of protecting regional names with laws and regulations to guarantee authenticity and maintenance of style, thus building regional identities (Rasmussen and Lockshin 2000). The Australian wine industry has recognized the importance of promoting its wines through its distinct regional features in aid of trying to adapt a similar system so as to implement the supposed advantages that such a system brings in improving the image of a region's wines on the global market. Results of research across different countries illustrates that a known region increases the price that the consumer is willing to pay (Angulo et al. 2000; Oczkowski 2001; Lockshin et al. 2006). The value in this paper is in identifying the promotion topics associated with regional wines as a potential way to trade up into higher and more profitable price points.

In 1996 the Australian wine industry launched Strategy 2025, a visionary document explaining that by 2025 the Australian wine industry would achieve \$4.5 billion in annual sales by being the world's most influential and profitable supplier of branded wines. This strategy also highlighted the resources needed for such a vision to succeed – 40,000 hectares of new vineyards; 570 million litres of extra processing capacity; 1,100 million litres of new storage; 10,500 new workers and \$5 billion in corporate, grower and equity funding (The Marketing Decade, Setting the Australian Wine Marketing Agenda 2000 >> 2010).

The 2025 Strategy was both beneficial and hazardous for the Australian Wine Industry because of the speed of its implementation. The 25-year goals were achieved in under three years which led to a clear imbalance between supply and demand. The Australian industry undertook massive investment which was a result of government encouragement by means of accounting and taxation rather than a response to market conditions (Goodman, 2002). By 2004 the Australian wine industry was beginning to move into oversupply, with an associated rapid decline in grape prices, culminating in a significant volume of grapes left on the vine or dumped following vintage 2006. Also an undervalue in the Australian Dollar made exporting relatively easy which shifted competitive power of the trade sales channels (Goodman, 2002). This in turn led to most Australian wines in the UK being sold on discounted shelves in supermarkets (Lechmere, 2003). This change in wine consumer supply and demand brought about the current situation of shrinking margins, wine gluts and wine homogeneity. At this point in its evolution the Australian wine industry chose to take a step back and return to its roots as a producer of wines targeted for the market; its perceived market advantage.

The result was the development of a new segmentation strategy by the AWBC (Australian Wine and Brandy Corporation) based around the identification and explanation of four levels or "personalities" of Australian wine. The four personalities - Brand Champions, Regional Heroes, Generation Next and Landmark Australia - represent the following four value creations respectively: accessibility, interest, innovation and aspiration. (Wine Australia: Directions to 2025 An Industry Strategy for Sustainable Success). The message changed from being about a memorable wine from anywhere to a wine for someone from somewhere. The challenge to the implementation in this change of strategy is to find out how to identify these specific 'someones', and for where these people find out about 'somewhere's' wine.

2. METHODOLOGY

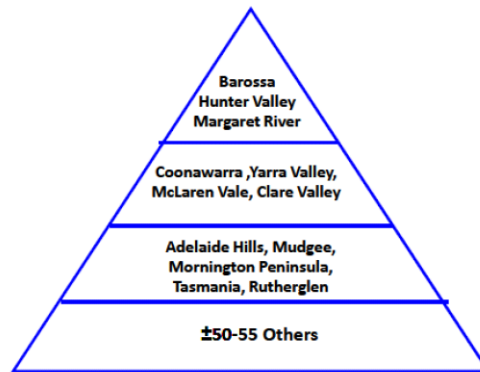
Regional marketing is an important tool utilised both by the Old World and New World wine regions. The Australian wine sector is typified by its reputation for producing branded wines, and by its structure that is heavily concentrated by producer size, and place of production. 99% of Australia's wine production by volume comes from 1% of the total number of wine producers in the country (AWBC 2010).

More than 90% of the volume of wine produced in the country is from the three states of New South Wales, South Australia and Victoria. Of these three major states, South Australia is the largest, and has the most to gain from the development of regionality. Whilst New South Wales has the country's largest city, Sydney, as its gateway for tourism; South Australia has the greatest disparity between the volume of wine produced and tourism numbers. However, South Australia also has the most salient wine regions in the minds of consumers, within Australia (Stening and Lockshin 2003; Bruwer 2009). The benefit in such salience is reflected in a price premium that consumers are prepared to pay for a bottle of wine. Angulo et al. (2000) illustrated this observation in the application of a hedonic pricing function for Spanish red wine. This methodology was applied by Ozckowski (2001), and Lockshin et al. (2006), who illustrated that regionality can be the most important factor in the determination of a price premium (Oczkowski 2001) that consumers are willing to pay for different wine styles (Lockshin et al. 2006). Thus, the scope of this research is to analyse the current situation in regional marketing development for the three primary wine regions in South Australia; The Barossa Valley, McLaren Vale and Coonawarra.

Consistent with the AIDAS (Awareness, Interest, Demand, Action and Satisfaction) principle in marketing literature; in order to develop interest in a product (in this case, a wine region), we begin by taking an evaluation of the awareness of specific regions, so as to ascertain the extent of need for these regions to generate interest in the minds of consumers (Nedungadi 1990). The findings from this review of the literature led to the design of an interview 'prompt sheet', as prescribed when using an interview method of research, according to Seidman (2006) and Wolcott (2008). Using this prompt sheet, a series of interviews were undertaken so as to ascertain the primary themes used to help encourage interest in these regions for the purpose of wine tourism. This section provides the details of the methods used in order to address the principal research questions:

- What are the current marketing and branding strategies adopted by Barossa, Coonawarra and McLaren Vale?
- Which marketing tools are being neglected?
- How can these regions strengthen their image on local and international markets?

The regions have been selected on the basis of grape quality and brand recognition within the Australian industry. Brand recognition and awareness of the regions within Australia on the domestic market where studied by Dr. Johan Bruwer in 2009. This data has been gathered in the regions of Adelaide, Melbourne, Sydney and Brisbane being the main cities in Australia.



(N= 304) Figure E: Dr Johan Bruwer's summary of wine region awareness

According to this study the wine regions chosen to study have a level of awareness between 20% to 50% for McLaren Vale and Coonawarra whilst higher than 50% for Barossa. Both the Hunter Valley and Margeret River have been excluded for the purpose of this research since they do not make part of the region of South Australia.

Grape quality was assessed according the super premium price of grapes per tonnes paid for coming from these regions during the 2008 harvest. McLaren Vale demanded the highest price for the super premium grapes whilst Barossa and Coonawarra demanded \$1726/tonnes and \$1676/tonnes respectively which ranks them 3rd and 4th place after the region of Adelaide Hills. (Australia wine grape price survey data, Australian wine and Brandy Corporation, 2008)

This study uses a process of triangulating a series of primary and secondary data sources in order to generate substantive findings (Jick 1979). The secondary data includes information gathered from books, academic and trade journals, professional magazines, tourism development plans and specialised internet sites. The primary data was collected through semi-structured interviews with wineries in the three different regions. Respondents were asked to respond to questions on their region and their perspectives to capture information from the perspective of the affected party. Further, in order to establish a relationship between a subjective response and a normative position, respondents were asked to give their perspectives of best-case examples in other regions. In this way, a more objective response was provided, and the mixture of secondary sources, primary personal and primary normative responses were used to triangulate responses on the outlook for regional development as a marketing tool in the wine sector (Obermeyer 1997).

A total of 10 wineries per region were interviewed and an overall total of 33 interviews were completed in the period September to November 2010. Semi-structured qualitative prompt sheets were prepared for the interviews conducted with each wine region association. This method was undertaken after the interviewees requested a set of questions before the interview was conducted. Questionnaires were thus assembled after research on the structure of the regional wine associations and other regional branding material was collated and examined. Then these semi-structured questionnaires were sent by email before the interview was conducted. This was done in order to maximize the limited time the interviewer had available and also to keep focus on the main themes of the research. This also gave time to the interviewee to prepare material like regional business plans and other marketing data. Whilst both the Barossa Grape & Wine Association and the Coonawarra Vignerons Association were willing to share marketing and business plans, the McLaren Vale Grape Wine & Tourism Association did not want to divulge this information.

Semi-structured interviews were also conducted with the wineries yet without sending questionnaires by email. This method was used to stimulate a two way conversation between the interviewer and the interviewee thus giving the opportunity to build a relationship between the different research questions being analyzed in this study. Notes were taken by the interviewer and the interviews were also tape recorded and the recordings transcribed. Data reduction method as for phenomenological research in which themes and sub-themes were identified was used to analyze all data collected.

3. DISCUSSION

In economic terms the brand is a device to create monopoly or at least some form of imperfect competition (Denise, 2003). The key to branding is that people recognize the brand; once they have tried it and liked it they will look for it on the next occasion. A branded wine region is a bounded geographic location with inherent wineries/cellar doors profiles, vineyard landscape and other attractions (Alant and Bruwer, 2004).

“There could always be more, Barossa does have a good profile domestically and internationally but way behind the prestigious regions of AOC France, DOCG Italy etc. The best way to improve awareness is to make better wine and regionally focus on quality above all else. Less supermarket wine and wine made purely for cash flow purposes. Barossa is one of a few pre-phylloxera old vine regions in the world. This is a real selling point and equates to quality at all levels.” (Andrew Tierney, Sales and Export Director, Torbreck)

As indicated both by secondary research (Johan Bruwer 2009) and interviews conducted, Barossa is the most important wine region in South Australia and is the most advanced in its branding and marketing strategies. Even if the regional branding is strong the region still lacks the premium image that other regions like Bordeaux or Tuscany have. This is mainly because there are no clear points of difference between the wines on offer for the consumer to pay a premium for it.

McLaren Vale has recognized its strength as a wine region and using its strengths to improve on its brand image. Wine, food and scenic features of the region are being highlighted through most of the marketing material and branding being done.

“I am in favour of the regional promotional strategy as a concept, but think in McLaren Vale’s situation we have relatively poor execution. This is largely because the South Australian State Government does not view McLaren Vale as a distinct wine region, and prefers to market the region as Fleurieu Peninsula that incorporates Victor Harbor, Langhorne Creek, Goolwa and a number of other locations that are found on the Fleurieu Peninsula. The reason this is unsatisfactory is for the consumers of McLaren Vale wine they will be totally unaware that we are found on the Fleurieu Peninsula, a name that is not only non-descriptive but also difficult to spell and pronounce.” (Tom Harvey, Director, Chalk Hill)

This suggests that Regional Tourism re-branding from Fleurieu Peninsula to McLaren Vale would be beneficial for the region’s brand and image. The change in the name would make it easier for consumer to recognize the brand McLaren Vale and all it encompasses; wine, food and sea.

The value of regional brands differs, by how well-known the region is to the consumers. Schamel et al. (1998) show how Napa commands a price premium in the US, while Lockshin (2003) shows the same for Barossa for Shiraz and Coonawarra for Cabernet Sauvignon in Australia. This brand awareness should be therefore extended on international markets to add value to the regional brand. Currently, there is no international marketing plan for the Coonawarra region. Even though most of the wineries in the region sell out of their wines and do not see a great need to invest on international markets, it is crucial that the CVA is more active on this front. Being active on international markets would enhance the regional brand image.

“We once held the Coonawarra road show in the UK which was a great success. It’s really a pity this hasn’t been organized again since the UK is a very important market for any winery.” (Karen Ronning, Marketing Manager, Zema Estate)

4. LIMITATIONS AND FURTHER RESEARCH

The main limitations of this study were the preparation phase before interviews were conducted. Due to the limited experience of the interviewer, the questions posed during the structured interviews were too closed and direct, which limited the prospect of exploring any emerging themes during the interviews. Also, limitation of resources of time and money did not make it possible for the interviewer to extend interviews to a broader audience.

Further research can be conducted about the various marketing tools being used by the various regional bodies to create brand salience. Assessing and understanding which tools work best could be essential information which regional bodies can make use of. Another interesting angle which can be investigated is well-known phenomenon called ‘Double Jeopardy’ in relation to regional branding. This phenomenon suggests that brands with large market shares hold a greater number of loyal customers and a larger consumer base (Ehrenberg, Goodhardt and Barwise, 1990). With the plethora of new regions and sub-regions surfacing around the world this study could lead to reassessment of regional branding both in the Old World and New World countries.

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