Effet *terroir* et *marchés*

Les attributs communicables du concept de Terroir

A Joint Presentation

- Outline and Summary
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- Content and Presentation
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    - Provided courtesy of ESA d'Angers
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So, I have some questions…

- What is *terroir*?
- Why use *terroir* as part of a marketing strategy?
  - Individuality
  - Communicability
  - History
- Is it a Unique Selling Point, Strategic Competitive Advantage…both?

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Terroir isn't currently either a unique selling point or a competitive advantage

- How can *terroir* increase loyalty or penetration?
  - Penetration through non and infrequent users
  - Loyalty through repeat purchase
- The Dirichlet model and principle of double jeopardy work against the concept (Ehrenberg 1958…)

How about niche marketing?

Possibly for perhaps the top 5% of the market

- Remembering that consumers purchase by cues…(Lockshin, Spawton and Macintosh 1997; Lockshin and Hall 2003)
  - Most commonly by variety and region (Lockshin and Tustin 2002); brand and price (Lockshin and Stening 2003)
- Is *terroir* a region?
- Does it act as a brand?
- How about a category?
- So what do we expect the average consumer to think of *terroir*?
- …

The major weakness of the AOC/DOC system

That is that there is lack of reliable “salabilty” quality (a requirement of both the reseller and the consumer to have confidence to repurchase a wine) due to poor vineyard and winery practices, poorly trained operatives, fraud, and most importantly a total disregard for the consumer’s expectations.

“An appellation of origin label, even when controlled by tasting, has never become a perfect guarantee of quality.” L.Loubere (1990)

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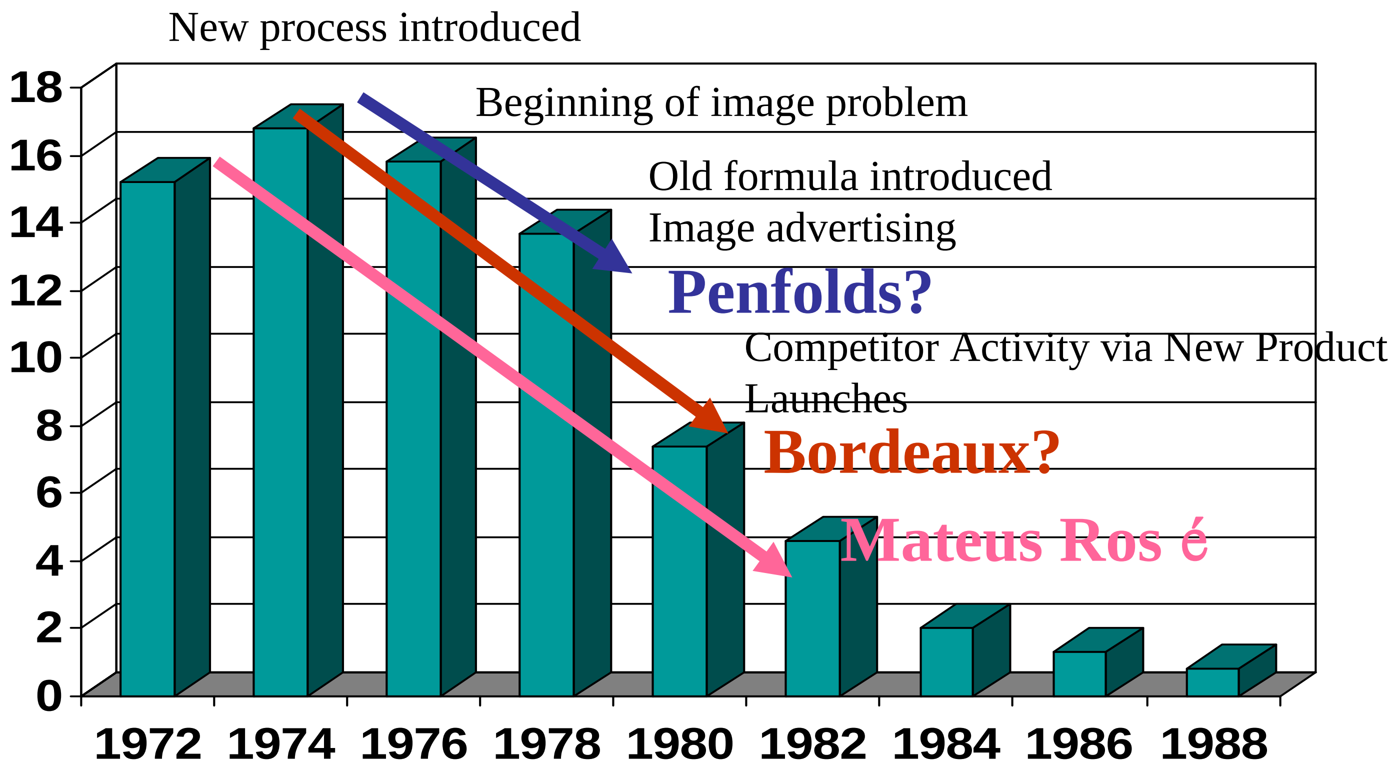
The result – a loss in perceived quality (Keller 2003)

- Perceived quality is defined as:- *the consumer perceptions of the* ***OVERALL*** *quality or superiority of a product to relative products and their intended use*
- Consumer judgement of the wine quality starts at the "bottom" (Spawton – various) as more people have more frequent experiences of wine at this level of the market and this is where "trial" and "switching" takes place.

The “toboggan run” of perceived quality

(source R.S.Weinberg & Associates cited in Aaker D. Managing Brand Equity

Schlitz Sales
Millions of Barrels



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What does the customer think?
“Terroir…Yes I tried one once…

- …but didn’t really like it”
- Perhaps it was because you felt that you were the only one who didn’t know what it was…
- But let’s come back to this point later

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What other people say …

“An appellation or regional designation is nothing more nor nothing less than a brand.” R. Joseph (1996)

“Branding (and marketing generally) should be concerned with creating pleasurable consumer experiences”. Schmitt (1999)

“We have to clarify the French offer, improve quality and market our major assets – appellations and promote umbrella brands and we will need to promote an image of a younger France: - ***Jean- Francoise Berger of the Centre Français du Commerce Exterieur.*** (2004)

Outline of the presentation and the points covered

- The presentation will take a market /consumer approach.
- It will explore issues as they relate to wine globally and locally
- It will establish success (and failure) models as a basis of the learning process
- It will take 10 “strategic pointers “as the underlying theme of this paper.

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Wine Market Facts (OIV, Impact)

- Wine market facts – sales of 2.52 Billion (9 litre cases)
- Concentration of ownership is low (10 largest = 14% of global production),
- Growth is 0.6% per annum in 2003.
- International trade is static
- Growth is confined to the commercial sector (VDP/IGT) which in a stagnant market means it is gaining its sales from the AOC/DOC.
- Growth of DOC/AOC/GI wines is negative with significant surpluses in the New World. (2 Buck Chuck).

The wine market is made up of Brands

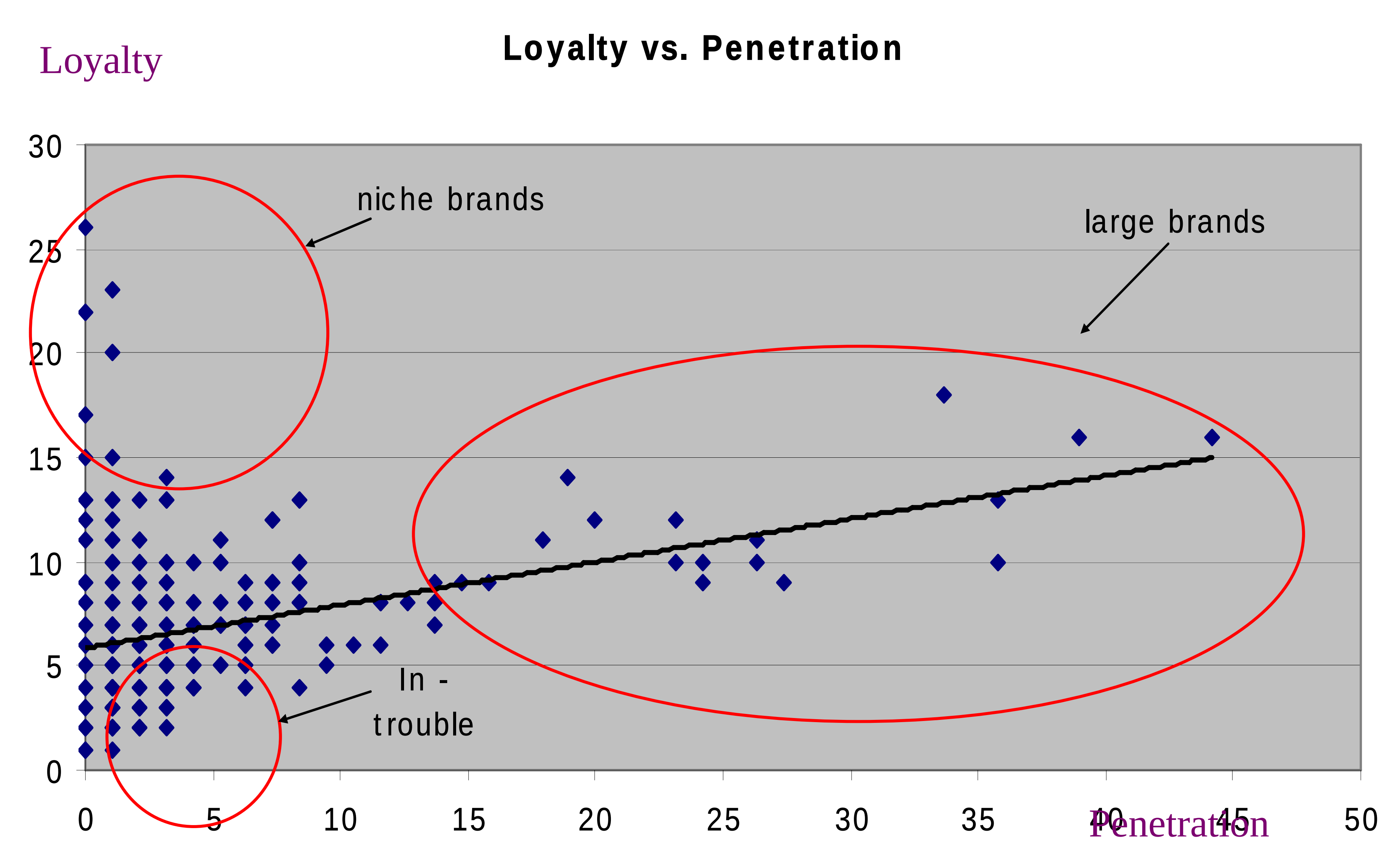
- Wine brand facts:-
  - 200, 000+ brand names
  - 500,000+ SKU's
  - No one brand has 3%+ of world market
  - Few brands have 10% + of national market
- Few brand categories have such strong, discernable attributes to attract consumer preference
  - Variation in interpretation
  - Cues for purchase
  - Subjectivity in appreciation

and why branding theory is so important: -

- Because there are few examples of high levels of consumer loyalty
  - Enduring?
    - First growths/Grand Crus
    - Champagne
    - Icon brands (Grange, Stag's Leap Vineyards, Château Musar, Inniskillin, Felton Road, Ornelaia, Taylor's Fladgate)
  - Temporary?
    - Non/Low involvement consumers, but tend to lose to price promotions
- Enduring loyalty is built by improving the value in mind of consumers
- Few brand markets have such strong "polarization characteristics" (Jarvis, Rungie and Lockshin 2005)
    - Relies on "scarcity of supply"..."strong regional loyalties"

Understand the Market Structure

Jarvis, Rungie and Lockshin 2005)



What do we know about wine consumers ?

- Consumers buy from repertoires
  - Big brands benefit from double jeopardy.
- Wine Consumers have **different repertoires of the brand for the occasion purchase**
- Wine Consumers are disloyal to most wine brands, **they buy the brands that are good enough to suit them.**
  - Brand Disloyalty is driven by the level of **brand salience (awareness)**

Golden rule of communication

To purchase requires awareness

- Awareness requires interest
- Interest requires knowledge
- Knowledge requires understanding

- Without understanding, it is difficult to appreciate why something is valued

- Marketing is all about building value!

"If you truly understand something, you should be able to explain it clearly to your grandmother in under five minutes"

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How does *terroir* fare?

- Remember the guy with the puzzle…
  - If the wine sector doesn't know what *terroir* is, how can the average consumer?
- In simple terms, they don't appear to know much about it (Wilson 2007- forthcoming)
  - Something about the place the wine was made…
  - Responsible for how the wine tastes
  - Everything about the place the wine was made…
- One of those statements is erroneous
- Marketing has to focus on informing the consumer
  - Awareness isn't enough

Response: *Clarify the message on terroir!*

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The Marketing Challenge

Remember that...

- *Terroir* does not encourage cross-associations
  - *Therefore it is only a strength if the terroir can stand on its own merits*
- Style, variety, vintage can all be used to encourage experimentation and adoption
  - *Terroir* cannot
- A strategic marketing advantage can be achieved
  - Look at Champagne
  - But, consistent with strategy, everything about the marketing of Champagne is based on the niche concept.
- However, marketing theory can also explain Champagne's success in terms of first-mover advantage and top-of-mind awareness
- So, what to do if your marketing strategy relies on the customer's understanding of the concept of *terroir*?

Strategic pointers for required for Terrior based regions to regain their former status

It's all about building value in the concept...

- Distinctiveness
- Consistency (style, quality, message)
- Regular critical acclaim for publicists
- Belief in the success of the product
- Distribution to the key outlets where the product is sold.
- Icon producers who set the standard for the Terrior
- Price ladders to indicate quality differentials
- Critical mass to meet the volume expectations of the retail chains
- Promotion – No longer can you just reply on publicists
- Export is a strategic decision not a " safety value" for surplus.

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Remember that...

- <AOC/DOC> **cannot abdicate our responsibility for our brands to journalists and gatekeepers: -** ***Greg Christoff of Paterno Imports"***.
- AOC/DOC is **divorced from consumer reality** (better informed and better educated consumers). – the demystification of wine.
- AOC/DOC Repositioned by IGT (and the New World) by the **adoption of technology to provide quality "reliability**" – closing the "**value for money gap**"
- Little AOC/DOC Investment versus IGT/New World ***quality improvement investment.*** (enabling technologies to improve overall efficiency),
  - vineyard replenishment and better vineyard management,
  - oenological practices

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Is amending the regulations the answer? Not entirely

- It is part of the way to solving the problem but will changing the rules change consumer perceptions? .
- **Experience says differently**:-
- Gallo Negro changed the rules to meet the IGT quality challenge but:-
  - Regulation changes **do not change** consumer attitudes,
  - Formula vs creativity
  - Attitude change **costs are very high** and producers are not prepared to invest for the **long term in brand development**.
  - The **compliance of producers to any regulated system** is both difficult and expensive to implement and police.

Regulation is the motive for an "outward march"

- **Antinori (Italian)** – operations in Puglia, Piedmont, Umbria, California, Washington, with Joint Ventures in Australia, Germany and more recently in New Zealand.
- **Torres (Spanish)** – California and Chile.
- **Moet and Chandon (French)** Australia, Argentina, Chile, United States.
- **Rothschild (French)** – Chile and California
- **Pernod Ricard (French)** Australia, Argentina, South Africa, US.

Conclusions

- *Terroir* is challenging enough for the wine sector, let alone consumers
- Whether it's brand or *terroir* the direction is to generate value in the minds of consumers
- Therefore, to use *terroir* as a marketing tool requires a more knowledgeable consumer
- The consumer's knowledge of *terroir* must be investigated
  - Consumer involvement with the concept provides the best explanation

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Recommendations

1. Identify range of consumer interpretations and magnitude of knowledge of *terroir* in wine
2. Investigate alternative marketing strategies for arresting the decline in frequency and volume of wine consumed
   - Cultural distance and application
   - Historical analysis of behavioural change
3. Consider the modification/adaptation of regulations
   - IGT equivalent for European exports???
4. Utilise the strategic pointers for generating marketing guidelines