

Perspectives offers an international platform for professionals in diverse places to express their views. This issue looks at the two poles pulling the market into an hourglass shape: the luxury market, where prices are becoming stratospheric, and overproduction, where prices are being pushed below sustainable levels.



Hans Wiegmann is the spokesman for Henkell & Söhnlein in Wiesbaden, Germany. In addition to the sparkling brands Henkell and Deinhart, the company also owns Schloss Johannisberg in the Rheingau.

The United States seems the most vibrant market at present. Where is the most difficult and why?

The American market is certainly one of the most interesting for Germany, where, albeit from a small base, Riesling is making inroads. France, Italy and Spain, on the other hand, are challenging markets for our brands. The same is true for the United Kingdom when you, in spite of the volume growth, look at the bottom line.

The market is moving both upscale and downwards to very low entry level prices. In many places, the middle tiers are suffering. Is this

affecting your business as well?

This is a challenge, but our answer is constantly up-trading, even at the expense of volume growth.

With worldwide overproduction, the entry level price points are being drawn down to almost ridiculous levels. Is it profitable for you to compete in that part of the market?

The offer in Germany has changed. There is not enough good Riesling available, so prices have risen dramatically. The challenge is to pass those increases on to the trade and the consumers.

There are, however, few true wine brands... and it costs a lot of money to build them. Is the wine industry doing what it should to create brands?

Although there are few truly international wine brands available, there are hundreds of strong regional brands and national heroes. We are strongly positioned here. From that basis you can build an international brand.



Pascal Lordon is the marketing direction for Conseil Interprofessionnel du Vin de Bordeaux, which is responsible for building the Bordeaux brand.

Are there any markets so difficult that you ignore them?

We spend 95% of our budget in only 13 markets. People talk about emerging markets, but we have to ensure the investment is relevant before we move into new ones. We are even asking ourselves whether it is our role to invest in the domestic market. The future of Bordeaux lies outside of France.

Middle tiers are suffering. Is this affecting your business as well?

Low end wines, below €2, are still moving and consolidation is making production more efficient. Larger estates are more interested in €3 to €5 category. Further, the €5 to €15 category is working better than you would expect.

Is the wine industry doing what it should to create brands?

The future will be a more balanced blend of Chateaux and brands. There are already many brands, but the structures in Bordeaux were not created to do major brands. Most do not want to be in supermarkets, where brands are built.

How much are you devoting this year to building Bordeaux's brand?

€20m.



Paul Konar is the export manager for Concha y Toro, the Chilean producer that is the envy of many of its competitors.

Are there any markets that you have abandoned?

Although we have abandoned none, there are diverse challenges to overcome in some, such as high financial risk, lack of wine culture, markets oriented exclusively to entry level wines, high

taxes and so on. You have to be close to each market and implement general strategies locally.

In many places, the middle tiers are suffering. Is this affecting your business as well?

Our fastest growing segment is our middle range, where Casillero del Diablo is well positioned in many markets. We sold over 2,000,000 cases last year and are growing this year by more than 40%. We strongly believe that the middle range is where brand building can take place, where we can develop loyalty from consumers.

How much of your marketing budget is devoted to building your brand?

We started investing seriously in brand building in the late '90s, both directly from Chile and in combination with our distributors. To succeed, we must keep our message and quality consistent. However, as the wine market is so atomised, it is difficult to reach the critical volumes and distribution necessary to justify strong investments. This restriction doesn't mean that you can't invest in building your brand, but you must assume the process will take much longer than with traditional consumer goods.

Many producers talk about the United States being the most vibrant market at present. Which are the most difficult and why?

The Americans, are drinking not only more, they are drinking better quality wine. Imported wines are on the rise and Italy is one of the top performers. More difficult are the mature markets such as Germany and the United Kingdom, where the aggressive off-trade is well developed. There, price competition makes marketing hard, but we cannot abandon any market. **There is a rapidly growing market for luxury goods, including wine, not only in the United States, but also in Asia. The market appears almost insatiable. What are you doing to access and leverage your sales in this sector?**

High quality wine as a luxury good is successful in North America and Asia, but there are lots of producers competing for this market. Only the most well-known brands, thanks to good commer-

cial networks and privileged relationships, profit from the trend.

Champagne is currently in a bind due to lack of product to delivery to this growing luxury market. Could that also become a problem for you if this part of the market continues to grow?

Except for rare exceptions, I don't believe that the wine sector will be in the same situation for a long time.

In many places, the market is moving both upscale and downwards to entry level price points that are very low. The result being the middle tiers are suffering. Is this affecting your business as well?

The market is polarised. Both premium and low cost wines are successful because each targets a different kind of customers. Medium segments

suffer, a fact that we must consider it in our marketing plans. Fortunately, we now have low price raw material, but this increases competition and reduces bottle prices on the shelf.



Emilio Pedron is the managing director of GIV, Italy's largest wine producer, and a man with an excellent understanding of Italy's export potential



Dr. Nicolás Catena, an Argentinean visionary, is the owner of Catena Zapata, which has just released a new wine, the 2004 Argentino, a pure Malbec.

Are there any markets so difficult that you have abandoned them?

The British market is the most difficult one for us. It's so much about price and promotion, that profit takes a back-seat. That said all markets interest me.

Could lack of product become a problem for you if the luxury market continues to grow?

It is a certainly problem for super premium wines, because we do not have enough old vineyards with the right genetic material. So many of the cente-

nary vineyards were ripped out in the '70s and '80s.

In many places, the market is moving both upscale and downwards to entry level price points that are very low. The result being, that the middle tiers are suffering. Is this affecting your business as well?

No, we have an advantage in the middle range. At a \$20 price point, we are hard to beat.

How much of your marketing budget are you devoting to building your brand? How urgent is it for you?

I sometimes think we spend too much, but less on promotion than research and development, which I think is the key. At my level, it is quality and information that grows the brand.

Further, if you are successful in the United States, it makes things much easier in Asia.