

# THE GLOBAL CHALLENGE OF MARKETING WINE

No two major international markets are the same, complicating the challenge of constructing a global marketing strategy for a wine brand. The market is littered with examples of heroes in one market that have bombed in another. Andrew Catchpole talks with experts about how they approach the task of world marketing.

The major obstacle that besets those involved in promoting their vinous wares lies in the extremely fragmented nature of the markets themselves. Even a global wine brand - one that is huge by the standards of the industry, but small in comparison to other fast moving consumer goods - still faces an incredible challenge in relaying its message in a cost effective and well-targeted manner. In the more traditional, mature wine drinking markets, tens of thousands of wines compete for shelf space in a myriad of retail outlets, both on- and off-trade. In less mature, and especially in emerging markets, a combination of lack of consumer knowledge, limited distribution channels and growing competition also take their toll.

"The wine business is necessarily very innovative compared with other consumer goods because of the fragmented nature of the market," says Lou Applebaum, senior vice president of strategy and business development, Constellation Brands. "Yes, suppliers, distributors and retailers are all consolidating, but consumers still seek out fragmentation and so it is difficult to target spend to reach a particular market, especially when you consider that 4% to 5% is the largest share that even the biggest wine brand is likely to have in a given market."

## *A global challenge*

If this is a difficulty in established, primarily Western markets, the challenge of constructing a global marketing strategy is multiplied by the huge variance of markets around the world.

"Wine presents a different mind set for marketers and no two major international markets or developing markets are the same," says Brian Howard, co-founder and business development director of Wine Intelligence.

He cites many factors, including distribution channels (state monopolies, logistical and geographical challenges, whether in the United States or China),



**The challenge with global brands is how to sell to diverse cultures simultaneously.**

evolution of retailing, whether a country has an indigenous wine industry or not, strong ties with a producing country, as with Brazil and Portugal or Hong Kong and Britain, and socio-economic factors such as the emerging, westward looking middle classes in China and India.

Even in seemingly evenly paced mature markets, a blanket approach may not translate well. Applebaum cites Yellow Tail, which stormed America, from zero to become a 8m case hero, but failed, with exactly the same credentials, packaging and marketing message, to penetrate various European markets to anything like the same degree. Likewise, Kumala, which gained a 3m case sales platform in the UK (pre-Constellation ownership days), only managed a slither of this on its subsequent release into the US. "The difficulty was that while South Africa had a very strong resonance with British consumers, the American market for South African wines was very small, a fraction of a percentage of the total market," suggests Applebaum. "Kumala grew to take 75% of the South African category, but the whole category was only one million cases."

Allan Sichel, managing director of Maison Sichel, expands on the theme. "We export to some 55 countries and the further away from the producing country you move, the more a strong brand, over generic origin, becomes important," he says. "Closer to France the concept of chateau and terroir, or geographical location, is important, but in growing markets like Latin America we need to establish the Sichel brand above the dozen or so Bordeaux appellations that otherwise appear on our labels." Thus in Brazil, where consumer knowledge of France or Bordeaux is low, emphasis is firmly on marketing Sichel as an umbrella for quality wine.

It's a position that Wine Intelligence's Howard underlines. "Marketing

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wine as a generic concept to consumers, unless there is a strong umbrella brand such as Rioja or Chablis, recognised in mature markets, has limited impact,” he says.

Furthermore, while India may have 800m aspirational middle class people, and Russia or China an enormous potential (and growing) wine drinking population, problems of distribution and infrastructure mean that the first task of the marketer is to establish which individual cities or regions have achieved a critical mass in terms of concentration of potential consumers. Think Mumbai, Moscow, Shanghai rather than along country lines, is what he advises.

#### *Core brand, tailored marketing*

Most brand owners with global ambition tend to keep their core marketing message – the brand values – consistent, but tailor marketing and any advertising activity along what is described by Applebaum as a time line in relation to the development of a given market. Thus a company like Torres, in addressing its home market of Spain, can assume a high degree of generic recognition. For example, it is currently running a humorous local television advertising campaign which relies on ‘those closest to the wine’ – corkscrews, glasses, corks and bottle

– singing its praises. However, in less developed markets, a very different strategy is required.

“Advertising would not work for most markets and, in fact, we have to tailor our approach to every market,” says Miguel Torres Maczassek, marketing director at Torres. “The return on public relations and education is generally much higher anyway. Then, if you compare somewhere like Great Britain with China, the emphasis on activities, such as sampling and education, shifts back from consumers to the channels of distribution themselves.”

In other words, the less mature the market, the more important it becomes to focus marketing activity on educating those who are importing and selling the wine.

#### *Know local knowledge*

A similar story emerges from the generic promotional bodies. Rosa Angulo at ICEX, the Spanish commercial office incorporating Wines from Spain, points out that Spanish wines have been marketed generically for 25 years in the UK. But even here it is only recently that more emphasis has been put on promoting greater regional variation and the wealth of individual varieties on offer. And a great deal of this activity, whether focused trade tastings, trade advertising and other on- and off-trade events, is still not directed at the broader consuming public. “If you compare this with markets like Russia, Mexico or China, where we are active, then first the budgets are so much smaller and second the knowledge is so much lower that we tend to focus on very targeted, essential educational activities for the trade itself.”

Or, as Bruno Goimier, Pernod Ricard Pacific’s general manager of communications puts it: “With a mature market we can strongly promote and communicate a brand like Jacob’s Creek with our core message of ‘welcome to our place’, suggesting conviviality, quality, consistency, a sense of place and heritage, while in a less mature market we need to introduce the whole concept of the category of Australian wine and the reasons why you might want to try it.”

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The point that emerges here is that in less mature and emerging markets, all marketing activity is inextricably linked to both the level of knowledge (beginning with the trade, rather than consumer) and distribution. From a big brand owner’s perspective it may be necessary to create a category image, say Australian wine, but promoting a brand that incorporates the essential DNA of its origin does this best. And, as Sichel suggests, it’s a route that tends to favour New World brands over the more fragmented, smaller budget, smaller volume wines of a region such as Bordeaux.

Howard uses the analogy of the car market. “Germany or Italy didn’t become well recognised as the producers of technologically advanced cars like Mercedes or stylish, sporty cars like Ferrari because the countries promoted their car industries,” he says. “They became known because the leading brands promoted themselves and established a reputation for the country.”

The same, it seems, is true for wine. Except that even big wine brands are forced to grow market share by promoting (or continuing to promote) themselves at grass roots level. It’s typically a long, hard, expensive slog and, as most agree, the defining factor needs to be the quality in the bottle. ■