

The new wave of wine brands

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Abstract. Wine branding is a series of complex marketing propositions intended to sell wine as a ‘brand’ – a product marketed much more thanks to its individual name and image rather than to its original quality. Wine brands can be basically divided in two distinct groups: some have called them ‘benign’ (a.k.a ‘historic’ or ‘classical’ - as for Champagne and the Bordeaux châteaux, for ex.) and ‘modern’ brands. ‘Modern’ wine brands are usually built upon a base of elastic supply (to maintain consistency) and planned promotion, most are owned big multinational companies, are standardized and aimed at the international market taste and a determined price level, lacking in diversity and terroir tipicity. In this study, the author describes how these ‘modern brands’ are structured and what are their marketing tools, run through examples of successful wine brands, and describe about their ads and cons for international consumers.

1. Definition and importance of branding in the context of wine

Wine branding is a series of complex marketing propositions intended to sell wine as a ‘brand’ – a product marketed much more thanks to its individual name and image rather than on its original quality [1]. The modern world is full of such examples: when somebody buys a BMWTM car or asks for a CokeTM there is much more involved in that option than these products’ inherent characteristics. The same happens in the world of alcoholic beverages.

It is hard to justify the price of a bottle of Château Lafite-RothschildTM or of a KrugTM Champagne solely on its organoleptic sensations. These brands are a result of the images and experiences their respective producers created in people’s collective unconscious - their essence, philosophy, symbol of social status and all the stories that come behind these [2,3] Wine branding has to do with creating consumer loyalty, about offering emotional and functional confidence [4].

It is important to register that wine brands can be basically divided in two distinct groups: some have called them ‘benign’ and ‘modern’ brands [5,6]. A classical example of the first ones is Champagne [7]. The word evokes all the symbols related to a successful wine brand, but its reputation was built throughout centuries and is not a victory of modern marketing techniques only. Moreover, Champagne is, by definition, related to a region, specific grape varieties and methods of production - like Port, Jerez and Madeira¹. That loosen definition of brand may also include estates’ produced wines, such as Bordeaux premiers crus, which still represent the top 10 most ‘powerful’ wine brands in terms of value share (Fig. 1 – ‘Appendices’). Giulio **Ferrari** started producing Chardonnay sparkling wine in northern Italy more than a century ago [8], as did Marchesi de **Frescobaldi** throughout that country [9] – two now recognized iconic

Italian brands. Girard-Lagorce’s ‘vins de légende’ are also legitimate examples of classical ‘benign’ brands¹⁰. Another distinct type of such brands are the so called ‘label only’ premium wineries, such as Sean Thackery OrionTM wine, of top quality and high price, but with no specific geographical indication [5].

However, the relevant issue affecting the current global wine market is the rise of the ‘modern’ wine brands. They are usually built upon a base of elastic supply (to maintain consistency) and planned promotion, based on a wide range of marketing tools¹. Most owners are big companies, like BarefootTM and GalloTM (E&J Gallo Winery), Casillero del DiabloTM (Concha y Toro) and HardysTM (Accolade Wines)¹¹. There are even some retailers who have created their own brands (like US Costco’s Kirkland SignatureTM). Usually, they are standardized, aimed at the international market taste and a determined price level. With no specific geographical indication of origin, fruit supply is not a problem and they tend to be consistent in quality and availability, but lacking in diversity and terroir tipicity [5].

But historically branding has never been a characteristic of the global wine sector. One obvious reason for that is its base material. For beer and whisky, for example, barley’s and/or other grains’ influence in the final product is minimal – so much that, usually, there is no declared indication of their origin. Absence of geographical commitment makes vintage less of a problem, since base grains can come from a wide range of places. The result is that, in comparison with beer and spirits, the wine market is much more fragmented. Figure 2 shows that, as recently as in 2012, the top 5 wine companies represented less than 10% of the global wine market share, while Fig. 3 demonstrates that these numbers have not been changing lately.

In 2011, 63% of the beer sold in the world came from the 10 largest brewers while the top 10 wineries were responsible for only 13% of the all the global wine sales

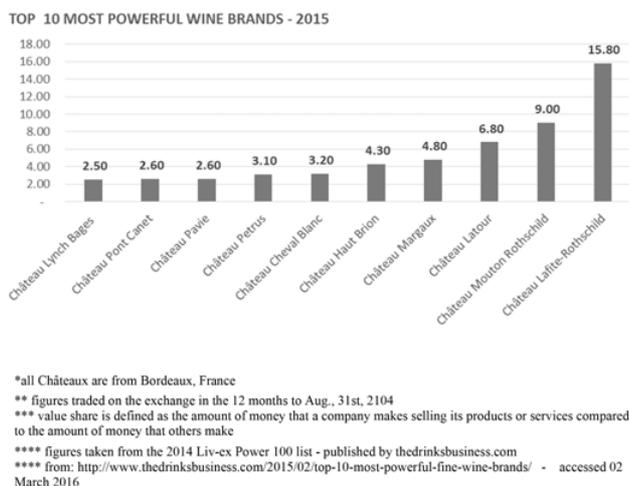


Figure 1.

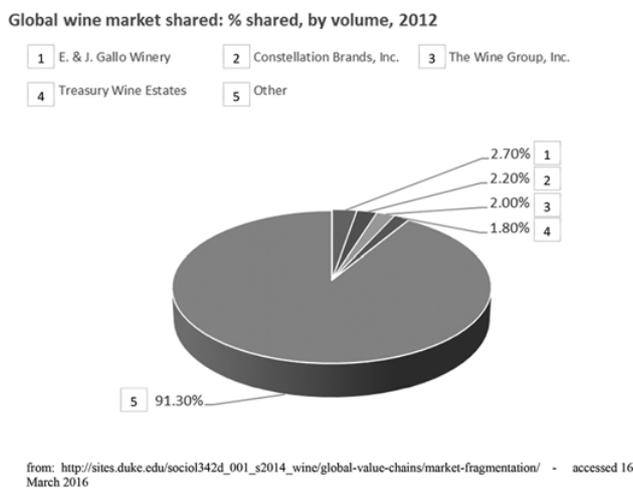


Figure 2.

(in volumes). Why is this important for producers and retailers? Well, the top 100 most valuable brands in the world are worth US\$ 3.3 trillion and there is not one single wine in that club - compared to 40 beers! [4].

2. Successful wine brands and their marketing tools

Successful wine brands can be assessed by volume sales and Fig. 4 shows the top 10 world wine brands in 2015 accordingly.

Half of them have their home offices in the US - not coincidentally, in 2014 Americans overtook French as the world's biggest wine consumers (almost 30 million hectoliters/year) and there are estimates that the US market will grow by more than 10% in the next 3 years. Jacob's CreekTM, HardysTM and Yellow TailTM are based in Australia. But look closer: Jacob's CreekTM, Pernod Ricard's biggest selling wine brand, saw its parent company acquire Kenwood Vineyards in Sonoma (California) and, together with Australian winemaker Ehren Jordan, created Two LandsTM, specially designed for the US market (it began retailing in March 2015 and is already a success). As for Yellow TailTM, around 95% of all its wines are sold in the US too! HardysTM has historical links with the British market, which will somehow soon

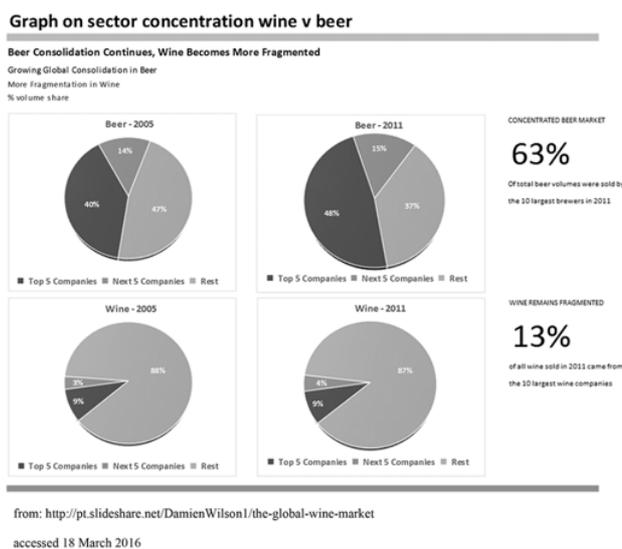


Figure 3.

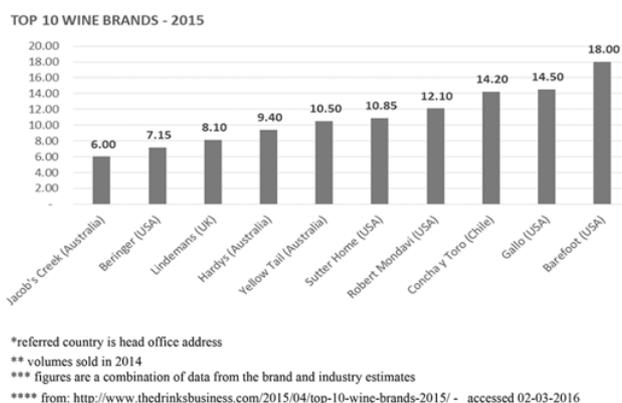


Figure 4.

revert its recent decline in consumption (in 2014, the brand became a major sponsor of the England and Wales Cricket Board) [11]. Concha y Toro, the single South American in the list, has also been betting in the UK – and winning! Taking a more local approach ('developing specific brands for identified markets', as said Pedro Herane, CEO of the brand's VSPT group) [12], its Casillero del DiabloTM Cabernet Sauvignon grew by almost 20% in volume sales in the year to September 2015 to become the biggest selling brand of this grape variety in the UK [13].

Modern wine brands aim at even more immature markets as well. China is a very important emerging consumer nation (in spite of a recent consumption decline following an official ban on corruption). According to a survey by Fortune Character Magazine, almost 30% of Chinese wine buyers considered 'brand' to be the most single important factor they took into account when deciding on what to purchase (another third also declared they knew nothing about wine [14]). Globally, only 2–5% considers themselves connoisseurs [3]. While many brands are struggling to adapt to Chinese culture (translation of brands' names is a mess, for ex.) [14], the country seems so promising that Castel FreresTM, one of French largest wine companies (there known by the phonetic translation "Ka-si-te") is spending fortunes against counterfeit wines there¹⁶. News that Bordeaux wines

(together with Cognac, Champagne and Napa Valley) received GI (Geographical Indication) status sounded stimulating [17]. Africa is the next (current?) stop: there are estimates of a 30% rise in consumption in the following 2–3 years [18].

In structured and more mature markets, “segmentation” – positioning the brand in a target segment – is an important marketing tool for modern brands³. Recent statistics show that wine buyers aged 18–34 represent just under 10% of the off-trade wine sector. They are the ‘millennial generation’, who drank approximately 40% of all the wine consumed in the US. Big companies have already started flirting with them. Pernod Ricard launched the Sun Craft™ wine, in versions with such names as Soft Rosé, Bold Red, Crisp White, Smooth Red and Fruity White. Frontera™ (a wine from Concha y Toro) sponsored the Brit Awards, Gallo started to bring fun to its labels (such as Barefoot™ and GFV Spritz™) and Accolade launched Echo Falls Fruit Fusions™ in a sweeter style [18]. Another recent phenomenon is the amount of celebrities who are attaching their names and/or becoming involved in wine production and marketing. Brad Pitt’s Miraval Rosé™ 2012, from Provence, was a hit – but there are many others, such as actress Drew Barrymore, singer Fergie (Black Eyed Peas), and even football player Lionel Messi [19]! Alcohol-free and/or low alcohol or ‘diet’ wines are gaining popularity, as proved by the record sales of non-alcoholic Eisberg wines – more than 20,000 cases - in UK’s “Dry January”, the month’s charity abstinence movement (one in six British participated in 2016) [20]. This movement towards the younger generation of consumers relies also on emphasizing a casual, informal personality. They want to sell brands as ‘lifestyle’ – Flip-Flop™ wine’s labels and price points; as a “sensation” – Trinchero’s Sea Glass™ white wines with labels of multicolored glass by the ocean; or as a “metaphor” – Layer Cake Syrah™ wine’s memories of the aromatic sensations associated with the grape variety [21].

There are many marketing tools a company may use to promote its brands besides targeting emerging markets and new trends. One cannot neglect the issue of ‘external appearance’, the relevance of bottle and label aesthetics. Currently, there are even international agencies specialized in packaging design, like Australian ‘The Collective’ – who has a huge portfolio of clients, including the famous Penfolds™ [22] – and ‘Vin Agency’, consulting over 750 wine brands [23]. Aesthetics is just one of many opportunities to make contact with your customer, what branding consultant Sasha Strauss calls ‘Touch Points’ [24]. But in a world where modern graphic technology is highly available, focusing only on external ‘looks’ would place no one in considerable advantage. And, always, there is ‘price’. But price is not a brand strategy, it is a complex result of production and market interactions. Mr. Strauss’ “Touch Points” mean places where your target audience might contact your product for the first time: ads in a magazine, restaurants’ wine menus, cooking TV shows, promotional signs on walls – chances where a relationship to your potential consumer may be built ‘before, during and after a transaction’ [3, 24].

Bruce McGehan summarized the main strategies when planning to create and promote a brand: ‘the 5 Ps of the marketing mix’ [3]:

1. Product (inherent quality and packaging aesthetics (label, bottle, etc.);
2. Price (as a fair general indicator of quality for consumers)
3. Place (Mr. Strauss “Touch Points”: restaurants’ wine menus, supermarkets, liquor chains, etc. [21])
4. People (who are the people who will compose your target niche?)
5. Promotion (magazine ads, events, internet, shows).

But a shared characteristic of most successful wine brands is the fact they ‘tell a story’. Customers have to connect to an idea, a legacy, they must become emotionally linked to your product. They have to be reassured that the liquid inside that bottle – that sells for the same price as hundreds of others in the same shop! – is distinct, unique. A brand has, firstly, to define who it is, what its origins are and how it differs from its neighbors. Most wine lovers, when asked about their favorite wines, will not start telling all descriptors of the WSET Systematic Approach to Tasting: they will tell you a story. According to Sebastian Aguirre, Concha y Toro marketing director, real wine brands are hard to find nowadays. Most are just labels and ‘wine labels are commodities while wine brands actually mean something to consumers’ [25]. Storytelling may have several distinct backgrounds. It can be about your family history, about how your wine came to be, its difficulties and triumphs along time. Casillero del Diablo™, for example, tells a story about how the company’s founder, Don Melchor, spread the tale that his cellars were ‘haunted by the devil’ just to protect his best wines from thieves! But you can also tell your audience about such things as your grapes’ origins, how you carefully cultivate and harvest it, creating an idea that your wine is exclusive for consumers who realize how important those details are. You can create an emotional connection between the consumer and the terroir. McDonald’s™ do not sell sandwiches all around the world: it is actually selling an American way of life [26]. The same happens when someone buys a bottle of Champagne, Sauternes or Barolo wine – whole regions that became brands. No matter what story is chosen, a brand has to try not to be everything for everybody. Wine consumers are humans and what distinguishes us from all other species is that we have emotions, we like to care. You just have to give your consumers a reason to do it and your brand may become a success [3, 25–28].

3. Advantages and disadvantages of wine branding for consumers

But do consumers benefit as much as producers and retailers from branding? Is branding as good for those who buy as it is for those who sell wine? On their favor, branding can indicate a familiar lifeline to new wine consumers, lost in an ocean of an infinite number of wine names. That’s why brands are most popular in new unconsolidated markets, such as Australia and USA in the 1980s and parts of South Africa and South America currently [1]. The inability to build ‘modern brands’ by French producers is one of the main reasons they are striving to compete in more competitive markets [29]. By breaking the wall of strangeness between bottle and buyers, branding can ‘create’ new consumers and fuel a business that otherwise would be stagnated.

Price is an obvious extra benefit of the rise of modern brands. Since production is generally scalable and supply of grapes is not limited to a region (PDO / PGI), these wines are usually widely available and can be sold at cheaper prices. Many wine drinkers were and still are introduced to wine through a few brands, due both to familiarity and, obviously, low cost. And they are not necessarily bad wines! Their recent rise has actually improved the quality of cheaper, everyday wines: some are able to deliver, for example, good grape tipicity and/or high aromatic intensity. Australian brands like LindemansTM, PenfoldsTM, RosemountTM and HardysTM actually offer reliability and honest quality cheaply – as well as many South Americans, Californians and South Africans [5]. They are making fairly good wines more accessible to more people.

Modern brands also provide a sense of consistency to consumers. PDO and PGI wines, particularly those from marginal climates, frequently vary from year to year according to weather conditions during the growing and harvesting periods. Moreover, origin is not always what consumers are looking for when they buy wine. A poll started by the Wine Spectator in 2014 shows that about two thirds of consumers, when choosing a wine, want to ‘try something new’ – instead of opting for a wine they had tasted before and ‘knew they liked it’ [30]. And younger people, that promising niche, are indeed much more inclined to try new things. Fortunately or not, most consumers simply do not care that much – all they want is a wine that does not disappoint them and delivers what it promises for its price (no wonder more than 93% of all wine bottles sell for less than US\$ 25) [31]. Continuity of supply and consequent consistency give these consumers confidence on what they will be getting for that much money.

Of course all those benefits do not come without a price. First, some even argue branding is not suitable for wine, a product that built its history on a basis of such things as a sense of place and vintage variations. Throughout centuries, wines have always expressed their cultural and geographical origins. The word *terroir*, for example, encompasses characteristics that can be applied only to wine production. Unlike beer, whisky and (worst of all) vodka - for which raw material assumes a tertiary position - people, grapes, regions and their histories have been making all the fame and nobility associated with wine.

Loss of diversity is another huge threat. Most cheap, commercial varietal wines taste almost the same. There is seldom any interest in making distinctive wines by the big companies because they aim at the average international consumer. While retailers promote the idea of diversity (showing off a huge number of different brand names on their shelves), their menus are often monotonous – homogenous, easy, young, fruity wines with no personality. Diversity is one of the most interesting aspects of wine and it has to do with distinct soils, climates, grapes, viticulture procedures, production methods... Remove all these from wine and it becomes a commodity [5] – you’ll end up having the same fun as tasting different brands of milk, fruit juice or corn.

In the long term, unfair competition rarely favors consumers. And one can advocate the fight between classical, estate wines and the modern brands is far from fair. Wine’s secular image of erudition has all to do with

a beverage made and bottled by small village European producers. The modern wine brands are hitch-hiking in that millennial status. While they offer familiarity, consistency and accessibility, each bottle of its kind that is sold represents one bottle of genuine estate wine lost. As Jamie Goode says, they exist because “they are imitating the genuine thing” [5] (counterfeit wine is already an important issue in China [16,17]). But if they grow big enough as to become much more prevalent, what would they tell consumers they are pretending to be? In a few decades, we might end up with a generation that drink wine as we now drink Coca-ColaTM [18].

4. Concluding remarks

After all, there may be some space for optimism. Compare the recent rise of the modern wine brands with the arrival of the internet some decades ago! In the first years of the www, there was much concern for the risk of globalization and standardization. Critics foresaw the end of uniqueness, the funeral of distinction, the start of an infinite dictatorship of the ‘pattern of the majority’. As years passed, it turned out that the web became quite the opposite: the internet made knowledge much more accessible to those who were far from it before. And, importantly, it became a new tool – powerful and with an incredible long range – for the diffusion of culture, actions, movements and demands of some minorities that wouldn’t otherwise be listened by the world. Maybe this is what is going to happen to the wine industry. Branded “commodity” wines will rise to a point where the market will finally see them as a group of homogeneous, characterless alcoholic beverages and will, then, turn its attention back again to *terroir* and history. Hopefully, when this happens, estate wines will benefit from the popularity modern brands contributed to the wine industry – and from all the mass of consumers it brought along.

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