Niche wine marketing in New Zealand – some empirical results

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ABSTRACT

The New Zealand wine industry has been, and continues to go through rapid growth since the early 1990's. The industry needed to consider how it administered this growth and presents itself to the local and world markets. As a result, New Zealand Winegrowers has been established, as a joint initiative of the New Zealand Grape Growers Council and the Wine Institute of New Zealand, to bring the industry under "one roof", and to bring the "New Zealand Wine" brand to the attention of a global market. The industry is at a point where many of New Zealand's oldest and best-known wineries have merged with, or have been purchased by, overseas conglomerates. Empirical research was executed to gauge the sentiments of the market as to the way forward.

The results of the research and the conclusions reviews the potential for New Zealand's small and medium sized enterprise (SME) wineries to have successful cooperative marketing practices in the future. An outcome is a recent development in the New Zealand wine industry, the so-called 'Family of 12', made up of a group of winemakers who have combined their marketers in an international marketing push. The conclusions and recommendations may provide some inputs for other Southern hemisphere countries like South Africa, Australia and Chile to deal with increased marketing competition.

KEYWORDS

Wine
Marketing
Cooperation
Entrepreneurship
Marketing channels

INTRODUCTION

This article presents an analysis and suggestions for the marketing possibilities and the potential for similar sized wineries in New Zealand. Because wine is distinctive to a winery and branded as such, there is a tendency to isolate marketing "in-house", and to reject cooperation within the industry. However, there are examples of cooperation, such as wine tourism and wine clusters. Furthermore medium sized wineries tend to see their next stage of growth to be merging with, or raising finance from, an outside partner.

The New Zealand wine industry was dominated for years by family-owned wineries, and these founding families (usually of Mediterranean origin) can be identified as the forefathers of this rapidly growing industry. Wine making families in New Zealand can be tracked back as far as the early European settlers and started in 1819 in the North Island. The industry progressed through the arrival of a number of Mediterranean families from Lebanon, Croatia, Yugoslavia and Spain, between the late 1800's and World War Two. These families remain some of the largest names in the industry today, although many more wineries joined the ranks during an explosion of wineries throughout the 1990's, and increasing numbers are still a feature in the present day.

According to Benson-Rea, Roderick & Cartwright (2003), the New Zealand wine industry is currently in rapid expansion, a phenomenon which has been driven

Figure 1: Southern hemisphere wine industry comparison

Industry	Area ('000 hectare)*	Volume ('000,000 litres)
South Africa	126	593.1 (2005)**
Australia	164	1,401.1 (2002)***
Chile	111	570 (2001)****
New Zealand	18	119.2 (2004)*****

Source:

*Australian Commodities - Wine Outlook 2005 (http://www.abareeconomics.com/)

** Wines of South Africa statistics (http://www.wosa.co.za/)

*** Australian Wine & Brandy statistics (http://www.awbc.com.au/)

**** Winebiz (http://www.winebiz.com.au/)

***** New Zealand Wine statistics (http://www.nzwine.com/)

by the rapid development of export markets for high quality wines. Inevitably, to meet this growing demand, there is a need for high production. In market-driven environmental circumstances such as these, Benson-Rea et al. (2003) further notes that factors such as innovation, historical background, institutional and social linkages will continue to have significant influence over the success of the industry. In addition, the authors emphasise the importance of coordination and cooperation between wineries, for the development of both the industry as a whole and the individual firms in it.

The terms used in the wine industry to differentiate the history of wine are "old world" and "new world", with the split between the two being based on northern (old) and southern (new) hemispheres. Thus, although North America is an exception to the geographical rule, the "old world" wine industry is based on northern hemisphere production in Europe and parts of the eastern Mediterranean. The wine industry has had shifts in demand due to the shifts in consumer tastes, especially in "old world" countries, and increasing attention is now being paid to the activities of "new world" producers. Southern Hemisphere wine growers have made huge progress to be worthy competitors to the Northern Hemisphere. Today many niche wine producers and wine making has developed, which has accompanying marketing complications, but simultaneously providing opportunities to penetrate new markets on a global scale. This is particularly true because many beer drinking nations, particularly females in these markets have switched to wine as the preferred beverage for all occasions. In terms of the size of the New Zealand wine industry compared to other southern hemisphere wine industries, New Zealand is small. Figure 1 shows the total vineyard area and the total volume of wine produced for each selected country. New Zealand could be a good industry for other southern hemisphere industries to observe for niche marketing, especially with recent extensive growth in the industry.

The wine trade in New Zealand has grown some 300% in the space of a decade, with the number of wineries more than doubling in that time. The industry's export value in 2003 is nearly six times that in 1993 (New Zealand Winegrowers, 2003). To a large extent, this growth was predicted, and entities were established to manage it. For example, in 2002, 'New Zealand Winegrowers' was established as a joint initiative of the New Zealand Grape Growers Council, to represent the interests of New Zealand's independent grape growers. In addition, the Wine Institute of New Zealand was developed to represent New Zealand wineries, (New Zealand Winegrowers, 2004). Out of this alliance, Sustainable Winegrowing New Zealand (SWNZ) evolved, in recognition of a need for environmentally focussed vineyard practices. The same applies to countries like South Africa where Stellenbosch Farmers Winery and others were forced to do innovative wine marking as competition increased.

After establishing industry initiatives to sustain growth, there is then the question of how to market a product that faces increased competition both domestically and internationally. There is a well-reported glut in the global wine market, which will put pressure on New Zealand wines if they do not present themselves as outstanding. In saying this, global export sales trends in New Zealand wines are predicted to increase rapidly by another 300% over the next 5 years (New Zealand Winegrowers, 2003). Competitive marketing is more important now than it has ever been.

The authors use the term "cooperation" to encompass any partnership, merger, joint venture, or strategic alliance between parties in this article. Cooperation is an important vehicle for combining marketing practices between small to medium sized wineries in New Zealand and is explored in more detail elsewhere in this article.

PURPOSE AND OBJECTIVES

The purpose of this article is outlined in terms of the growth and interest in the New Zealand wine industry and its products. The following needs noting about the New Zealand wine industry. Firstly, some elements are unique to the industry, for example, the rapid growth and the number of boutique wineries; secondly, the merging of wineries assessed; and thirdly, factors are listed, which encapsulates the marketing function and the potential for SME wineries to cooperate.

Concern was expressed about the future of New Zealand wine, more specifically in terms of small and medium sized enterprise (SME) wine makers' ability to market their wines and compete internationally against the larger New Zealand wineries. The discussion led to the identification of several elements that are unique to the wine industry. For example, the wine industry has traditionally been dominated by family wineries that have been able to lower their overheads with an "all hands on deck" approach to building the business. In more recent times, lifestyle opportunists or entrepreneurs who have identified a growing wine market and a strong demand for New Zealand wine in particular have started new wineries.

With increasing interest in New Zealand wine, and the entry of new producers into the New Zealand wine industry, there is more competition between wineries to market their products. As large firms have consolidated they have become more cost effective, leaving small to medium sized wineries to compete against monolith corporations with more buying power, greater economies of scale, more sophisticated knowledge of research and development techniques, and well developed vertical integration into more self sufficient and robust entities. (Bretherton, 2004). However, the disadvantages that face large wineries are that they can be slow to move when research and development or innovation calls for change in their practices. In addition, when wineries are forced to merge with other wineries, they lose their independence and sometimes their status, as a wholly New Zealand owned enterprise.

A glut in the international market for wine has led to an investigation into the future of the New Zealand wine industry, specifically for medium sized firms. Medium sized firms are classed as Category Two according to New Zealand

Winegrowers, and this category comprised 30 wineries at year ending June 2002 (New Zealand Winegrowers, 2003). This article is intended to scope out how these wineries' market their products at present, and to examine the positive and negative effects of marketing in cooperation with each other. As such, the purpose of the article is based on two objectives:

- Analyse the rapid growth of the New Zealand wine market and the need to align business practices to match this growth.
- Investigate the potential for co-operation between wineries for marketing purposes.

These objectives lead into the problem being investigated where cooperative marking will be investigated in more depth.

PROBLEM INVESTIGATED

The problem being investigated is discussed primarily in terms of the New Zealand wine industry. First, the perceived marketing terminology specific to New Zealand will be reviewed; secondly, factors such as family businesses versus entrepreneurial ventures will be discussed in terms of cooperative wine marketing; and thirdly, the intangible characteristics of wine is discussed.

According to Gregan (2004a), New Zealand Winegrowers have indicated a strong preference to promote the "New Zealand Wine" brand, an approach which tends to look inwards to the New Zealand wine industry's need for quality maintenance rather than looking outwards to the needs of customers. The industry also needs to sell New Zealand before it can sell individual brands of New Zealand wine, although it is acknowledged that the question to be asked is whether there is a need to shift from being "allocaters" of wine to becoming "marketers" of wine (Gregan, 2004b).

Marketing, as opposed to merely selling, has been described as a matching process, and the implications of that matching, as it directly applies to the wine industry, are clearly portrayed in figure 2. Spawton (1991) advocates the marketing approach as superior to the selling approach, defining the wine marketing needs as follows:

- An understanding of the market place
- The development of marketing strategies both for corporate growth and competitive advantage
- Marketing planning
- Communication
- Coordination
- The management of the branded assets of the wine company

These needs can be addressed in several ways. For example, Benson-Rea et al. (2003) note that there is a need for the New Zealand wine industry to understand demand structures in its international markets and to have the ability to control supply to maintain price premiums. This could be done through closer cooperation between wineries on a micro scale, as small to medium sized wineries lack the economies of scale that the oligopolies have. There are some consequential advantages available to smaller players in the wine industry through an exclusivity of branding and taste preferences. In addition, Benson-Rea et al. confirms the need to create better marketing effectiveness with six trends that need to be considered:

- Changing patterns of increased production
- Shifting patterns of demand
- Increasing retail power
- Increasing competition between countries
- Increasing importance of branding
- Changing of wine industry structures

These themes emphasise the need to consider marketing practices that align with the rapid growth of the wine industry.

With family wineries there can be an issue because the family's name or brand can all too easily be exploited for competitive advantage (Getz et al., 2004), and the association a family brand may have with

Figure 2: The selling and marketing orientations contrasted

	The organisations focus	What business are you in?	To whom is the service directed?	What is your primary goal?	How do you seek to achieve your goal?
Selling orientation	*Inwards* on the organisations needs	*Delivering* products and services	*Everybody*	Maximum numbers through the door	Primarily through *intensive promotion*
Marketing orientation	*Outwards* on the wants and preferences of the client groups	*Satisfying* customer wants	*Specific groups* of people	Customer satisfaction	Through *coordinated marketing* activities

Source: (Spawton, 1991, p10)

quality could be damaged if it is associated with other lower quality products. In the wine industry there is a sense of pride in the product, which is self-distinctive to each winery and may be as much of a reflection of the wines' branding as the process and geographical location. The influence of the founder or pioneer may determine how much they will allow "outsiders" to be involved in the business (Kets de Vries, 1993, pp59-71), in relation to maintaining an exclusively family flavour, and a key outcome of this influence may well be the extent to which marketing capabilities are developed in cooperation with others.

Getz et al. (2004, pp153-160) argue that the only way for family businesses to overcome limitations in size and resource is to engage in cooperative activity of some description, such as "product clubs" or marketing consortia. Some of the advantages of cooperative marketing include:

- Networking
- Achieving greater economies of scale
- Obtaining professional advice
- Access to better technology
- Support for training and education
- Pooling of resources

However, for entrepreneurs to "cooperate" is almost an oxymoron because of the strongly individualistic nature of an entrepreneur. To cooperate, or form alliances with anyone else, means taking into account a collectivistic approach and the need to consider sharing information that would not normally be on the entrepreneurial agenda. On the other hand, it remains possible that family businesses already have a collectivistic nature and may therefore lean towards a cooperative marketing strategy more readily than "entrepreneurial" wineries.

With the New Zealand wine industry's product being effectively promoted at a national level, winemakers now need to consider how they enter other markets and whether they do this on an individual winery basis; merging with other wineries or those with a common interest somewhere along the value chain; and whether this merging occurs through strategic alliances, or joint ventures, or cooperative networking (Bretherton, 2004, Lewis, 2003, Beverland and Bretherton, 1998, Bretherton and Chaston, 2004).

Brown & Butler (1995, p57) state that the wine industry poses additional problems to other industries because it is regulated and capital intensive, with long lead times for planting grapes, production, and selling the wine. This can hamper the progress of strategic shifts and response to new information. This suggests that any move towards cooperation may be more difficult than, say, the cooperation between winemaker and grape grower. As it stands, NZWG has proven that, at a national level, cooperation can be accomplished – the next stage is to achieve the same outcome at a lower level.

One potential form of cooperation in the future could be with vineyards providing grapes for a regional cooperative. An example of this is Cooperatives of Samos, Greece, which is reported to have revived the industry on the island of Samos (Greekwinemakers.com, 2004). The cooperative is responsible for the island's wine production, sales and marketing, and is made up of 26 sub-cooperatives; also known as wine growing villages (Athenee Importers, 2004). The story of the formation of the cooperative is one of gaining recognition for their prominent grape variety, Muscat, and later to gain recognition for the region's wine as "superior quality", an appellation that is usually reserved for French wine (All about Greek Wine, 2004).

Until 1934, when the Greek Government issued a presidential mandate decreeing that all wine that carried the name of "Samos" would be produced from Muscat, the French monopolised the distribution of their wine. The solution to this was to form a cooperative, made up of growers, which bought all the fruit produced on the island. This resulted in more control of quality and the coordinated marketing of the wine – it also established "Samos" as a name synonymous with the Muscat varietal. It can be deduced from this example of a Greek cooperative, that New Zealand could accomplish forming regional cooperatives, which could produce a similar recognisable regional variety of their own. This could also be the case elsewhere in the world to accommodate niche market opportunities.

In order to view cooperation as a distinct and separate issue to consider, there is a need to examine the differences between various forms of cooperation. The following are possibilities:

- A merger which is the a form of cooperation where two become one
- A strategic alliance which is the coming together of two (or more) entities with complementary skills to achieve competitive advantage, usually associated with vertical integration, and used for performing many value chain functions which a single organisation may not possess (Bretherton, 2004)
- Joint ventures which imply that a new entity is created, where all parties have a share of control of that new entity
- Network development is associated with institutes, associations and societies which bring together like-minded people who cooperate informally in a networking situation (Simpson, 2003)

Although the wine industry clearly demands specialist knowledge to make and trade wine, wine marketing has some time ago been described as the ticket to future prosperity (Spawton, 1991, pp6-48) - there is therefore a growing recognition of marketing importance as an essential management tool for the industry.

Another problem faced in the wine industry is the intangibility of the product. On the one hand wine is tangible in terms of our senses, for example smell and taste, but the quality, status and knowledge of the product are all intangible characteristics that need to be communicated to the consumer. According to, (Edwards, 1989, p14) consumers rely upon testimonials from peers and friends through word-of-mouth and the cultivation of a wines image through publicity and public relations. To market wine effectively, the economy of scale of wineries plays an important part. This leads to an inevitable need for cooperation within the industry.

RESEARCH METHODOLOGY

The body of knowledge around marketing in the wine industry is fairly general, and could benefit from further analysis, discussion and recommendations. In this light, the current research has been exploratory and lends itself well to find some answers to the marketing of wine, which could be of value to New Zealand and the international community as well.

The research methodology entails secondary, quantitative and qualitative data collection; and data analysis, including an outline of the survey and programs used to carry out the analysis. This is followed by the results section, which is supported by graphs and tables, and concludes with an analysis of the results.

This mixed method approach is well suited to the research because it characterises the industry dynamics and preferred style of reporting. The quantitative approach is seen as a structured and systematic and replicable way of gaining data on the wine industry. As such, the qualitative approach emphasises various themes arising from the course of study and represents a narrative form of discussion adding to the subjective relationships in the research.

Secondary available data has been largely quantitative, based on volume of wine and tonnages of grapes; financial turnover; and area planted with vines. Using these sources of secondary data, quantitative study into the management and marketing aspects of the wineries is carried out. The data concerning the overall market size, volume of sales, and quantity of product was found through the Department of Statistics, Trade and Enterprise New Zealand, and New Zealand Winegrowers.

The quantitative methodology is based on responses sought from a universe comprising Category One and Two wineries according to New Zealand Winegrowers. There are 421 Category One wineries in New Zealand producing less than 200,000 litres of wine, of which every 5th winery was selected to obtain a random sample of 84 wineries. Category Two wineries produce more than 200,000 litres of wine, of which there are 30. All Category two wineries are included as part of the universe from which to obtain the sample. A combined total of 114 wineries from category One and Category Two were surveyed. The survey was conducted in late 2004.

There were 21 (25%) from Category One wineries and 18 suitable candidates (60%) from Category Two wineries.

After the questionnaire was constructed from a review of the literature it was also tested in practice on a small sample of practitioners. This led to further refinements of the questionnaire.

Further to this selection, the wineries were engaged in three stages. Firstly with an introductory fax; secondly with an email including a link to the survey document using SurveyPro software; thirdly, a follow up email thanking those that participated, and offering those that did not carry out the survey another chance to do so. No option was given for a "hard copy" of the questionnaire to be filled out, although if the response rate had been unacceptably low, this stance would have been reviewed to obtain more responses.

The person targeted in each winery was required to possess knowledge of the history, business structure and marketing aspects of the business. This person was, consistently, the proprietor, general manager or marketing manager.

First Stage

An identical preparatory fax was sent out to both Category One and Category Two wineries outlining the following:

- Introduction to the aim of the survey
- Why the survey was being carried out
- How the selection of respondents was conducted
- How long the survey would take
- Intention of circulating anonymously produced results
- A request to ensure an appropriate person completed the survey
- Affirmation of the ease and security of the internet survey

- Instructions of how the survey was to be emailed
- The author's contact details and alternative contact
- Note that the survey was carried out with the knowledge and approval of Unitec New Zealand

Each fax was individualised to each recipient by name, to encourage a higher response rate, and a screening device was used to prevent other wineries knowing who was included in the survey.

Second Stage

An individualised email was sent providing the following information:

- Acknowledgement that an engagement fax had been sent previously (the original fax was attached to the email)
- The survey web link was provided
- A reference to the nature of the survey was included
- Instructions pertaining to the survey were prescribed
- The author's contact details were provided

Third Stage

A broadcast email thanking the participants was sent out including the following:

- Thank you for the replies
- Reminder of deadline for compiling the data, with another opportunity to carry out the survey offered
- The survey web link was provided
- The author's contact details were provided

The email was sent out with all addresses hidden to maintain anonymity.

The quantitative element of the research was carried out with an online survey using SurveyPro, which was received back anonymously for analysis. The survey contained questions relating to winery ownership; customer focus; marketing; cooperation; and specific information about the history and function of the winery. There were six separate sections in the survey, excluding the introductory and "Survey Complete" pages:

Section A – About Your Organisation (Winery)
Section B – Defining Your Customers
Section C – Marketing Practices with Your Customers
Section D – Measuring Performance
Section E – Views on Marketing
Section F – About You

The main survey questionnaire utilised a six point Likert type scale (1 = Never, 6 = Always) followed by short open-ended questions. This scale was chosen to avoid neutral answers being given. Other questions required answers pertaining to winery size, age, and price range of product and family involvement.

The statistical analysis was carried out to search for correlation between sizes and the period the winery has been established. Data from open-ended questions was transcribed; the content analysed for themes; and those themes incorporated into the discussion section of the dissertation.

A total of 51 responses out of 114 surveys sent (45%) were received, which represents 84 being possible from Category 1 and 30 being possible from Category 2, from the survey. However, a number of responses were incomplete in some way, and a total of 34 out of 51 **complete** responses (30%) were used for the final analysis. The difference in the number of respondents is reflected for each question is reflected in the analysis of each question.

RESULTS AND DISCUSSION

Several areas were identified as being important factors when analysing the results of the survey. First, who are the primary customers in the New Zealand wine industry; secondly, the proportion of production being exported and what those international markets are; and thirdly, the intended versus successful marketing practices in the industry.

Respondents were asked to identify the wineries' primary customers in terms of whom customers are the main focus of marketing activities. It was deduced that the leading primary customers were distributors and merchants. The results are summarised as follows:

- Exporting (distributors, wine merchants) – 45%
- Small scale distributors (restaurants, cafes) - 24%
- Direct to public (cellar, mail order) – 17%
- Wholesale outlets (Liquor King, Liquorland, etc.) – 7%
- Other (contract wineries, passive sales) – 7%

A majority of 21 wineries out of 36 (58%) export more than 50% of their product. The most popular international markets for export were the United Kingdom and the USA. This is supportive of what the literature suggests about the significant increase in exporting since the 1980's. It was also found that the wineries surveyed produced wine for the higher end of the market, rather than going for volume in the cheaper wines. It can be concluded here that there is an emphasis on good quality product in the New Zealand wine industry, with prices reflecting this statement. New Zealand thus competes with other Southern Hemisphere wine producing countries like South Africa, Chile and Australia.

Finding out what the **intentions** of marketing activities were as opposed to what they felt their marketing activities were **successful** in, revealed that most wineries believe that their efforts to attract new customers have been successful. Figure 3 shows a comparison between the intentions and successes of certain marketing activities, based on the mean response rate from wineries.

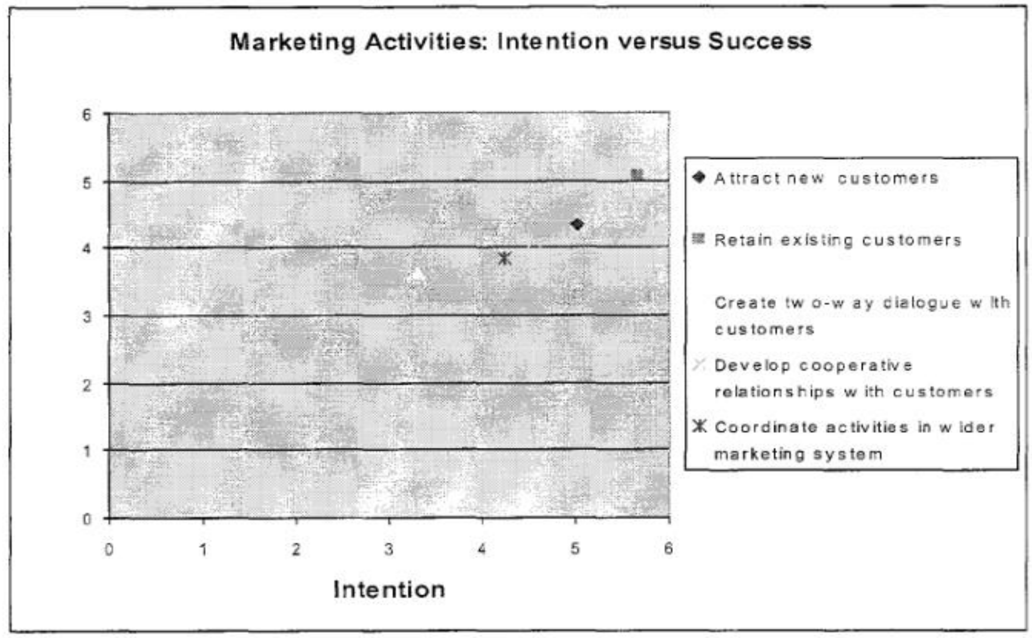
When comparing the wineries' intentions versus their successes in marketing activities, respondents saw attracting, retaining, and developing cooperative relationships and activities to be important, whereas less importance was placed on creating two-way, technology based dialogue with their customers. This would suggest that wineries leaned towards relationship marketing as opposed to transactional marketing (Chaston, 2000, pp19-37). Conversely, they felt successful in the areas where their intentions lay, and again did not appear successful in creating two-way, technology based dialogue with their customers. It can be deduced that creating dialogue with their customers is an area that needs to be further explored outside this research report.

Success in retaining customers would suggest that marketing practices are at a sufficient level, but it could be argued that attention needs to be paid to future marketing practices as competition and production increases. With this in mind, respondents were asked what major trends, issues or changes in marketing practice are currently affecting the industry.

There were a variety of answers in relation to major trends, issues and changes in the wine industry, and the effectiveness of marketing practices that are a consequence of these factors. One issue that was raised several times was the level of competition in the industry and the suggestion that continued industry growth is fuelling the competition. On the topic of competitors, the respondents saw wineries of a similar size to them to be their most significant domestic competitors. As far as marketing practices were concerned, most respondents suggested they had changed their marketing practices over the past year, specifically in communication, distribution channels and promotion. It can be deduced that the overriding factor that would improve marketing effectiveness was more intense and more direct communication with customers.

Following on from trends and issues in the industry, respondents were asked whether they had considered cooperative marketing activities with other wineries

Figure 3: Attracting New Customers: Intention versus Success



(other than merging or joint ventures). There was a positive response rate of 77% (23 of 30 respondents). In response to the question whether they expected joint-marketing activities (such as wine tourism clusters and cooperative marketing) to be at a greater level in the future, 81% (25 of 31 respondents) considered that this would be the case.

Having established whether there was interest in cooperative marketing, respondents were asked for the main reason they would engage/are engaging in cooperative marketing with other wineries. The results i ndicated that the majority of respondents had considered cooperative marketing activities with other wineries. The main reason for engaging in cooperative marketing was to promote wine in their region, creating cost efficiencies and economies of scale. It can be deduced that there is a rising interest in a more local cooperation between wineries as opposed to only nationwide cooperation.

Gregan (2004), the CEO of New Zealand Winegrowers said the question needs to be asked whether the New Zealand wine industry now needs to shift from being "allocators" of wine to becoming "marketers" of wine, and begs the further question of how this can best be done. From this comment, it can be deduced that there is a need in the market for the New Zealand wine industry not to produce copious amounts of wine for allocation to the domestic and world markets, but to define its marketing orientation. This falls in line with Spawton's (1991, pp8-48) earlier comments regarding "selling" versus "marketing".

Given that the "New Zealand" brand is currently well positioned in the global wine market, the industry can now work on more informative marketing strategies. The strategy under review in this article is in the form of cooperation between wineries to market their products while maintaining their independence. Cooperation and alliances are nothing new to the industry but, in its maturation, consideration needs to be given to wineries and regions maintaining their individual integrity without becoming part of a conglomerate or merging with various other wineries, only to lose their individuality amongst a myriad of brands.

It can be deduced that there also seems to be a need to further develop regional marketing strategies to meet the needs of individual wineries as the New Zealand wine industry matures.

Marketing activities are the most important function for SME wineries in future. Without selecting compatible markets, wineries would not have the capacity to sell their reported increase in production and could easily be left with substantial surplus stock. Wineries need to carefully manage the following with regard to their marketing, particularly if they are in the same country/hemisphere:

- An understanding of the market place and its likely future demands
- Development of marketing strategies both for corporate growth and competitive advantage
- Marketing planning that aligns with the industry and strategic objectives
- Encouragementofmorecommunication between wineries and between regions
- Coordination of marketing activities
- Management of branded assets to retain product and service quality

Similarly in South Africa the Stellenbosch Farmers Wineries (SFW) operated very successfully in the Stellenbosch area to strengthen individual wine farmers' efforts to enter bigger markets.

Cooperation is an enabler towards identifyingandpursuingthemajorsegments in a market. Through cooperation, the volume and variety of product is increased, enabling smaller wineries to compete in markets alongside their larger competitors. In addition to the prospects of cooperation, an important finding in the results of the authors' survey is that wineries see their competitors as those of a similar size to there own. In light of the cooperation discussion, it can be deduced that wineries would cooperate on a regional basis because this would include all categories, and not just similar sized wineries.

A cooperative can be a separately run organisation that caters to the marketing needs of wineries. It can be deduced that the selection of wineries could be based on the following for cooperation purposes as well:

- Variety type (e.g. Chardonnay, Pinot Noir, Sauvignon Blanc)
- Region (e.g. Auckland, Hawkes Bay, Marlborough)
- Similar sized wineries combining for larger economies of scale in the export market.

It is worthy to note that to some extent wineries are coming together to combine their marketing efforts as well. The most recent example is the 'Family of 12', which is made up of marketers from 12 wineries in various regions to intensify marketing efforts (Hendery, 2005).

The question also needs to be asked here whether, given the size of the New Zealand wine industry, is it worth cooperating at another level other than nationally?

CONCLUSION AND RECOMMENDATIONS

Conclusions are focused on the rapid growth of the wine market; and secondly, the potential for cooperation between wineries for marketing purposes to market wine in a niche context.

The rapid growth necessitates a need to review marketing practices in order to combat international competitors.

An integral part of establishing the major trends, issues or changes in marketing practice currently affecting the industry, was to find themes that were raised by survey respondents. It is concluded that the strongest themes, representing over two thirds of respondents, are the following:

- More competitors due to industry growth
- More price competition
- Oversupply of wine to the market

It is concluded that strategies need to be established to allow the industry to maximise the benefits of fair competition, whether that be from the number of competitors entering the market pre-empting an oversupply of wine, or competitive pricing. In addition to these themes, there is also concern regarding the need for higher quality wine and better branding. These themes provided a foundation for a closer examination of marketing practices in New Zealand wineries and the wine industry as a whole.

The question was raised whether there is a need for the New Zealand wine industry to shift from being "allocators" of wine to becoming "marketers" of wine. In response, themes were identified from the author's survey questions, asking whether organisations had changed their marketing practices in the last few years. It is concluded that the strongest themes, representing over two thirds of respondents, are the following:

- No significant change
- Increased communication
- Increase export/positioning focus

The conclusion is that wineries should be strategic in their approach to maintain their position in the market. This is based on respondents' statements that no significant change has been made to their winery's marketing practices. Given that the other strongest themes were increased communication and export/position focus, it can be concluded that some wineries have identified the need to collaborate and assert a global focus for their wineries.

In addition to the marketing practices themes, respondents stated that there was a need for more employment of marketing personnel, and a need to review packaging and branding. Respondents also claimed that they could best improve their organisations' marketing effectiveness through the following conclusive themes representing over two thirds of respondents:

- Better customer communication
- More marketing
- Developing relationships

It can be concluded from these themes that the New Zealand wine industry could

Figure 4: Analysis to determine the need for cooperative marketing in the wine industry

	Strengths	Weaknesses
INTERNAL	• Strong "New Zealand Wine" brand • Popular grape varieties (e.g. Sauvignon Blanc, Pinot Noir, Chardonnay) • Quality wine • Clearly defined regions • Excellent tourism prospects • Excellent complementary cuisine, cheese, etc. • Reputable individual brands • Good industry cohesion • High degree of innovation	• Small industry • Undue reliance on certain brands for export • Lack of regional cohesiveness • Dominant wineries owned off shore • Insufficient knowledge of new technologies
	Opportunities	**Threats**
EXTERNAL	• Increased exporting • Cooperative regions • Cooperative varieties • Higher quality production	• Increased competition from other emerging countries (e.g. South Africa, Chile, Australia) • Reduced export demand • International competition for premium wine categories • Price competition with imported wines • Declining wine consumption

benefit from creating an identity through cooperation; improving communication with customers; and developing new and existing relationships in the market. These themes can work hand in hand through cooperative marketing practices.

An analysis of the internal and external environments was carried out, based on the theory and the resulting themes from the authors' survey (figure 3). It can be deduced that New Zealand's wine industry is conducive to strong cooperation in tourism and complimentary products like different types of cheese, but the industry lacks cohesion at a regional level, which weakens their competitive position.

The main concerns that would create better marketing effectiveness were enhanced quality; coordination within regions; and better branding which should be taken note of in the aforementioned analysis resembling the SWOT methodology.

As discussed earlier in this article, the theory suggests trends that create better marketing effectiveness. It can be concluded that these trends are parallel to the themes that have been identified, and emphasise the need to consider marketing practices that align with the rapid growth of the wine industry. With this conclusion, the next objective is to investigate the potential for cooperation between wineries for marketing purposes.

The potential for cooperation between wineries was shown through themes presented by survey respondents, when asked for the reasons they would engage, or are engaging, in cooperative marketing with other wineries. It is concluded that the strongest themes, representing over two thirds of respondents, are the following:

- Enhance regional image
- Marketing and promotional cooperation

The conclusion is reached that the marketing function is by definition very close to the customer, and this can make supplier cooperation difficult. However, there are different ways to cooperate in the marketing of wine, and it is evident that an enhanced regional image and cooperative marketing are of importance to New Zealand winemakers. Though most wineries belong to New Zealand Winegrowers, and therefore benefit from the "New Zealand" brand, it appears they need another tier of cooperation. This could be regional, or with wineries of similar characteristics.

It is concluded that there is a genuine trend towards wineries cooperating with each other to boost communication, relationships and image, to counter competition and oversupply in the market. As mentioned earlier, an example of this type of cooperation is the 'Family of 12' wineries who have come together to intensify their marketing efforts. These all coincide with the marketing function and point towards some form of cooperation to give economies of scale in the competitive wine market in New Zealand.

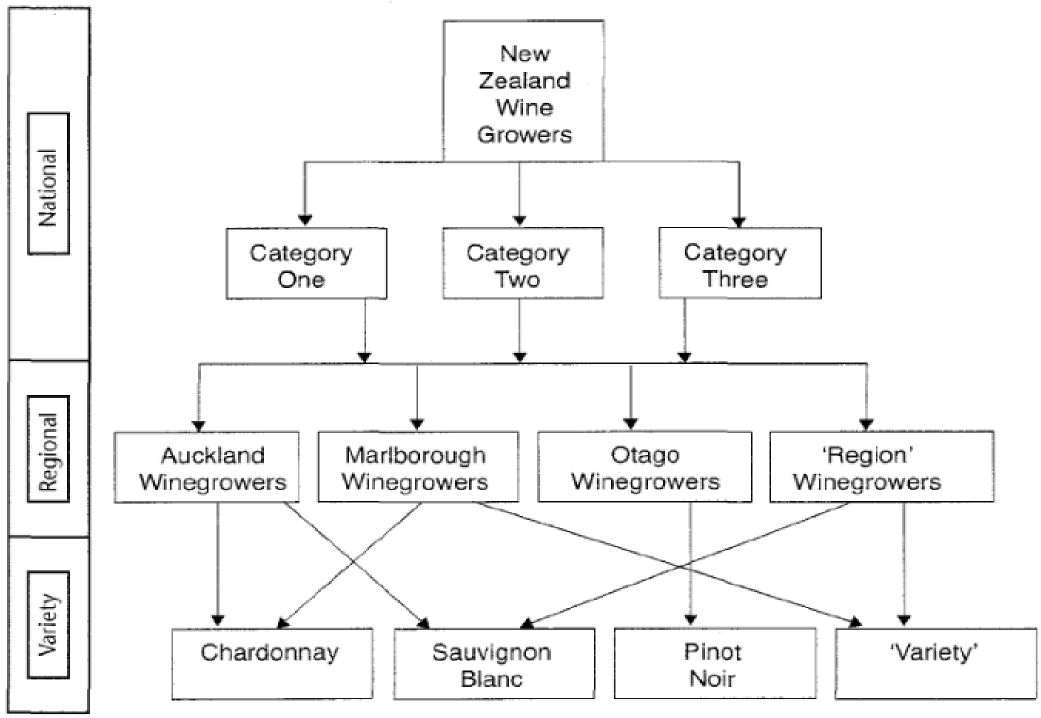
These are alternative solutions to cooperative marketing means are suggested as being the following in a retail context:

- Retail selling via boutique type liquor stores might be one of the options to consider
- Concentrate on wine clubs
- On-line selling worldwide
- Regional wine tourism outlets

In terms of the analysis and consolidated information from the literature review and the results of the survey, a further model can be constructed over and above the SWOT model outlined previously. This is discussed below.

Realistically, the resounding conclusion is that wine industry participants see the importance of "working together". It can be deduced that New Zealand Winegrowers was formed with a need to satisfy these needs in the first place and, if they are being raised again, it is time to review the need for another tier of cooperation in the industry.

Figure 5: Regional Cooperative marketing model for New Zealand



In order to reconsolidate the industry subsequent to its substantial growth, the following tiers of cooperation are presented as recommendations for New Zealand producers.

- **National** - As stated earlier, the "New Zealand Wine" brand has received accolades at an international level, which concludes the national branding promotion carried out by NZWG. This promotion will continue using the three categories based on production volume.
- **Regional** - The next step will be to look at the wine industry according to region (for example, Auckland, Marlborough, Otago, etc.), while retaining the established categories. This tier will serve to promote each region independently, without diluting the recognition of the "New Zealand Wine" brand. The transition will be from "allocating" New Zealand's wine globally, to "marketing" regional wine to the international market.

It is recognised that regional cooperation is occurring at present, albeit disjointedly, through wine tourism clusters and vertical integration, as suggested in the researched literature and results. The rapid growth of the industry leads to the conclusion that it is indeed time to reconsolidate the regions in a similar way to NZWG. To summarise and conclude these findings, figure 5 is a suggested model that would differentiate the New Zealand regions and which could be of value elsewhere in the world as well.

- **Varietal** – Further to regional cooperation, the other distinguishing feature about wine is its variety type. Although there may not be a need to form a cooperative for each grape variety, there can be cooperation for the marketing of, for example, pinot noir as a regional varietal).

To capture the above recommendations, the following model for cooperation and marketing can be utilised to establish better marketing strategies for the wine industry in New Zealand. This model can possibly also be used elsewhere in the world in the Southern Hemisphere in particular, where broadly similar types of wine varieties are produced such as South Africa, Australia and Chile.

Without these tiers there is a potential for "maverick" wine makers to compromise the quality and branding of the New Zealand wine industry. This needs to be avoided because it affects the pricing of the wine product, not to mention the lucrative hospitality and tourism industry. In summary, cooperative marketing is an option for wineries, which are big enough to be taken over but small enough to cooperate with other wineries to market their brands and intensify their economies of scale.

These recommendations are possibly applicable to the southern hemisphere wine producers, such as South Africa, Chile and Australia, to refine their own marketing in order to cooperate in international niche markets.

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