KEY SUCCESS FACTORS
IN TODAY’S WINE SECTOR

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Abstract

For several years now, Bordeaux’s vineyards have suffered from what would appear to be an interminable crisis. Some analysts see over-production as the cause. Others blame the product Bordeaux puts out, decrying its lack of adaptation to new consumer preferences and expectations. It is true, Bordeaux producers do not tend to spontaneously adapt to new market orientations. However, faced with worsening conditions, many producers begin to look to marketing as a way to improve sales. The present article uses a series of case studies covering regions outside Bordeaux to shed light on the dilemma and to suggest solutions.

KEY WORDS: Key factors of success, marketing, case studies, wine industry

INTRODUCTION

The crisis in which Bordeaux’s wineries find themselves, seems to have become structural rather than just being transitory in nature. Wine markets have undergone major changes in terms of production volumes and consumer behaviour. One example is the UK market, one of the most dynamic and demanding in the world. The democratisation of this market was analysed by [R. Gluckman, 1986] between 1979-1984. They found two trends: an influx of new consumers and a diversification of consumption opportunities. More recently, Castaing and Mora [2005] have found almost diametrical different environments between markets in the 1970s and in the 1990s. See Table 1.

TABLE 1
CHANGES IN THE FRENCH WINE MARKET

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Daily per-capita consumption of 80 l/year</td>
<td>Occasional per-capita consumption of 50 l/year</td>
</tr>
<tr>
<td>Ubiquity of table wines</td>
<td>Move towards appellations and wines defined by their grape variety</td>
</tr>
<tr>
<td>Wines capable of aging</td>
<td>Wine best drunk right away</td>
</tr>
<tr>
<td>Small communications budgets</td>
<td>Trend towards restrictions on communications</td>
</tr>
<tr>
<td>Dominance of merchants</td>
<td>Dominance of mass retailers</td>
</tr>
<tr>
<td>Mostly male buyers</td>
<td>Increasing number of female buyers</td>
</tr>
<tr>
<td>Consumers loyal to a favourite ‘appellation’</td>
<td>Diversification towards grape varieties and brands</td>
</tr>
<tr>
<td>More or less stable prices, depending on variations in production volumes</td>
<td>Search for promotional offers</td>
</tr>
</tbody>
</table>
Many candidates for an appellation certification | Some industrialists pursue a quality approach
---|---
French leadership in export markets | Incipient New World leadership in the export markets

Should one consider, as T. Spawton [1991] does in other circumstances, that Bordeaux wineries’ current fate stems from a poor adaptation of supply to market developments and from excessive “product orientation”? Or to the contrary, maybe appellations do not need to adapt to market and should try instead to pursue a new strategy based on attracting those customers who are most likely to adopt their current output? All in all, this is a very current debate with a several trends emerging in the Bordeaux region:

- Many producers are suffering operating losses, e.g., Bordeaux Rouge (Red) Appellation d’Origine Contrôlée (certified region of production) per-barrel cost often exceed €1,000 while retail prices at the end of 2005 were less than €800.
- A whole slew of growers who have for many years produced a verifiably high-quality wine are being forced into liquidation.
- Certain winemakers are beginning to apply for government incentives in the form of vine destruction grants. They receive €15,000 from the government for each hectare they destroy.
- Some stocks are being distilled to reduce supplies.
- Many wineries still sit on their 2004 vintage and have no room for their 2005 harvest.
- Initial price estimates for the 2005 vintage were very disappointing, despite the recent harvest’s universally recognised exceptional quality.

Faced with this extremely worrying situation, the profession has been trying to find “success stories” that might apply to a wine growing area made up by a tapestry of small vineyards - nearly 12,000 across the Bordeaux region. This article aims to use a series of case studies to suggest several ways to improve the situation for the Bordeaux vineyards. After reviewing the relevant literature, the authors applied a methodology that consisted of meeting with different sectorial actors (individual growers, industrialist-merchants, co-ops, wholesalers, retailers, exporters) and asking them what they consider the keys to success in their profession. Several major themes have been broached via interviews, each involving the study of a firm pursuing a particular approach. Each case offers specific lessons that could be used by local actors in the future.

To delineate the scope of the research, note two situations that are not part of this paper:

- “Grand Crus” great wines, which (in the Bordeaux region, at least) have not suffered from the aforementioned problems.
- The “elite” appellations d’origine contrôlées, i.e., township-based appellations like Saint Emilion, Pessac-Léognan and Pauillac, that still seem to be protected by their territorial image.

On a broader plane, none of the case studies presented is situated in the Bordeaux region itself, to ensure that the article applies a principle of neutrality. To repeat, each of the following six case studies illustrates a potential path for development.

**BEING DIFFERENT**

J. Lapsley and K. Moulton [2001] explain in their book “Successful Wine Marketing” how crucial it is that wine products seek a real identity. One can derive from this other marketing policy choices that companies may be advised to make, relating notably to their product’s positioning, price and communication to the market. It should be noted that the term “identity” is often misused. For example, how can each wine’s identity be developed? An older approach is to rely on an appellation principle, with growers defining a specific territory and restricting per-hectare yields (and the number of annual applicants qualifying for this label) as a means of quality control. An appellation’s success is based on its ancestral and rigorous attributes, and of course, on the grower’s competence. A newer approach consists of developing branded wines and assuming that a brand conveys a particular identity derived from its specific competitive positioning and astute advertising. Brands, which are very present in analogous sectors, like champagne or spirits, are the “sign” of an identity and serve as a benchmark for consumers who are then able to rely less on their own judgment in their purchasing acts. Brands build their strength with powerful advertising budgets. This means that they often become a “weapon for the powerful”. Note that the Bordeaux region is not home to any particularly powerful group.
For this reason, Bodega Txomin y Xaniz, situated in the Txakoli vineyard in the heart of Spain’s Basque Country, were included in this study. This Bodega is an example of development of a successful “product identity” with a small advertising budget. The wine’s success is all the more remarkable since the Company only employs around a dozen staff members, owns a mere 35 hectares of vineyards overlooking the Atlantic and does not enjoy the same notoriety as an ancestral appellation. It remains that the winery regularly sells its entire stock. Even more remarkable is the fact that its young appellation, running out of space on its property, has been forced to acquire plantation rights in another wine-growing region (Andalusia). This is especially impressive when considering that 300 km further north, in Bordeaux, appellations that enjoy greater notoriety, are carrying excess inventory and even have to ask their members not to cultivate part of their vineyards in return for a €15,000 per hectare government indemnity.

Txakoli’s success stems mainly from its strong identity, itself a product of Basque nationalism. In just a few years, this sparkling white wine has become the emblem of an entire region. The Bodega’s owner says that he “cannot really afford advertising” and he sells most of his output himself within a 50km radius. His product identity targets Basques and also an increasing number of tourists. “When visiting Saint Emilion, one can only imagine drinking Saint Emilion. Why shouldn’t a tourist reason similarly when eating in a fish restaurant here in the Basque Country?” Txakoli also benefits from simplified management procedures. The company offers only one product, spends little on advertising, and sells directly to a network of geographically and culturally compatible retailers and restaurants.

SEGMENTING THE MARKET

The advantage of having real market segmentation is that consumers can be grouped homogeneously. This helps to improve the efficiency of any commercial actions undertaken.

McKinna [1987] showed that wine consumers could be classified into four main market segments: connoisseurs (25%), students (51%), new consumers (10%), and bulk consumers who drink wine served in boxes, etc. (14%). These averages may cover significant national variations. The market breakdown will vary depending on whether the country in question is “Old World” and accustomed to well established benchmarks like appellations, or “New World” and more spontaneously interested in specific branded wines or grape varieties. Hall and Winchester [2000] explained that a detailed understanding of often fluctuating behaviour is essential for an accurate segmentation when using an approach of this sort. It is only under such conditions that segmentation can be efficient.

Price setting, a direct result of segmentation comes from various approaches that Edwards and Spawton [1990] have described as characteristic practices of the Australian wine industry. These include price strategies rooted in a differentiation based on a specific grape variety or vinification process. Strategies of this sort must be able to rely on segmentation information that can identify which consumer group is willing to pay higher prices.

Sea Smoke Cellars “winery”, overlooking the Pacific Ocean in California, embodies this kind of price differentiation strategy, thanks to hyper-segmented production in its Santa Rita appellation, a newcomer only founded in 2001. In this case, company executives made the decision to base their product’s specialisation on grape variety: 97% Pinot Noir, adapted to the local oceanic microclimate. As for marketing, only one type of consumer was targeted: “connoisseurs” who supposedly possess a solid knowledge of wine, red notably, and who base their decisions on precise criteria like vineyard, grape variety, region of origin and vinification process. For these individuals, consumption corresponds to a lifestyle choice and to certain values. Involvement in the purchasing act constitutes another criterion of segmentation. Devoted readers of reviews like “The Wine Spectator” or “The Wine Advocate” are individuals seeking self-improvement. In other words, Sea Smoke Cellars targets potential consumers in the US domestic market through media familiar to these groups. This can include media advertising or participation in a variety of competitions, awards or mailings highlighting the company’s various commercial strengths.

Sea Smoke Cellar’s sole purpose is to find “Pinot Noir Fanatics”, special types of consumers who are ready to pay whatever they have to. The Company’s performance has been remarkable, especially since the price range per bottle prices is between $25 and $65.

A niche-logic also underlies the company’s approach to overseas markets. Only the following countries are targeted: Canada, Hong Kong, Singapore and Switzerland. Many consumers in these
countries are known to be able to afford more expensive wines and are also known to have more than adequate knowledge of wine.

The virtues of this “small is beautiful” orientation would appear to be congruent with the image and positioning of wine from the Bordeaux region, where production is also split into small vineyards that neither want nor are able to engage in price wars. Of course, this strategy only works if the target segment is clearly defined and delineated.

Bordeaux wine is too expensive! This frequently heard criticism aimed at “elite” wineries does not seem to hold, since many of the region’s lesser-known wineries continue to sell wines that are just as expensive as Sea Smoke Cellars. Of course, marketing strategy says that market participants should fight with the weapons they have. “A great wine will always be an expensive one”, especially in Bordeaux, where per hectare yields rarely exceed 50 hectolitres, where local land cost more and labour prices are higher than in many other places, and whose appellations contrôlées system prohibits certain vineyard methods, like irrigation that could reduce costs. It seems, therefore, that Bordeaux producers should apply a “skimming” policy focusing on value and not on production volume.

MOVING CLOSER TO THE MARKET

Mudill, Riding, Georges and Haines [2003] have highlighted distribution channel concentration as the key variable in the world wine market. Like wine producers, actors in these channels have engaged in countless mergers and acquisitions in their attempts to gain more power vis-à-vis the major retailers and to shorten the logistics chain. In many sectors of activity, value added has steadily moved downstream, benefiting retailers instead of entrepreneurs who are in the process far upstream. This has triggered a merger-mania with companies trying to move as close as possible to the end user by eliminating intermediaries.

Concha Y Toro exemplifies this kind of strategy and is being presented in this paper in the context of its development in the British market, one of the most energetic and knowledgeable in Europe. The British off-license retail market is divided into 48,000 points of sale, accounting for 83% of the national market in volume, and for 62% in value. Business on licensed premises, therefore, represents 17% of the national market in volume and 38% in value. The UK market rose sharply from 77 million 12-bottle cases in 2002 to more than 83 million in 2004. Global competition seems to have homed-in on this one national market. This currently works to the benefit of the United States (+20% between 2002 and 2004), in front of New Zealand (+16%) and Chile (+13%). Conversely, “Old World” countries seem to be lagging behind, with 2004 volumes down 4% for France, traditionally the leading provider of wine in England.

Amongst the many explanations provided for the “New World’s” breakthrough, price positioning is often evoked. The current “market price” is said to be around €5.30 (retail price for still wines). Another explanation is the rising domination of producer brands, whose sales rose by 5 million cases between 2004 and 2005, vs. a 1 million case drop for retailer brands. Australia accounts for five of the top 10 brands here, and the US two. Hardy’s alone covers 6% of this market (5.3% in volume). There are no French brands amongst the UK “top 20”.

Although price competitiveness and brand power explain some of the New World’s success, it is important to note that Chile, the US, Australia and South Africa’s current expansionist policy is merely a corollary to the sharp rise in these countries’ production volumes (+60% between 1994 and 2002). Even as people in Bordeaux decry over-production as the source of their vineyards’ woes, France’s national rivals have no problems in selling ever-greater quantities of their own output

Concha Y Toro is one of these new actors in the British market. Supported by a 1,600-person strong parent company, it exports nearly 8 million cases across the world, an amount exceeding the whole of Chile’s domestic market. The Company is sustained by a true export culture fuelling its extremely rapid expansion. With $258 million in turnover and a ROE of 13%, Concha Y Toro uses its firepower mainly in the export markets. Its $663 million market capitalisation on the NYSE may lag far behind Constellation Brands’ $3,400 million or Brown Forman’s $5,800 million, but its share price performed fantastically between 1994 and 2004, rising from $18.80 to $41.90.

Concha y Toro’s financial power is specifically what has allowed it to increase sales volumes by 257% over the past four years, vs. an average growth of 72% for all Chilean producers. The Company is already close on the heels of its leading Chilean rival in the UK – a success the company’s head of sales attributes to four points:
• A ten-product portfolio that is supposed to cover the full array of local needs at costs ranging from £3.99 to £19.99. Retailers are happy to benefit from this range effect.
• A differentiation policy centring on three families: a few accessible (fruity) and simply packaged entry range products priced between £4 and £5, a signature brand, Casillero del Diablo, which costs £5 to £7 and monopolises the Company’s marketing efforts (where it is portrayed as “the” Chilean brand), and a connoisseurs’ wine made out of a mixture of grape varieties, some of which actually come from South America (Carmenere)
• The whole business revolves around a constant renewal of knowledge about consumers, achieved through regular market studies that the Company either purchases or commissions. Each communications campaign is prepared fastidiously, with its efficiency being monitored ex post facto.
• The sales force is always out and about visiting retailers. This gives the Company a constant presence, helping it to conduct its brand and product capital actions out in the field.

Concha y Toro’s head of sales, aware that market share in a country like the UK is won “1% at a time”, has allocated to his sales staff the mission of “turning our signature product into a benchmark item, thanks to our investments as well as the product’s constant quality and accessibility”.

BUILDING A BRAND VIA AN INTEGRATION POLICY

M. Reid [2001] has noted that the wine industry, currently in the midst of a globalisation phase, is having to cope with the events that typify such epochs: retail sector consolidation, proliferation of brands, fragmentation into a multitude of market segments, and over-production. Faced with these new challenges, Reid’s study has shown how it is in the producers’ interest to adopt an integration policy, notably one that revolves around marketing and advertising. He sees this as providing positive outcomes at several different levels: brand loyalty amongst consumers and retailers, greater market share, and higher profitability.

Such advanced integration is exemplified by a Rioja-based Spanish group, Baron de Ley, whose image derives from its location in one of the world’s more prestigious wine regions. This became the starting point for a company that first weighed in with only 90 hectares, but that now has 163. Rioja is a sunny region. This means that local alcohol levels often reach 13% by the middle of September. Baron de Ley’s product portfolio purports to be more top-of-the-range than a Rioja would be in general, with 64% “Reserva” (instead of 13%) as opposed to only 8% “Joven” (instead of 48%) and 25% “Crianza” (instead of 37%). Thanks to astute financial arrangements, Baron de Ley has been able to manage the growth in its stocks [inventory], which rose over the past decade from 13 to 59 million litres. Lastly, 2003 turnover of €76 million represented a four-year rise of 50%, growth achieved without undermining profitability. Even better, 2003 ROI was around 16%.

When Baron de Ley’s executives are asked for the factors underlying their success, they often talk about upstream integration. In addition to the vineyards it owns, the company controls its supply chain thanks to a network of loyal farmers providing its grapes at a pre-determined price per ton. This guarantees production volumes and facilitates forecasting of costs.

The second integration element is the regularity of Baron de Ley’s product and advertising policies. Far from seeking diversity focused on a basically narrow target of connoisseur consumers, the company is targeting “standard” consumers that are attracted by the sorts of virtues that a brand can offer, to wit, a stable “product promise”.

The third element of Baron de Ley’s integration policy is financial. The Group balance sheet is remarkable for its long-term capital resources. 2003 shareholders’ equity stood at €140 million, vs. only €2 million in debt. Fixed assets stood at €72 million, meaning that the company enjoyed €68 million in working capital, an excess it uses strategically to fund its inventory and suppliers’ credits (which are on the rise, reflecting retailers’ increasing power). The received wisdom here is that working capital is the fifth variable in the marketing mix of any company that wishes to develop a global brand. It is precisely because the company has been listed publicly for so long that it has access to necessary funding.

Thus, from controlled vineyards to stock market partnership, Baron de Ley applies an integration policy based on powerful resources, productive processes and regular production. Its performance is more than satisfactory, with “El Coto”, its signature brand, accounting today for more than 16 million bottles sold in Spain.
INCREASING VALUE ADDED

Should appellations d’origine contrôlées adapt to consumers? More to the point, is marketing a useful tool for appellations? Chatters and Pettigrew [2003] have asked what really makes the quality of a wine. They classify a range of criteria into “extrinsic” data (i.e., appellations) and intrinsic data (pleasure, taste, potential for ageing, ease of consumption, etc.). Note additionally. That appellations from Bordeaux, where wine needs to be kept two or three years if it is to be appreciated properly, are increasingly competing with “pleasant wines” or “sunny wines” that can be consumed right away and which are sometimes modified (by adding sugar or fruit) to enhance such immediate consumption. In short, there will always be a contradiction between appellation and marketing approaches.

The example of Château Puy Servain reminds, however, that hope lingers eternal. This is primarily due to the fact that the first dimension of a marketing mix is a product with its qualities – without a solid product; there can be no commercial policy. Château Puy Servain is located on the Eastern borders of the Bordeaux appellations district and situated on the lands of a professional association called CIVRB (Inter-professional Committee for Bergerac Regional Wines). Bergerac wineries are located about 100 km to the East of Bordeaux. Château Puy Servain’s wine-maker is a member of a group of professionals who first embarked upon a stringent quality approach in the early 1990s, in an attempt to reinvigorate their local appellation, called “Montravel Rouge”. They noticed that most of Bergerac’s output was destined for bulk sales, to be marketed through wholesale merchant channels. Because Bergerac merchants had such a small impact on the markets, most local output ended up in the hands of Bordeaux merchants with little regard for the value of Bergerac wine. The Bordeaux merchants used the Bergerac output as a price regulating mechanism (i.e., an alternative product whenever Bordeaux wine prices rose). The Bergerac winemakers concluded that they should try to free themselves from the aforementioned trade channels by abandoning their previous bulk logic. Henceforth, they would be the ones responsible for creating their wine’s value added: on the vine, in the fermenting cellar, and by selling directly.

The main element of differentiation comprising this appellation Montravel Rouge value added initiative would revolve around the certification of bottled wine instead of vat samples. The new motto became “whereas traditional certification guarantees a product’s origins, our final product certification guarantees the quality of the wine that consumers actually drink”. After all, vat samples can differ for a variety of reasons from the wine people are consuming. This change made for a much more rigorous selection, with one-third of all producers being refused the appellation Montravel year in year out, versus the 2% of all Bordeaux producers refused certification in this latter region.

Montravel’s second specificity would reside in greater density of plantation, with a minimum of 5,000 or even 7,000 vines per hectare being planted henceforth. This is the way things used to be done in the past, when vines were planted no more than two meters apart. Because of factors like plant disease, lengthy periods of frost and general vineyard crises, wide rows (sometimes as broad as 3 meters) began to appear in the 1950s, so that after a while the number of vines per hectare rarely exceeded 2,500. Yet a lack of density induces excessive growth in vines, translating into surplus yields (i.e., into an over-exploitation of each vine). For this reason Montravel Rouge producers opted for a higher density of plantation, i.e., for a reasonable exploitation of each vine. For this reason Montravel Rouge producers opted for a higher density of plantation, i.e., for a reasonable exploitation of each vine. Of course, this would translate into a production surcharge estimated as high as 30%, but this cost became seen as the price to pay for quality. Château Puy Servain pursues a value added policy in its vineyards through costly projects like blossom pruning and “green harvests”.

These considerations may seem remote from normal marketing concerns, but in the opinion of the authors, they fit in with the overall “value added” approach being expressed in this paper: in the requirement that extra work be done in the vineyards, in the vinification and certification processes, and in the commercial efforts undertaken to throw off the yoke of the normal merchant channels.

FINDING A DIFFERENT WAY TO COMMUNICATE

It is known that amongst the various marketing mix tools available to wine sector product managers, communications [advertising] plays a role that is clearly important yet increasingly constrained by legalities, notably in France. Furthermore, although one of communication’s main goal is to attract new (and often young) consumers. This is particularly difficult for a product like wine, which suffers in France
from its ageing image as an “old person’s tipple”. The Internet can help sponsors here by providing an additional vehicle for media communications. Kehoe and Pitkow [1996] have clearly shown that the Web targets a mainly male population that is relatively young, influential, and which enjoys above-average education. By happenstance, these criteria resemble US wine advertisers’ current targets. Of course, a “100% Internet” approach should also be avoided. Gebauer and Ginsburg [2002] have demonstrated that one of the reasons for the failure of on-line wine promotions is that even if it is easy to launch a new on-line service, the usefulness is harder to prove. Their opinion is that the Internet continues to offer a limited penetration rate for consumers of this ilk.

The launch of the “Sofia Mini” exemplifies a judicious use of the Net. Two versions of this product were designed. Starting with the Sofia *Blanc de Blancs*, named after Sofia Coppola, daughter of Francis F. Coppola and a successful director in her own right (notably of “Lost in Translation”). Now, since Ms Coppola herself fits the profile of the new wine consumer being targeted in the US, her namesake fizzy *Blanc de Blancs* is being associated with her image, much like a cosmetics product is tied to its creator. The product packaging tries to be revolutionary here, coming in a screwcap bottle wrapped in a thin, transparent and pink sheet of paper. The wine itself is a delicate mixture of Pinot Noir, Muscat and Sauvignon Blanc, and exudes an aroma of pears, honey and passion fruit. With its low content in alcohol, the product targets a “young, urban and glamorous female population”. The product range is broken down into soda can-like containers, with the “Sofia Mini” coming in easy-to-carry 4-packs that can be drunk at unusual times in the oddest places: on a plane, in the back seat of a car, at a party, etc. The two main themes associated with this product are diversified usage and group consumption. Communications on the [www.sofiamini.com](http://www.sofiamini.com) site mesh with its style, including videos of Sofia Coppola sipping her wine in a “glamorous” environment. There is also a possibility of commenting files sent to friends with words like “revolutionary, poetic, sparkling, energy, fragrant, cold, cool, coming-of-age, fizzy”, thereby driving word-of-mouth practices. With its “trendy” music, the target is clearly comprised of young, urban and high spending “pioneers” or “first movers” who will be promoting the product themselves.

This communications mode shows that it is possible to combat France’s generally fatalistic attitude towards wine as an “old fogy’s tipple, something my parents would drink”. Celine Simonnet-Toussaint [2004] has explained that wine, a vehicle of sociological transmission, has suffered the counter-effect of the downfall in family (notably paternal) influences and is finding it hard to establish itself in today’s “generalised culinary nomadism”. A daily bottle of wine may represent a “tried and trust household icon” gracing our dinner tables – but it is an object whose image has aged in the eyes of the many young persons today who either do not drink alcohol or else seek products that are more accessible (sweeter or fruitier or with less tannin). Instead of waiting for the product to disappear once its last consumers reach a certain age, a diversification strategy could become a path towards renewal.

The launch of the “Sofia Mini” is too recent to justify claims of lasting success, but the product does appear to exemplify a positive reaction to current circumstances. The foundations here are the coherence of a few simple choices: a rejuvenated image, the use of new media, consumption outside of one’s home, and association with a certain lifestyle.

**SUMMARY AND LIMITATIONS**

The Table below sets out each case study’s main strategic axes and key factors of success. All six studies are external to the Bordeaux region and feature some cultural distance from what can be reasonably expected of an average Bordeaux winery: (See Table 2).

It could be argued that the combined scope of these six success stories exceeds Bordeaux winegrowers’ capabilities. The authors maintain, nevertheless, that each opens up a path of reflection for this vineyard:

- The 12,000 plantations currently in existence could consolidated.
- Bordeaux should fight to underpin product quality – a form of value added that the current *appellation* system can no longer guarantee.
- One should not blame over-production as the main source of Bordeaux’s problems. Other countries are increasing production and sales.
- Bordeaux’s product and territorial identity can be exploited through reinvigorated communications [advertising] stressing local meteorological specificities (a great wine region should be neither too hot nor too cold) and inherited know-how.
- Groups can join forces and reduce the number of intermediaries between production and consumption.
- Bordeaux should concentrate on its core competencies, pursue a niche strategy, and acquire better knowledge of the preferences and expectations of the consumers in this segment in the next several years.

**TABLE 2**

**KEY FACTORS OF SUCCESS AND LIMITS**

<table>
<thead>
<tr>
<th>Case study</th>
<th>Performance</th>
<th>Key factors of success</th>
<th>Where this may not apply in Bordeaux</th>
</tr>
</thead>
<tbody>
<tr>
<td>Txakoli</td>
<td>Selling out of stock</td>
<td>- Product identify&lt;br&gt;- Simplification of production and communications.&lt;br&gt;- Shortened logistics chain</td>
<td>- Vineyard area not comparable&lt;br&gt;- Tradition as intermediaries</td>
</tr>
<tr>
<td>Sea Smoke Cellars</td>
<td>Sales price ranging from $25-$65 per bottle</td>
<td>- Hyper segmentation.&lt;br&gt;- A single consumer: the “Pinot Noir fanatic”.&lt;br&gt;- Single product.&lt;br&gt;- Focused communications.&lt;br&gt;- Targeting value added exports</td>
<td>- Bordeaux: tradition of mixing grapes, plus the fact that the land is just as important as the grape variety</td>
</tr>
<tr>
<td>Concha y Toro</td>
<td>Increasing market share in one of the world’s more demanding markets: the UK</td>
<td>- Moving closer to the market.&lt;br&gt;- Reducing the number of intermediaries between vineyard and point of consumption&lt;br&gt;- Product designed around its market price&lt;br&gt;- Highly present sales force</td>
<td>- Productive fabric broken down into 12,000 winemakers and 400 merchants</td>
</tr>
<tr>
<td>Baron de Ley</td>
<td>Becoming market leader with 16 million bottles sold</td>
<td>- Integration of supply, production, marketing, communications and finance functions&lt;br&gt;- Regularity of production&lt;br&gt;- Over-funding of the business cycle</td>
<td>- No industrial tradition in the wine sector but a system based on <em>appellations</em> and trade associations&lt;br&gt;- Search for diversity instead of regularity</td>
</tr>
<tr>
<td>Château Puy Servain</td>
<td>Rebuilding an <em>appellation</em> on the outskirts of the Bordeaux region</td>
<td>- Vineyard innovations thanks to densification (7,000 vines /hectare).&lt;br&gt;- More stringent certification procedures (based on bottle batches instead of vat samples).&lt;br&gt;- Regaining one’s autonomy from the distribution channels.</td>
<td>Weight of wine-making traditions, classifications and hierarchy of <em>appellations</em></td>
</tr>
<tr>
<td>Sofia Mini</td>
<td>Launching a new product line</td>
<td>- Understand younger generations’ new relationship to wine&lt;br&gt;- Communicating an image instead of facts&lt;br&gt;- Using the Net to trigger word-of-mouth&lt;br&gt;- Diversified product usage</td>
<td>More constraints in France, restrictions on wine communications</td>
</tr>
</tbody>
</table>
CONCLUSION

An approach that consists of illustrating problems through a whole series of case studies is not seeking to prove any one phenomenon per se. But even if the fieldwork has not enabled the authors to determine the causes of the “Bordeaux disease” with any certainty, it has at least revealed the limitations of three frequently encountered arguments:

- Over-production is not a foregone conclusion - other countries deal with this and still thrive
- Expensive items still find buyers in the world wine market
- The *appellations* system still has a future - as long as the appropriate segmentation is carried out.

Lastly, note two key factors of success that are common to the six case studies discussed:

- Simplified procedures and integrated functions
- The desire to move as close as possible to the final market.

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