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Chair of Luxury Management

**The American wine market: internationalization strategies for the
promotion of Made in Italy. Guado al Melo case study.**

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Introduction

*«The grapevine makes it feel to man the flavour of the earth.
Perceives and then manifests through its bunches,
the secrets of the ground»*

Sidonie-Gabrielle Colette.

Wine, a delicious drink of ancient origins, represents an important part of our culture and economy. When telling the story of wine, one has to talk about the territory, to which the grapevine is deeply tied, and that of the people who have always worked patiently. The slow and careful work that accompanies the cultivation, harvesting, vinification and patience, fits today's vision of wine: the quality having replaced the quantity. Through the rite of the tasting, combined with typical dishes of our land, wine can be exalted in thousand different ways accompanying worthily elegant banquets.

Enjoying a good glass of wine represents not only a pleasure for the palate, but for the most attentive people, it can reveal numerous flavours, those of their own land and their own culture.

The history of grapevine is intimately linked with that of man and it is therefore difficult to trace the path up to the modern age. Some archaeological finds have demonstrated that this climbing plant, scientifically called *vitis vinifera*, grew spontaneously in the forests between the Caspian Sea and the Himalayan peaks already 300,000 years ago. The first traces of cultivation of wine seem to relate to Bronze Age, between 3400 and 2100 B.C., where grapevine is no longer considered as a wild plant but rather a domestic plant. In fact traces of grapevine can be found in areas such as Egypt, Jordan and Palestine where it had never grown before. Men had thus begun to cultivate it because they had discovered its value and, in particular, the potential of its juice and the intoxicating effects and benefits that imbued in those who drank it. Wine therefore gains a mystical and religious aura.

Thanks to the Greeks and then to the Phoenicians, knowledge relating to the cultivation of the best species of wine grapes spread gradually toward the West, following the routes of the sea trade. For instance, in central Italy, Etruscans begin to produce wine starting from the 8th century B.C. by using varieties of grapevines typically found in Tuscany.

However, it is the Romans who truly began to produce wine at greater level in southern France around 600 B.C. and then spread the production to what we now call the *Old World* and in North Africa. Wine is no longer reserved to certain classes, but is now opened to all ranks of society, including the lowest. However, wine back in roman times is far from being what we consider wine today. Its taste is syrupy, dense and high in alcohol content due to the processes of boiling allowing it to be preserved for a longer time.

The descent of the Barbarians, at the end of the 3rd century, led to a period of darkness for wine. It was mainly replaced by the consumption of beer, a beverage linked to traditions and to the Nordic culture dominating in that time. Only the monks continued to cultivate vines near abbeys, convents and monasteries. From this moment onwards wine begins to be stored in the basement cellars instead of being stored in houses.

The rebirth of the wine began at the end of 11th century with the resumption of trade when it was, together with wool, one of the best assets required by middle-class. Wine's rebirth was also favoured by the poor hygienic conditions of water due to the rudimentary extraction techniques. In the 17th century, under the new fierce competition of beverages such as chocolate, coffee and tea, and with the huge spread of beer and spirits in general, wine was subjected to further improving processes especially as regards the production and conservation techniques. These improvements continued in the 18th century when the trust in science led chemists to make specific studies, such as those of Lavoisier, on the transformation of the sugar into alcohol.

The early explorers of the *New World* introduced the cultivation techniques of vines in South America to then go to the north up to the State of California, which is today still considered a land of excellent harvest, i.e. the wines of Napa Valley. In the 19th century, finally, the production of grapes and wine reached Australia and New Zealand, thus ensuring a wide coverage around the globe. Although historically distant from the Mediterranean viticulture,

these countries benefit from avant-garde technologies and excellent quality vines.

Today the attraction for the world of wine reaches the highest levels. As other sectors, wine is also affected by globalisation. In fact, as explained above today wine is no longer only produced in places where it is believed that the first wine grapes arose. Other regions of the world, called the *New World*, are now beginning to produce wines that can compete with traditional countries producing wine. This has led to a crisis in the performance of wine in the *Old World* which have to adapt to the tastes of the market and are therefore continuously required to renew their vineyards and to adapt the production, both in terms of qualitative and commercial competitiveness.

In addition, wine is no longer only a beverage but also a product in which one can invest and this makes it an extraordinary case of globalisation.

CHAPTER 1

1.1. Structural and strategic trends of the wine sector

The wine production has always been considered particularly complex because of the numerous steps required for the realization of the finished product. The path of the increase in value added in this sector is traced by the main raw material, grapes, passing from the viticulture and vinification and then end up with the process of bottling and marketing on the market. This structure allows companies to diversify their product through innovations and different strategies of production. In this sense the area of production and its environmental features are a discriminating aspect in the implementation of a competitive product on the market.

Other factors such as technological innovation or the economic and social condition of a country, promote a strong globalization in the world of wine, building a competitive scenario ever more evolved and varied, thanks to the development of emerging countries that have exploited their forces to increase competition in the business of wine.

Starting from the initial phase of the wine production chain, it is possible to notice a difference between companies as they may use different methods of vinification, storage and bottling. They then tend to diversify thanks to their marketing strategies through different ways of distribution or export abroad.

As all sectors, wine companies define a business strategy in order to obtain a competitive advantage in the market. Strategic planning is the decision-making process that allows to generate the best strategic choices in order to obtain a sustainable advantage over competitors.¹ The need to put in place a planning of strategies is linked to the increasing competition and the constant evolution of the competitive environment, which without a proper strategic approach, would be totally unpredictable. In this case, the business of wine is ever more complex and dynamic because of changes that the wine world market is undergoing in recent years, mainly because of the ascent of new potential competitors.

The complexity of the wine sector, and consequently the need for a well-defined strategy, is

¹ Armstrong, J.S. (1982).

due to the presence of several aspects which should be taken into consideration:

1. *meteorological factors*: when defining a strategy companies operating in the wine sector must take into account the climatic conditions that influence qualitatively and quantitatively the crops that occur annually. Low climatic changes can generate important changes in taste and in the quality of a wine; even minimum seasonal temperature variations can make the difference between a poor, good or excellent vintage; this implies that the manager wine growers and producers need to consider a wide range of adaptation strategies and methods of mitigation in order to preserve the quality, identity and profitability of their wines.
2. *economic factors*: the economic development of the country of origin, as well as the actual world economic system, are essential aspects for trade at a global level. The wineries must take into account the level of national consumption and those of the countries in which they export: a fall in consumption generates a reduction in sales and a possible impact on reputation that, in this context, assumes a primary importance. Other aspects such as the reduction of the *per capita income* or the standard of living of a country in which the level of exports is high, can affect the strategic choices of the firm. The firms should constantly monitor the evolution of the prices of the wines that are sold abroad: for instance, the average price per litre of the exported wine by Italy is susceptible of improvement. In fact, by summing all the entries of types, from still wines to sparkling wines, the enhancement per unit litre of Italy is about half of France and often lower than that of the developing countries. In order to change this situation, the Italian producers must learn to sell better by avoiding competitive dynamics based only on the price. Another dynamic that affect the international activity of Italian enterprises is the birth of commercial agreements for the protection of the *Made in Italy* which impacts positively the increase in market shares.²
3. *demographical and socio-cultural factors*: the reference environment in which businesses operate is increasingly influenced by social and cultural aspects that affect the demands and the needs of consumers. French and Italian consumers are

² SARTORI A. *Quattro interventi urgenti per il vino italiano*, Speciale Vinitaly in L'Informatore Agrario, n.11,2014), p.45.

accustomed to a consumption of precious wine and are willing to spend more money for the agri-food goods; this can also be seen in many developing countries in which the life style is increasing. Moreover, the social environment may be affected by the spread of wine tourism that allows to increase sales and spread the brand.

4. *political factors*: as in every sector, firms have to deal with legislative changes, which are more and more constricting. This is even more the case when companies settle or export in the different countries as they have to deal with different governments, different legislations and bureaucratic aspects that may be non-existent in the country of origin. In Italy, State aids are insufficient compared to other countries; this prevents companies from gaining a competitive advantage and as a consequence this favours the development of other States having more efficient country systems in the wine sector. The reform of the *common market organization*³, which entered in force in 2008, aims at restoring a balance between the amount of production and consumption level, causing however negative conditions on the basis of production and investment in viticulture; this regulation has the ultimate goal of ensuring the competitiveness and sustainability of the wine sector
5. *technological factors*: globalisation obliges firms to keep pace with its times. In the wine sector the introduction of innovative technologies for the fermentation, conservation and aging of wine are an example of how to remain in line with technological developments while reducing costs. Also from a strategic point of view, many companies use the web and other advanced ways, in order to reach more easily and quickly the distant markets.

The combination of these five factors influences the strategy adopted by a winery and the definition of goals; this is even more true when it comes to achieving success at international level, since they are linked to good planning scenarios encountered during the development of its business environment. In an environment very changeable as that of the wine sector, companies must pay particular attention to the developments in both the national and international context, which is continuously evolving due to new competitors and new

³ Regulation (EC) 479/2008 adopted by the Council of Ministers, the European Union regulations which also regulate the wine sector, both as regards the rules of production and the aids awarded to firms.

geographic attractive areas.

In the world of wine, the analysis of possible market dynamics is fundamental starting from the production phase. The large producers of wine before exporting abroad have the duty to study the countries in which they decide to enter into, by defining a long-term strategy capable of ensuring a favourable position in those markets as well as profitability permanently higher than that of the average of the competitors. Obviously, an important exporter of wine like Italy, follows with attention the evolution of the economic situation in the main markets where its products are exported, in order to understand the effects that such markets may have on their budgets; this also implies to set precise adaptation strategies.

In this respect, another critical element that companies must face when dealing with different countries is their capacity to be reactive and to timely cope with any negative evolutions of that market; this aspect is even more essential the more a country is important at an export level⁴. The analysis and the definition of the main characteristics of the sector in which a firm operates is the first step in the formulation of the creative strategy of value in the process of internationalisation. The most influential model used for assessing the nature of competition in a given sector is the one of the *five competitive forces* of Porter (1979). He explains that there are five forces that determine the attractiveness of the sector and the long-term profitability of industry:

- threat of potential new competitors;
- threat of substitute products;
- bargaining power of customers;
- bargaining power of suppliers;
- degree of rivalry among existing competitors.

According to the American economist, new entrants in a sector can increase the level of competition, reducing in this way its attractiveness. The threat of new participants in the competitive framework mainly depends on the entry barriers: in some areas they prevent or otherwise demoralize potential entrants, while in other sectors they are very weak and thus facilitate the settlement. In the wine sector such competitive strength is potentially very high

⁴ CANALI G. *Vino italiano strategia cercasi*, L'Informatore Agrario, n.12, (2008), p.7.

thanks to the high capacity of differentiation in production and distribution, but the presence of barriers of institutional and strategic type render the entry very difficult. In Italy, for instance, excessive bureaucratic procedures raise legal barriers making the sector impermeable to the entry of foreign competitors.

In addition, the wine industry often requires large capital requirements, *know-how* and very high standards for the access to distribution channels⁵. As a consequence, substitute products, more easily produced, compete with wine as they are able to satisfy the same consumer needs. This may lower the efficiency of the sector since it limits the price levels.

According Kuo-Jui Wua this threat depends on the availability of customers to change product, on prices, on the performance of substitute products and on costs for the change of product. This competitive force in the wine sector can be represented by other alcoholic beverages; a research carried out by the Italian Wine Union (2014) in collaboration with *CompareCamp*, a Chicago company specialized in market comparisons, analyses as a potential substitute beer which, while having very different characteristics, is capable of satisfying similar needs, with more competitive costs.

The production of wine provides the incurrence of numerous costs linked to the process of gathering, vinification and conservation, which consequently make the wine a product of excellence aimed mostly to satisfy a mid-range and high-end consumers. Having said that, it is difficult to stress only the cost element, since the decisions of consumption of wine depends on personal taste and subjectivity; it should be added that such decisions of consumption are often bound by matching food to the beverage, which makes the choice even more subjective. According to this research, beer is still today more popular than wine with the highest world annual consumption; the five most important markets for beer are, in order of consumed volumes, China, USA, Brazil, Russia and Germany, while for wine: USA, France, Italy, Germany and the United Kingdom. This aspect is decisive for the wineries that operate or overlook for the first time in one of these geographical areas, since they must take into consideration the characteristics of consumption and sale of this substitute product.

Buyers are the people or organizations that create demand in a given sector and their

⁵ *Analisi del settore vinicolo italiano*, Università Federico II di Napoli, (2012).

bargaining power is greater when there are few dominant buyers and many sellers in such sector, the products are standardized, or buyers threaten to integrate upstream.

Suppliers are companies that provide materials and other products in the sector. The cost of products purchased from vendors such as raw materials or components, can have a significant impact on the profitability of a company. The bargaining power of suppliers is high when, for instance, there are many buyers and a few dominant suppliers or suppliers threaten to integrate downstream in the field. As regards the wine sector, the intervention of suppliers is required especially for packaging and vinification of the product and this has a decisive impact on the quality of the finished product. Despite this, the bargaining power of suppliers is not as important in the production phase, because most the wineries have their own vineyard, thus succeeding in satisfying their own needs of grape.⁶

Finally, the intensity of rivalry among competitors in a sector will depend primarily on the structure of competition; for example, rivalry is more intense where there are many small firms or in any case of equal size, while the rivalry is less important when the industry has a market leader. Other things to consider relate to the cost structure of the sector or the degree of differentiation; in fact, the industries where competitors can differentiate their products have less rivalry. Even the strategic objectives may affect competition; for example, the definition of strategies of aggressive growth by competitors, or the presence of barriers to exit, are elements capable of enhancing the development of competition.

The intensity of competition in the wine market is particularly high, is also due to the development of the emerging countries such as Brazil, which in recent years has undergone a path of rapid development, which has severely tested the certainties of the main producer countries. Also the Italian wine sector is facing a fierce competition at international level, while at domestic level the competition is characterized by a fragmented concentration, a very high level of differentiation, and exit barriers particularly high.⁷

By applying the model of Porter to the wine sector, we thus discover the complexity and

⁶ *Analisi del settore vinicolo italiano*, Università Federico II di Napoli, (2012).

⁷ CESARETTI G.P., GREEN R., MARIANI A. and POMARICI E., *Il mercato del vino. Tendenze strutturali e strategiche dei concorrenti*, Franco Angeli, Milano, (2006).

dynamism of the competitive structure. The analysis of these factors makes it possible to have a broader knowledge of the scenario in which enterprises operate, and consequently, to implement a successful strategy able to generate a sustainable competitive advantage in the long term. There are two possible strategic paths that firms operating in the business of wine can undertake:

- *Differentiation Strategy*, in which the firm becomes *market-driven*;
- *Cost leadership strategy*, in which the firm becomes *product-driven*.

Differentiation includes all strategic decisions that have the goal to distinguish the product from competitors in order to reinforce the value and the income generated by it. It consists in realizing a system product with a characteristic of uniqueness that has value for a large number of customers and which differs considerably from competitors. This strategy allows to fix higher prices, increase sales, retain the purchaser to brand, obtaining the so called *advantage of differentiation*. The vineries guided by this strategy manage high production costs, prices resistant in time, high perceived quality, identity linked to the origin, production limited to the orientation toward quality. Marks can be differentiated through packaging, vine types, the quality of plants and soil and the origin of grapes.

All these elements, except for the origin of grapes, are not sustainable in the long term because they can be imitated by competitors who can copy the company; these strategies of differentiation therefore need continuous attention and development. The vineries want to reach the exclusivity of the product thanks to a wine with unique characteristics: they will therefore use limited distribution channels by contacting the food & beverage, wine cellars and Ho.Re.Ca⁸, refusing to introduce the product in the segment of the large organized distribution. For companies that undertake this strategic direction, restaurants are the main sales channels, especially for high range wines⁹. In this case, the goal is to not distribute the wine to a greatest number of consumers but to limit it to a narrow circle of customers, which recognizes in such wines the elements of uniqueness and exclusivity in qualitative terms so that they are willing to pay a higher price.

⁸ *Hotel, Restaurants and Café.*

⁹ *Il vino nell'alta ristorazione italiana*, Vinitaly studies and researches, (2011).

For the wine a differentiation strategy means that the firm proposes a product capable to satisfy not only a material need but also an intellectual one, linked to the history, tradition and culture of the country of origin.

The second strategy is particularly suited to the markets with high price sensitive costumers. Through this approach companies reach cost leadership when they work with the lowest costs in the sector, lower costs with respect to competitors and consequently a lower quality.

In order to have the maximum efficiency companies must build an advantage based on elements that are difficult to reproduce because if that were not the case the advantage of the leader will not be lasting from generating a superiority in the market. In this case firms will be targeted to large distribution to bring the product to the greatest possible number of customers by fixing very competitive prices in order to satisfy more groups of consumers and thus obtain a *cost advantage*. It is exactly the large organized distribution to find particular success in the wine sector, especially in recent years, with a more strategic approach by enterprises toward this channel¹⁰.

With a cost leadership strategy, the wine producer wants to offer a product able to meet simply a material need loosing so the tie of the wine with the territory of origin. Usually the companies who decide to implement the first strategy issue on the market a limited number of bottles but with the highest quality, fixing prices very high; companies that instead choose the second strategy issue on the market large quantities with a lower quality, but still high, at prices much more content.

At an international level companies of the wine may decide to move in a different manner according to their stage of development and the available resources. The development of its own position in foreign field entails strong investments in more attractive segments, exploitation of the major points of strengths of the territory and the synergies among products.

In this sense the strategic analysis of the wine sector allows to identify some critical success factors: about supplies the acquisition of vineyards of other regions, both at national and

¹⁰ *Vino e grande distribuzione: le strategie per il mercato italiano e quello estero*, Vinitaly studi e ricerche, (2013).

international level can be a winning strategy. Continuing in the description of the possible factors of success, the continuous quality control, modification of the techniques of production and market research capable of identifying the *customer satisfaction* are key elements for the business technology development; finally to improve the infrastructure activities it is necessary to possess a strong financial structure capable of managing with the invested capital.¹¹

With respect to the foreign strategies of wine, Halstead, Howard and Rastegar (2011) divide markets in: *reference, strategic and emerging markets*. The reference markets have the typical characteristics of the traditional countries producers and consumers of wines; they companies wishing to consolidate the market shares achieved, both in value and in volume, through the most appropriate promotion strategies. The strategic markets identify the areas where the wine is becoming a *mainstream product*, by registering a significant trend of growth above the average of the other countries. In these areas, companies wishing to invest strongly in the promotion of wines in order to develop the sales on the leading markets.

Finally, emerging markets identify the areas that have a relevant grow in which companies have a limited market share both in volume and in value; relate to countries with per capita consumption relatively low where the wine represents a “new drink”, in which enter and develop investment promotion in the medium to long term. In this context the wineries should therefore focus on two directions:¹²

- *the local management*. The focus toward the internal business remains crucial. Companies must continue to propose the wine to the new generations, with different modalities, together with the message linked to the tradition and, at the same time, giving innovative connotations; focus on quality and not only on the quantity, exploiting new technologies as an advantage;
- *the international board*. It is appropriate to concentrate toward foreign countries to exploit the production without leaving only to emerging countries the opportunities linked to this type of business. Operate abroad in a systematic way and with a single

¹¹ *Analisi del settore vinicolo italiano*, Università Federico II di Napoli, (2012).

¹² IRI, *Export e nuovi consumatori: le strategie per il rilancio*, (2013), p.5.

critical mass helps companies to better compete with the major international competitors.

1.2. The Italian wine market

Italy is one of the countries where historically the wine culture has more fermented, where each region has an excellent wine production, perfectly embedded in the local culinary tradition. The culture of the grapevine and wine production in Italy in fact, puts its first roots thanks to the contributions of the Greek colonists, evolving then in the different historical eras.

An important step was the adoption of the first community regulation of wine in 1962 when we arrived to a national framework of wines with denomination¹³ coherent with the community legislation system. The goal was to rebuild, after the Second World War, the Italian wine image by focusing on quality, choosing as qualification element the wines of denomination i.e. those strictly linked to the territory of origin. In Italy, the link with the territory and the population is very strong and widely spread. The Nero d'Avola in Sicily, Barolo in Piedmont or Prosecco in Veneto are characteristic elements of the regional identity, a fundamental part of social background. Perhaps this deep connection, joined to the actual quality of Italian wines, has helped to create the idea that Italy produces higher quality wines than those of other countries.

Today Italy is aligned to Europe¹⁴ by placing emphasis on the articulation of the offer and the main aspects of the wine production, according to which those with a registered designation of origin must be the focal qualitative point of the domestic supply in such a way to communicate a tradition of wines linked to the territory. The supervision belongs to a consortium of protection which has the task of protecting producers from a possible abusive use of the name. The two possible names are:

- *DOP* (wines with protected denomination of origin):

¹³ D.P.R. n. 630, 1963.

¹⁴ D.L. n.61 of 08/04/2010 governing the application of European legislation about the “protection of geographical indications and origin designations of wines as foreseen by art.15 of the Law No.88 of 07/07/2009, provisions for the fulfilment of obligations arising from membership of Italy to European communities”.

- *DOCG* (wines of controlled and guaranteed denomination of origin);
- *DOC* (wines of controlled origin);
- *IGP* (wines with protected geographical indication):
 - *IGT* (wines with typical geographical indication).

In this context should be considered the different strategies for the identification of products such as wines with territorial connotation, brand wines and the so-called varietal wines without denomination of origin or geographical indication that show, in the label, the indication of the year of production and the name of the grapes from which they have been produced without any link with the territory of production.

The productive Italian scenario is composed of thousands of small family businesses, which despite having led Italy to be one of the protagonists of the world wine-producing scene, have put in a second ground innovation with respect to the tradition, not managing to combine the two elements that are not mutually exclusive. The knowledge patrimony of the territory and production techniques which have been handed down over the centuries should be used as a driver for innovation and international projection of Italian companies. This however does not mean that Italian companies are experiencing a sort of paralysis, in fact in recent years something is changing from the production point of view.

More and more companies are beginning to work on quality, on a lower yield per hectare and on the application of scientific criteria in the production phase. So alongside Sassicaia and Tignanello, just to mention some excellent wines, are springing up a large amount of fine wines that have nothing to envy to the great French Château. The Italian wine potential is immense and companies have understood this. Consumers are still divided in “drinkers” and “tasters”, the first loyal to the “house wine” and a little heedless of quality, the seconds more aware of the fact that the wine can be considered as art.¹⁵

The Italian system is characterized by a variety of unique vines and from thousands of producers who love to interpret the strategic path according to their vision. This aspect is both positive and negative; positive because it pushes toward a system of original and different ideas that allow to variegate the offer and make it original in the eyes of foreign customers;

¹⁵ <http://www.winezone.it/Corso/Storia.html>

negative because, thinking exclusively in an own optical, may represent a risk, omitting the idea of a country system strong and unique in the world.

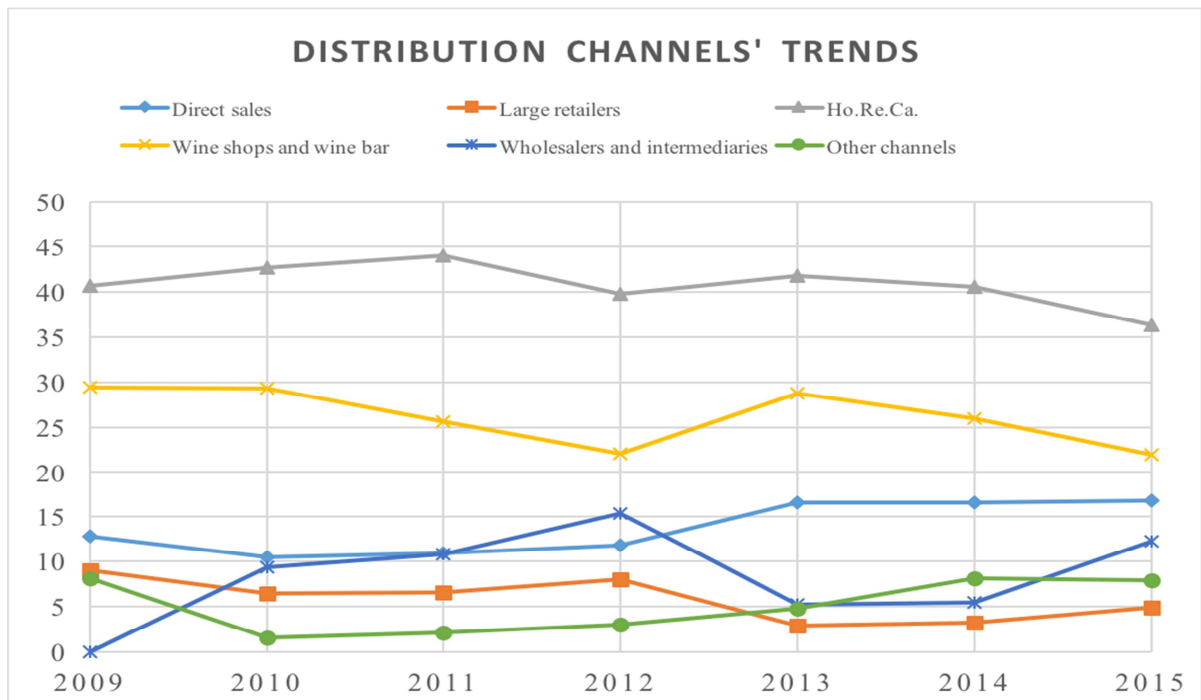
It is necessary to begin to think more and more in a nationalistic way, in such a way that regions and companies do not take alone the path toward foreign countries, but by adopting a country strategy able to communicate first of all the value of the “Italy brand”. This is what is happening in recent years, in fact, in 2015 the growth of the turnover of the main Italian producers (+4.8%) was driven primarily by the export (+6.5%) and the sparkling wines (+10%) that sold abroad the 15.2% more. Signals of endurance, also come from the domestic market (+3.1%). At the geographical level, North America excels recording a double-digit growth (+13.3%), while collapses Asia (-10%) with a market share that is worth just 3.9% of sales. The main channels remain the EU countries (51.5% of the total export), that run to a more modest rhythm (+3.7%). Finally, exports in Africa, Middle East and other European countries not in EU grow by 3.2%, with a weight of 9.1% of the total; the residue 1.5% of exports goes in South America (+18.3%).¹⁶

In 2015 Italy has achieved the important record as regards the production reaching 48.9 million hectolitres (data of the European Commission reported by Coldiretti). Overtaking is due also to a decrease of 1% of crops in France where production is stopped at 46,6 million hectolitres. In third place is Spain with 36.6 million hectolitres in decrease of 5%.

An important choice for companies relates to the type of distribution channel to use that are, in detail:

- direct sales;
- large retailers;
- Ho.Re.Ca.;
- wine shops and wine bar;
- wholesalers and intermediaries;
- other channels.

¹⁶ http://ilgazzettino.it/nordest/verona/il_vino_italiano_non_conosce_crisi_esportazioni_in_crescita-1654685.html



Source: <http://www.inumeridelvino.it>

In 2015 the direct distribution channel has increased compared to past years as well as the sales channel of wholesalers/intermediaries and that of other channels. This at damage of large retailers who are at the lowest percentage of recent years (40%) like wine shops and wine bar.

Italian consumers when they buy wine follow different choice criteria depending on the requirement that they have about it, if the purchase is finalized to the daily consumption in family or if it needs to be a gift. However, not being experts in wine they try to correlate the price to its quality, accordingly, as in the case of Giffen goods, the quality level will be allocated from the price, for which a higher price corresponds to a higher quality. In this regard in the case of a purchase for a daily consumption the price can be seen by consumers as a cost that is going to affect the income and consequently when purchased, in most cases, is selected on the basis of price and convenience.

In the case in which it is both a gift for friends or is consumed during a meal with guests, consumers choose among the various denominations of origin in which the wine is classified on the basis of price as an index of the quality.

Today the Italian wine production represents one of the excellence of the *Made in Italy* most appreciated abroad and in fact the whole world identifies our country as the paradise of wine and food segment; thus Italy must promote its excellent products in this high value sector, in fact it is doing important steps in terms of internationalisation and exploitation of wine in the world.

1.3. The recipient countries

World wine consumption is subject to many variations such as consumer habits and the ability to purchase but the general trend is certainly encouraging. Wines with designations of origin more notes, have already been present for decades in importing countries are driving toward the introduction of new wines from new regions less known but not less fascinating.

The regions that until a few years ago were almost unknown in an oenological point of view, today propose wines of excellent quality. The wine consumption in not traditionally consumer countries is associated to a positive lifestyle, healthy, focused on quality but also to the pleasantness of a toast among friends or to a celebrative moment. Our country enjoys in the world a consolidated reputation with respect to the good taste and the sense of beauty, this is what attracts foreign customers and what Italian companies must exploit.

Italian companies are doing so, in fact in 2015 the value of Italian exports increased; the wine sector has registered abroad a net turnover of +6.4% compared to 2014, rising from 2.387 to 2.542 billion euros. Also improved the data relating to the volumes exported, with a reduction of the decrease from -2.1% to -1.7%. Another important factor is the positive sign for the average unit value, which passes from 2.40 to 2.60 euro per litre. The leading position has been reached by the Veneto with a value of 855.4 million euro, a growth of 11% compared to 2014. This primacy emphasizes the ability of our producers to be ambassadors of the *Made in Italy* in the world thanks to the use of highly specialised knowledge in the production,

promotional and commercial filed. In second place we find Piedmont with a turnover of the export of 436.3 million euro and a trend practically stable (-0.6%). The highest increase has been recorded by Tuscany (+25.8%), passing from 339.8 to 427.5 million euro, consolidated so to third place. Good and stable the performance of Trentino Alto Adige at the fourth place with 244.7 million euro; at the centre of Italy, positive trends are achieved by Lazio and Abruzzo, with respective growths of 8.5% and 8.7%. The situation in the south sees good performance for Puglia (+1.4%) and Sicily (+5.2%). Negatives are the trends of Lombardy (-7.5%), Emilia Romagna (-14.9%) and Marche (-10.7%).¹⁷

As regards the situation of the major markets for exports, third countries runs much faster than exports within the European Union. The Italian wine demand in countries outside the EU has grown by 10.8% while in European borders of 2.6%. This indicates that the world wine consumption is moving toward more peripheral areas as compared with producers and traditional consumer. Excellent performances of export are in Central Asia (19.1%), North America (+17.1%) and the Far East (+9,5%). Despite these positive performances, the most important markets for Italian companies remain: US, Germany and the United Kingdom.

The US market is the best one, being characterized by a demand in the growing phase that has absorbed a volume of over 1,628 million hectolitres (+9.7% compared to 2014). In the last year the value of the export has touched the record sum of 644 million euro with a growth in demand for sparkling wines and the wine in the bottle.

The value of Italian exports in Germany is decreased until the threshold of 463 million euros, with 2.7 million hectolitres exported. Bottled wines and sparkling wines are growing, while the bulk wine is shrinking, data in line with the general trend. Having said that, however, Germany remains the second largest market for Italian wine.

Very positive finally is the English market, the values are rising sharply, from 292 to 323 million euro. The growth trend has its origin from the phenomenon still in full expansion of the prosecco and a significant increase of bulk wine. Slight contraction, instead, for the wine in the bottle.

¹⁷ Centro Studi Assoenologi.

Last year closes so brilliant for Italian wine especially thanks to the capacity of firms that have been able to catch the opportunity of the international demand. It outlines new scenarios for the Italian wine supply in a continuous evolution which redraws not so much the role and the leadership of the principal markets, but the growing role of some commercial areas in the panorama.

1.4. What foreign consumers look for in the Italian wine?

Foreign consumers, in the phase of choice and then in “phase of tasting”, seek in Italian wine the reminder to the place and the culture of the country of origin beyond to the image that they have associated with that particular type of wine. This means that in addition to relate the quality of the product in relation to its price they sought in it the typicality and the link with the territory that inherently possesses.

Furthermore the Italian wine, being exported all over the world, is consumed by people belonging to completely different nations, both at cultural and political-administrative lever, so that their tastes in wine are not homogeneous as the idea that they have about it.

The “old” consumers as Americans seek in the consumption of Italian wines the pleasure of enjoying typical food products of the Italian tradition tasting both to a restaurant, both in their homes looking for an alternative to the local wines, such as Californian ones, which represent 90% of domestic production, or seek a more economical choice to French wines of the same prestige but at higher prices. English are similar to Americans in fact, after decades of unquestionable French supremacy, from 2012 have increased consumption of Prosecco at the expense of Champagne, this thanks to the excellent price/quality ratio¹⁸ and to the “sophisticated” and high quality image belonging to the *Made in Italy* product.

The “new” consumers, as those of BRIC¹⁹, search in Italian wines the idea of status symbol and luxury. In these countries there is a common element, consumers that taste wines belong

¹⁸ British consumers choose wine on the basis of the quality/price ratio, because taxes on spirits increase the prices, making Britain more expensive than any other European country. Source: “*A Londra si beve Prosecco*”.

¹⁹ Brazil, Russia, India and China.

to a middle-upper class because its consumption is a phenomenon which is still a niche because of the high cost of the product; the approach that every country has in respect of Italian beverage, however, is changing.

Brazil is a country which has just opened to the consumption of wine but also to its production and consequently is promoting its consumption in a responsible manner. In this context the Italian wine enjoys a privileged image among consumers, thanks to the presence of many Italian emigrants in Brazilian territory. Italy is the fourth exporting country with a market share of 14% and the Tuscan wine, Chianti in particular, is very popular with the Prosecco and Lambrusco. Unfortunately the heavy duties in this market make it among the most expensive in the world.

The Russian consumer is different, he belongs to a medium-high and cosmopolitan target, lives in the large cities such as Moscow and St Petersburg and is accustomed to travel very often also in Italy, whereby when they buy Italian wine in addition to seeking the status symbol search the Italian lifestyle and is well prepared to spend large sums.

India, instead, is a market that has just opened to wine, in which potential consumers are expanding, although it is still a niche, mainly due to a very high taxation system that selects the potential buyers, belonging to an economy class of high level. Wine is ordered and mainly consumed in restaurants and in luxury hotels, but unlike China here the western traditions are much more widespread and accepted because of English colonialism.

Finally, the Chinese consumption affects a small niche of rich people who in most cases research as a status symbol of belonging to the western lifestyle, consequently in wine as in fashion seek the brand, for example a Brunello di Montalcino and a Barolo are bought at the same price of Valentino and Prada, since from a cultural point of view is foreign to the consumption of wine.

In US are particularly appreciated the Chianti, Brunello di Montalcino, Pinot Grigio, Barolo and Prosecco. In April 2013 the Montepulciano of Abruzzo Tralcetto, Zaccagnini cellars of Bolognaro has obtained the podium of the “best seller” with the silver medal, according to the numbers of Wine & Spirits magazine (confirmed by data from the Department of Foreign Trade and the Ice of New York) and the cover of the Wine Spectator as one of the best Italian

wines for the quality/price ratio, since then the growth rate has always been a double digit.

In Germany together with the Prosecco are welcome the Amarone of Valpolicella and Collio while in Russia are appreciated Chianti, Barolo, Asti and Moscato d'Asti and in the United Kingdom Prosecco, Chianti, Barolo.

The Freschello, instead, is the wine most sold in China, this thanks to a local interpreter, Cin Xu, which has facilitated the consumption.²⁰

1.5. Internationalization process determinants

The term “internationalization” refers to a collection of processes by which companies invest in foreign markets and at the same time they draw for the supply of raw materials, plants, technologies and financial resources, fundamental for the development of its activities²¹. Through this process the company obtains a geographical unfolding of the entire production chain, or a part of it, in such a way to achieve the best competitive conditions in the various markets. The main objective is to undertake new productive activities in the developed or emerging markets that show the greatest potential for economic and commercial development, thus allowing to conquer progressively market shares in the countries in which they have chosen to invest. In this regard Welch and Luostarinen (1988) define the concept of internationalization as “*the process of increasing involvement in international operations*”.

When we speak about internationalisation the main intent is to establish production in new geographical areas in order to foster new markets and achieve a dominant position by implementing real strategies that have the aim to achieve a real competitive advantage capable of transforming the market subject of internationalisation in a new market for the company's actions. This concept incorporates a set of evolutionary processes, quantitative and qualitative, that companies take into consideration when deciding to increase the geographical extension of their economic activities and exit so from domestic borders.

²⁰ The Freschello is the brand created by the family Cielo of Montorso (Vicenza).

²¹ DEMATTE' C. *Perché l'internazionalizzazione profonda passa anche attraverso acquisizioni e alleanze*, Economia & Management, (2003).

The fact that companies are continually affected by global competition makes the process of internationalisation connected to the phenomenon even more pervasive of globalisation, that represents a phenomenon of epochal impact (Bender and Fish, 2000). Globalisation starts from the premise that the absence of borders is no longer exclusively a hope but becomes a realistic phenomenon that finds its affirmation thanks to the revolution of information technology.

Despite the frontiers are not all disappeared thanks to the interest states to maintain the control on the movement of goods for reasons of defence and security, communications, the flow of capital, the corporation and consumers determine, in fact, the dejection of borders in the global economy by putting as test the ability of adaptation and orientation to the new scenario. This new era, born under the name of global economy is still unexplored since many operators have not yet understood the real extent, remaining anchored to the old models.

The effects of globalisation have been identified in a process that sees the economies of countries considered to be minor, such as Singapore, Malaysia, Indonesia, Hong Kong and other, be able to surpass and overcome those nations which in the past had colonized them. With the end of the cold war, in fact, the global economy has had more freedom at the level of development, exchange channels and communication, amplifying the possibility of growth of regional economies until shortly before underestimated. Therefore, the main protagonists of the new stage of world economy, are recognized in particular in the Far East, highlighting the role that these countries, China before all, play as incarnations of the paradigms of the new globalised economy.

According to Root (1994) the new global economy has created corporate environments that require companies to look beyond the traditional thought of their internal market starting to consider business from an international perspective. Friedman (1999) does not consider the globalisation a temporary phenomenon, but a global system capable of shaping the internal policy and foreign relations in all countries.

Today globalization is expressed in circumstances where the country of origin no longer represents the essential and exclusive reference point of its economic and competitive development, but only a part of it, generating the tendency of the economy to assume a supranational dimension, in the sense that a growing share of world economic activity takes

place between individuals living in different countries.

Economic and cultural development of emerging countries, the evolution of technologies, geopolitical and institutional attitudes represent the main reasons that have rendered necessary for firms to take an international configuration on strategic-organizational, productive and commercial as well as on financial plan, welling up a whole series of reports in a value chain which involves different countries worldwide. Internationalisation and globalisation concepts therefore relate to the trend toward greater interdependence between national institutions and global economies, culminating in a real cooperation between the various national actors (Wild and Han, 2003), which carries both large and small companies to change their behaviours through the adoption of the new strategic guidelines that are needed to deal with the “*new enlarged competition*” (Vicari, 1989; Valdani et al., 2001).

Over time the term internationalization has taken greater importance, also indicating the location on more foreign markets of the same productive activities or part of them²², generating an active involvement of the organizational and strategic system of the undertaking in foreign operations. In particular, if analysed from a business perspective, globalisation has led to a strong evolution of markets both on size and competition, thus providing companies new market opportunities. This aspect is so important if we consider the strong and rapid development of emerging countries that, until few years ago were on the margins of the world economy. Certainly the opening of the geographic markets to international trade has offered firms the opportunity to expand their business volume and at the same time, has exposed them to more intensive competition.

A further factor to be taken into account concerns production: firms facing a process of international expansion, are forced to reorganize their value chain, scattering the productive activities in the various countries in which it was decided to operate, allowing companies to take advantage from the differences that geographical context offers, in such a way to have a closer relationship with that market. A further demonstration of globalisation concerns the opening of the international financial markets that has intensified competition among the

²² DEMATTE' C., Perchè l'internazionalizzazione profonda passa anche attraverso acquisizioni e alleanze, Economia & Management, (2003).

different intermediaries and strengthened partnerships between industries and major financial institutions of the various countries on a global level, given the necessity of the first to manage in a more careful way financial resources.

Finally, it is important to reaffirm the importance that technological development plays both as a catalyst, both as a response to globalisation, generating quick and substantial changes to society. There is no doubt that scientific progress and technological changes have been, are and will remain in the coming years important drivers for the globalization process, since they are favourable to the creation and distribution of knowledge as the main source of competitive advantage, wealth creation and improvement of the life quality.

According to the *European Information Technology Observatory* (2006), the leading role of investment in information technology in the world economic development was especially pronounced in the United States where, over the past 45 years, each one of the 19 industrial sectors of the ICT has developed a market value of at least 1 billion dollars. After 1995, worldwide, there has been a huge increase in investment in IT equipment and software, but the impact that this type of investment has had on economic growth is particularly important in the economies of the G7²³. The OECD²⁴ emphasizes that the use of the new technologies is one of the four key factors for growth in the societies, together with the human capital, innovation, and entrepreneurship.

The entry of new countries, rich of work, in international markets, has had a profound effect on the advanced countries entailing the introduction of new skills and a technological change with the consequent decline of the role of the manufacturing industry. The new direction of part of the technological change has accelerated the substitution of capital and unskilled work with specialised workers, with the final effect to reduce the stock of circulating capital and hence the growth rates of advanced economies. The slow growth has become, therefore, a physiological feature of the new emerging economies that are based on technologies high knowledge-intensive but are characterized by a tendency to saving capital.

²³ The Summit of economic Ministers of the seven developed nations with the largest net wealth in the world, born in 1976. The acceding countries are: USA, Japan, Germany, France, United Kingdom, Italy and Canada.

²⁴ Organisation for Economic Co-operation and Development, born in 1961.

The international development process has also involved the Italian entrepreneurial system which, although in possession of excellent skills and know-how, it often does not have dimensions and adequate resources to support the crisis of the domestic market and the new challenges of the global market. Despite Italy has been able to adapt to changes in the market succeeding to overcome critical moments, the country system still struggling to take off.

The process of internationalisation represents, in the current economic context, a development opportunity thanks to which a company can create value, remunerate the invested resources, extend its competitive advantage and access to new opportunities for its growth. The experience of the competition on the international market, carefully designed and operated, enables companies to build their financial means and the managerial skills to compete with foreign competitors also in the domestic market. To do this the dimensions assume an important role in the global economy, linked to the major possibility of interfacing with the international and European realities characterized by the presence of large multinationals.

1.6. Opportunities and obstacles of the expansion process

The beginning of an internationalization process involves several strategic and organizational decisions by the undertaking which is not faced a rapid and immediate development, but rather a progressive spatial expansion of the value chain beyond national borders. It often happens that entrepreneurs undertake international activities without having a precise objective, obtaining an “unscheduled” internationalization; it does not necessarily entail illogical decisions, but it is preferable that entrepreneurs follow an effective and sensible path rather than a random logic, basing their decisions on the principle of convenient loss rather than on the maximization of the expected returns. An effective decision-making process has a great importance and strong implications on the internationalisation process since it allows enterprises to rapidly increase the level of commitment in the foreign market succeeding more easily to overcome adversities which they often meet.

Leonidou (1995) identifies several possible reasons capable of stimulating the international activity, from those of *internal* nature, such as the presence of an inactive operational capacity or the possession of exclusive organizational competences, to those of *external* nature such as

the prevalence of constraints in the domestic market rather than the pressures of domestic competitors. Often the main reason can be found in the identification of business opportunities in foreign markets particularly attractive and challenging for those who are the features and capabilities of the company itself.

The internal drivers, or *firm-based*, lead the company to have an optimistic view of internationalisation explained by the presence of an internal advantage compatible with the possibilities offered by the market of interest, allowing the company to operate from a position of strength.

On the contrary, the external drivers, or *environment-based*, generate the necessary response with respect to the conditions of the operating markets, which may occur with the increase in competitive pressure rather than with a persistent decrease of the internal market.

Going deeper into the analysis of these elements motivational, category of internal causes refers also to those pushes linked with the desire to exploit and strengthen the competitive advantage accumulated in the domestic market relating to the company or its products, extending it on international markets (Hymer, 1970). This advantage can be referred to the capacity of the company to offer its product at competitive prices, or to particular elements perceived by the customer that make the product or the service unique.

A second internal factor, particularly frequent for those companies that are already present on the foreign market and that have already started a process of internationalization, lies in the search for new sources of competitive advantage that enable the company to strengthen its positioning or seek local advantages. Koch (2001) identifies several internal aspects particularly influential in the decision of entry in the markets. First of all, the influence of the entrepreneurial dimension has an important value especially in the case of small businesses which have less expansion options, or even will be discouraged to enter in certain markets. This is the case of the Italian entrepreneurial system that suffers from the presence of a large number of small businesses often incapable of approaching an international context, both for a lack of resources, both for an inadequate support from the country. A second aspect concerns the level of commercial risks that the company decides to take in relation to aspects such as the financial situation of the company, its strategic options, the competitive environment, its

experience in the field.

If on the one hand the internal aspects assume an important relief, on the other hand also the external conditions are taken into account, since they show the attractiveness of foreign markets perceived by the undertaking which will then be pushed to expand its business beyond national borders.

In certain cases, the company is obliged to undertake activities abroad for example at the moment in which the market proves to be too limited or presents the first signs of saturation or even is in a phase of decline. The search for new markets is an important factor to the need of the company to gain new market shares, an essential element for the growth of each company. Unlike the internal reasons, the external ones have a nature less rational and less planned for the achievement of specific targets. Often, in fact, the intensity of internationalisation leads the original market of a firm to be particularly exposed to competitive international forces.

Koch (2001) focuses also on factors external to the company, among which assumes importance the profitability of the sector and the market subject of settlement that affect the feasibility of the international operation as well as the rate of growth of the same; particular restrictive regulations on labour, high costs and inadequate know-how can discourage the establishment of a branch or an operation of joint venture in a foreign market. In addition, if a market is growing at a fast pace, and this rate of growth is not sustainable for several years, the company should take advantage of this opportunity without delay using an export strategy, direct or indirect.

Once you have defined the significant causes of the initiation of an international expansion, it is useful to describe the steps that companies must face, highlighting the changing and dynamic nature of this process. Internationalisation is a process of evolutionary growth for incremental stages that, over time, accumulates knowledge relating to the market developed and acquired through experience, adapting to internal and external changes. Companies have the objective to manage efficiently a series of phases having different characteristics and time frames. The start-up phase involves the definition of the geographical areas in which the company wants to settle, it is a crucial choice because from it depend the following steps and the good achievement of the goals set. Once entered to make part of the new context the

company has the task to manage the consequences of the fact that it implemented a greater geographical dimension of its activities, generating negative impacts from the economic, strategic and organizational point of view.

To overcome this situation are developed those that Mathews (2010) describes as behavioural routines necessary for a correct management of the above process. In this regard, you can locate the three relevant factors for the strategic management of the company.

First of all, *resources*, with which the company wants to obtain a competitive advantage in international markets thanks to the combination of the distinctive resources already present within the organization. It supports the growth through a consistent adaptation of the internal organization and investing in education, to have resources with the appropriate skills.

In the second place the *activities*: in the process of internationalization the company should be able to better organize the activity by establishing detailed rules for the best distribution to geographical level.

Finally, the *routines*: development, combination and control of routines represent the three typical phases of the organizational learning process, therefore the greater the effectiveness of these procedures, the better the quality of the organization as a whole.

In the moment in which there are new and effective predetermined procedures, the company will be able to generate the *sophisticated competences* that, according to Levitt (1988), have the purpose of positively differentiate a company on the market because they cannot be replicated, and *dynamic capabilities* useful to extend, modify or create acquired skills and compete within their own context (Winter and Sideney, 2003). In the third step the undertaking acquires a strong autonomy thanks to the consolidation of relations with major players in the foreign context, bringing to a close the initial process of adaptation and starting a phase of full maturity in the strategic and organization management of international activities, which allows to reach a definitive competitive rooting within the new geographical area.

The last step is a rational planning of international position acquired by the company in the previous steps, aimed at strengthening internal relationships and the reorganization of their

own business, doing so that all activities converge toward a strategy that includes different geographic markets, both those already manned, both the new ones in which it is decided to settle.

From the analysis so far carried out it is clear that the company, in the process of international development, should take account of the different variables; the steps previously described are not the result of a strategic determined choice, but arise from the interaction between different aspects such as internal features of the company, the market in which it operates, opportunities and environmental constraints. The company has the task to bringing forward this strategy with attention, *commitment* and implementing specific methods based on the context in which it operates, paying attention to possible obstacles that it may encounter.

Often the limitations of markets such as barriers to trade between members, variations in exchange rates, or the failure to provide information, prevent enterprises to carry out actions designed in phase of international strategic planning, in addition to the differences of different nature between the country of origin and the country abroad, both in the start-up phase of the process that in its development phase, such as differences in tax legislation, in the process of negotiation and contractual or differences related to culture and language or still at managerial style inside it.

The company has the task to study its sector, the target markets and acquire a deep knowledge of the internal and external factors, to know the limits to face even before the start of the expansion process and, at the same time, to be able to predict new obstacles and learn face them. The company, in its own internationalization process, must keep “a behaviour that integrates fundamental values such as honesty, trust, respect and fairness in their own policies, practices and decision-making processes”²⁵.

If the company does not take account these aspects, it could be exposed to different types of risk that may arise in the various phases of the internationalisation process, the management of which entails an additional challenge.

The *country risk* is the risk that the foreign counterparty is unable to meet its obligations due

²⁵ Business for social responsibility, (www.brs.org).

to government intervention and the interference of the policy in the government of the national economic system of foreign countries of reference, such as for example, the introduction of foreign currency bonds, which prevent the same counterparty to repay their debt.

Take the tortuous journey toward foreign countries without proper arrangement of a plan for the medium to long term and the knowledge of the new market leads to *business risk*, typical of entrepreneurial activity, but even more stressed when you approach to a new context.

When instead there is a sudden evolution of the main variables of the target market, like demand and supply of goods and prices, the company can go to meet the so-called *economic risk* which has as primary consequence more uncertain and volatile trends in relation to countries with high growth rates that, in the worst case, can result in an economic recession.

The firm must also be able to adapt and update its offer by virtue of changes in demand and in customer requests, aspects that identify the *market risk*; with respect to this latter type, the company must have a strong knowledge of the market in which decide to settle.

Finally, as already mentioned previously, the *exchange rate risk* involves exposure to fluctuations in exchange rates, which is an important element for countries whose currency is susceptible to sudden and significant appreciation or depreciation; this form of risk becomes more concrete when trying to sell products in emerging or newly industrialising countries whose economies are more exposed to sudden changes.

In front of a multitude of risks to be addressed during the international route the undertaking must equip themselves with the right countermeasures from the strategic, organizational and financial point of view, in such a way to achieve their goals originally defined in terms of profits, in target markets.

1.7. Relocation of production as an opportunity

The relocation of production is an extraordinary phenomenon emerging from globalisation, based on the access to new markets and on the evolution of the competitive framework in the world. The objective is to transfer the production of goods and services, or part of it, in countries other than the national one, generally in developing and in transition, from which to

draw the maximum benefit in terms of costs of production and raw materials.

The output achieved by the operation of relocation will not be subject to sale on the market of destination but reacquired by the undertaking to then be sold in the country of origin, with its own brand. In a broader perspective, the relocation represents a unitary case and at the same time composite, given the different forms in which can be realized: from FDI²⁶ to joint ventures, from outsourcing to subcontracting. As regards the effects of relocation, specialists exhibit divergent opinions: some of them make prevail the disadvantages on positive aspects, because they believe that the relocation can impoverish the national economy, entailing the loss of jobs and added value, also generates a loss of specific skills related to the characteristics of the territory of origin; for others, instead, it is a virtuous process aimed at strengthening of Italian businesses. In other words, an important competitive tool.

The fact is that, while justifying the fears and the doubts related to the launching of a project of relocation, it cannot, on the other hand, hide the collection of its strengths. Among others, is worthy of note the reduction of production costs, the availability of skilled labour at low cost of raw materials on the spot, as well as the ability to create new market openings. However, the risks linked to the transfer of the productive activities abroad are not to be underestimated.

First among all the readjustment of the production structure and the reconfiguration of the nature of the undertakings, as inserted in a different contest other than that of origin, characterized by greater flows of capital and technological knowledges, from less costly imports and export markets more extended. Secondly, as already said, the reduction in the level of employment, at least as regards the European markets, characterized by wage rigidity. No less important are other risk factors, such as the loss of control of quality and image, the transfer of know-how and, last but not least the country risk.

What might be, so, the precautions to be taken into consideration before implementing such a project? First of all, we must understand if for the firm is an effective strategy²⁷ or not, whether profitable or not; identify critical factors that are necessary to determine the choice of the country of destination and, finally, to organise the production process on the basis of the

²⁶ Foreign direct investment.

²⁷ MANDELLI A. *Strategia d'impresa: Strumenti e analisi di decisione* (1989).

technical potential environmental that each territorial context can offer. The knowledge of aspects linked to the legislation of the host country is essential and therefore the need to carefully evaluate the regulatory aspects, legal and tax.

In the context of SME²⁸, the process of relocation is a great competitive challenge, if we think that one of their aims is the conquest of the foreign market. The foreign market is thought not only in terms of business opportunities but also of settlement for the creation of new outlets. However, beyond the specific variables of each country, there are others that constitute new obstacles to the development of the internationalization; difficulties of strategic nature, organizational and managerial expertise, financial and regulatory framework. Also in the choice of the countries in which relocate production, SME prefer geographical areas closest to their sector. It should not be neglected aspect of taxation and customs, which constitutes one of the main limitations to the penetration of foreign markets.

Last in the order, but not less important is the culture of the company that is not always favourable for the choice of the internationalization; rather it prefers to remain cautious and program the cultural adaptation gradually, so as to timely seize the changes in the market and respond with a suitable transformation of the activities. Being the international competition strongly felt by entrepreneurs, they want to “do team”, i.e. join to form consortia, mergers or acquisitions, so that the universe of SME can continue to compete on the global market. They are usually small businesses of the Made in Italy to decide to invest abroad and, in doing so, demonstrating great dynamism (falling within this category are obviously the wineries).

It is necessary a clarification. Recently, in countries with high levels of development and growth, especially in those of eastern Europe, is spreading a phenomenon known as the “*re-relocation of production*”, and consists in the fact that an increasing number of foreign companies transferred progressively in our country the basis of their productive activities. It is exactly the reverse process to that of relocation; in fact, instead of moving from the country of origin to abroad, one proceeds in the opposite direction. This process is finalized to the presidium of the national market and is supported by all enterprises located on mature sectors which suffer the competitive pressure on the markets of traditional insertion.

²⁸ Small and Medium Enterprises.

1.8. The growth pattern of small wine companies abroad

The tradition wants that the small size represents in the case of national wine firm, the main limit to the process of internationalisation. Therefore, when the goal becomes that of the conquest of the international markets, the choice of the model more in keeping with its size and to its prospects of growth will fall on export; in other words, on the *internationalisation of trade*²⁹. This is a model of internationalisation different if placed in comparison with that adopted by other countries: strongly addressed to the commercial side, less on the productive one.

Before going into detail is, however, important to clarify some aspects. Generally, the company size is not decisive for the realization of the internationalization of trade or production. The international vocation of an undertaking born in regardless of its size, which is small, medium or large, provided that it meets every single need.

The differential element between these types of companies lies in the fact that in the case of those large, internationalization is to give life to an operation needed to conquer the foreign market (given that the inner one is already saturated) and maximize, consequently their market shares; in the case of small enterprises this same process is to be considered a potential growth strategy.

Several are also the pulses that move the one and the other company to operate at supra-local levels, to implement the presence abroad and, finally, the entity of the performance achieved. The second aspect to stress concerns the thesis, now strengthened, which classifies companies as “micro”, “small”, “medium” and “large” in relation to the number of employees, size of the turnover and freedom of holding capital and securities independently. Nevertheless, in the course of the last few years, a new term has become of common use: “Small and medium-sized enterprises”, true emblem of business Italian reality.

The propensity of the wineries to go beyond national boundaries is defined by a combination of several factors. Some of them originate within the same company, by the effect of past experiences or positive outcomes resulting from strategies previously adopted. We call

²⁹ VALDANI E., BERTOLI G. Mercati internazionali e marketing (2006).

them “*internal factors*”, and examples are: the desire to strengthen the competitive position in foreign countries, to enjoy the conditions of local advantage; develop new skills and increase the level of learning; broaden the market shares.

Others are born from the benefits and satisfactions that, evidently, the company has achieved being abroad, even for a short period. We call them “*external factors*”. Among the most important, we remember: the international growth of the major customers; the internationalisation of the entire production chain; the intention to curb the expansion capabilities of competitors who are already operating at international level.

The true element that moves a typical wine company to internationalize is the *competitive context* that surrounds it. The current economic situation prevents the undertaking to have free spaces in the wine sector and, indirectly, requires it to search for new outlets elsewhere.

In addition, consumer demand is not limited to a national context but goes beyond, pursuing “*international tastes*”, flavours that a company must be able to ensure, if it wants to earn the trust of the international consumer. Added to all this is the availability of a wealth of resources and skills that, besides supporting the undertaking during the international route is determinant for its final performances. An undertaking which has capital to invest, expertise and reputation will succeed, more than any other and without too many problems, to hold a competition at supranational level.

Among others, we must not forget the *project of internationalisation*: a work plan, but also a valuable guide to help the company not to get lost inside the entangled outside world. Many of the elements that constitute it: from planning objectives to the analysis of foreign markets (tastes and preferences of consumers, strategies adopted by other wine producing companies); from the programming of resources to invest/save to the strategies with which to achieve the geographical extension of the activities.

A further factor to be taken into consideration is the institutional variable understood as the regulatory framework of the country chosen as the destination. The reason is simple: it is evident that the laws are not the same in all countries, especially in reference to consumption of alcohol. In some places the legislation limits up to prevent the consumption of alcohol to certain groups of consumers such as those of young age. To aggravate the whole, the so-

called alcohol test, ever more frequently used by the police to measure the alcoholic gradation assumed by the consumer which, in case of excess, will be subjected to a penalty.

These forms of “prohibitionism” will result in a further limit the production and sale of wine and, especially, in greater difficulties for the undertaking to propose a similar product in the territories in which the local legislation is very restrictive. The only favourable solution would be to develop greater versatility also in the legislation context of the destination country.

The second point to be satisfied is to understand how businesses in the wine sector access to foreign markets, and what are the advantages achieved. In truth, the wine company that decides to undertake an international development follows, usually, a path characterized by four operations not necessarily sequential: the identification of the geographical area in which to fix a stable presence; the economic and organizational management in the selected territory; adaptation of business conditions to the new reality; and finally, the management of the portfolio activities and markets in which to conserve the presence.

The latter operation requires the rationalisation of international position, i.e. the ability to discard the options of foreign presence less profitable in favour of those most profitable, in order to avoid unnecessary work resources. The operating mode that the wineries prefer for the purposes of the foreign expansion is the export of their products. The reasons for this choice are quite evident: on the one hand to search for new market opportunities, from another to transfer the product abroad, given the wide success and full coverage of the domestic market.

Exports are divided into *direct* and *indirect* and, in both cases, constitute valid solutions to the needs of the wine companies. In the first case, the exporting company performs the task of marketing its products abroad, using the structural apparatus with which it is equipped. In the second case, instead, relies on the support of operators located in the foreign country to where it belongs the direction of the sales transaction.

Referring to the benefits which the winery draws from strategy oriented toward export we remember, among others, the most important and that is the achievement of maximum competitive advantage and a position on the market that is the most interesting that occupied by other competitors. The extension of production beyond national boundaries and

conciliation between local skills and international strategies, guarantee to the undertaking the ability to fully serve a heterogeneous market and more demanding than national one.

If what is being said is undoubtedly true on the one hand, on the other hand do not neglect the need of professional innovation³⁰ within the management area of small and medium-sized enterprises (this time not only of those wineries). The extraordinary number of small and medium-sized enterprises is, thanks to the synergies created inside of the most disparate industrial districts, the backbone of the Italian productive system.

Up to now it is the treaty of enterprises run in first person by expert entrepreneurs endowed with a solid knowledge of the product. But the exposure to the international markets competition and to the rapid changes of the economy makes it necessary to appeal to new responsibilities and management skills in order to safeguard the physical structure of our country. With the traditional model of management, these companies have managed to make the best use of their strengths: flexibility in responding to the needs of the market, the ability to provide customers with innovative products and solutions, the propensity to invest in resources and technical expertise.

The historical “engine” of these companies has always been the entrepreneur, with his vision of the market, its direct commitment and skills. A business model that has guaranteed for a long time cohesion and dedication, allowing the overcoming of the evolution of the external environment and have, at the same time, a strong control over the internal structure. With the widening of the markets, the introduction of new information technologies, able to cancel the times and distances, the parameters in the game have multiplied.

The result is that today manage a firm even if medium size is much more complex respect to the past. The critical areas and the fronts on which compete multiply, and each new challenge requires an innovative solution. The experiences of the past and the accumulated know-how are no longer sufficient. For this reason, when we move from the product to the market, some small and medium-sized enterprises are likely to be in the condition of having to operate without appropriate strategic vision and managerial tools.

³⁰ DE VINIS. *La competenza, la professionalità, la cultura, il piacere, i protagonisti del bere bene*. Pubblicazione Ufficiale dell'Associazione Italiana Sommeliers marzo/aprile 2008.

Are needed, thus, logics and tools that will allow to make a qualitative leap compared to the usual management model. The entrepreneur must get in the game, open to the adoption of new skills and management knowledges. Where not enough the entrepreneurial spirit, it will be necessary to have recourse to the instruments capable of taking decisions more effective and constantly adapting business processes to the new reality.

CHAPTER 2

2.1. The marketing of wine

The marketing of wine is included into the broader context of the agri-food marketing, i.e. marketing concerning those particular products obtained from the processing of one or more raw materials of agricultural origin.

The main differences relating to these products with respect to the industrial ones refer both to the agricultural origin, with the intrinsic variability in the characteristics, due to seasonality, inhomogeneity and discontinuities; both the differences linked to the process of transformation; marketing approach must therefore adapt to the characteristics of the agri-food product. In the specific case of the wine, discontinuity is a strong component.

The quality of the final product depends on a mix of factors that cannot be controlled; the climatic trend of the season influences the quality of the product, which is often irregular from year to year, as to push many wineries bottling their flagship product, only in the vintages of excellence. Moreover, for decades the wine is facing a demand quantitatively lower with respect to the supply; in this case, make marketing, promotes its own product, differentiate it and then make it preferable with respect to those of its competitors is a necessity for businesses.

For many years the *old world* of wine has conducted a marketing policy very simple, focusing on the quality of the product, without investing in promotion and communication. The change that has brought to light the inadequacy of this management came from the *new world* of wine, with producers who have undertaken real branding strategies in order to create a strong brand, focused on the distribution, communication and promotion. These producers have not had a strong penetration in Europe, since the force of tradition linked to the wine has made consumers extremely resistant to change, but it has proved rather effective on other markets, for example on the US.

The success of these new countries (especially USA and Australia) has demonstrated how the marketing, neglected in European countries, has sufficient strength and potential to allow new entrants to impose themselves on a market with products that are young and poorly known. To

perform a so impressive operation are essential aspects: amount of high production, lots of capital to invest and human resources with specific skills.

The system-vineyard of the *new world* is based on an average size of firms much larger than that of the *old world*; create a strong brand becomes too expensive for a medium/small producer, which then risks to do not have the ability to enter the market the quantities of product that are sufficient to satisfy the demand.

This difference is substantial: in front of our system, pulverized, marketing needs to know how to contact the individual cellars but also the associations (cooperatives, organizations of purpose, territorial) in order to achieve the necessary volume. In recent years the consortiums for the safeguarding and the social cellars³¹ are grown, but have not created centralized marketing strategies at country level in order to create synergies and network between companies to achieve significant levels.

At world level in the sector the trend is the extension of the share of large retailers, due to the ability of the distributors to prepare in a store real wine shops, with low average prices. The fact that the large retailers undertakes to make space for the sale of wine as similar as possible to the layout of a traditional winery demonstrates the emotional value in the marketing strategies and oenological communication.

The strong emotional factor of the wine is reflected in particular on labels which are both information tool that source of emotion, like a work of art. Philippe Rothschild (1902-1988) between 1958 and 1975 commissioned to many important artists, including Picasso, Chagall, Mirò, Dalì, Kandinskij and Warhol label design for the famous wine Château Mouton-Rothschild from the family cellar. The bottles are thus become a means of artistic expression like a painting, but with the added value of the wine.

Some manufacturers focus their positioning and marketing strategies on the emotional element, others on the cost of the product, others on the relationship with the territory of

³¹ Agricultural cooperative which is involved in winemaking, and which in similarity to other cooperatives is owned by its members. The members in a winemaking cooperative are usually vineyard owners, who deliver grapes to the cooperative, which is involved in production of wine from the grapes and the subsequent marketing activities.

origin, through the direct contact with the consumer or the potential consumer, other do not implement any promotional strategy, losing in most cases growing market shares, other focus on product characteristics such as sustainability or the biological.

The territory no longer represents the geographical area with well defined political and physical boundaries. Today the territory becomes a source of creativity, where the different expressions of the times can take shape: economics, technology, art, history, tradition, nature.

The territorial marketing has as its objective the promotion, both at local and international level, of the production characteristics of the produced goods, of the elements of value related to a given area in order to constitute an aggregation of services and entrepreneurial possibilities. The final aim is to optimize the physical, natural and productive resources to reach an involvement of stakeholders, which will lead to economic growth tangible and structured.

The key concept of territorial marketing and its endless riches consist in the consolidation of the community, understood as the expression of a territory. In fact, the community constitutes an important vehicle for the continuity of traditions and for the initiatives related to different types of territorial marketing.

Territory and Community generate *brand*, making it a key element for their identification and recognition from each reference target. The community in particular supports the brand with the way of living, the culinary tradition and the character of the people.

It is then clear the reason for which the territorial marketing is an opportunity for growth available for every type of territory and for each company present therein.

2.2. From marketing to marketing mix

It is usual to define wrongly marketing as the set of sale techniques of a product. In reality, it represents the joint work of the thought and action of the company that, by making the customer the protagonist of his activity, allows it to better sell its product.

The marketing is therefore not a commercial function, nor its articulation, being the latter a reductive activity with respect to the potential of the principles of marketing. It represents

the system to improve the relationship with the customer, sign of a growing and lasting value for the whole company.

The current introduction of the marketing function in almost companies is due to two factors: the growth of competition between companies, favoured by an enlargement of the geographic market and from its deregulation, and an increase in the bargaining power of consumers that, today more than yesterday, can choose between different products that meet the same needs and benefit from many more tools to inform and orient their own choices.

There are two goals of marketing: create interactions between the consumer and the product, through the careful selection of the market to which contact; structuring the supply according to consumer preferences. Among the many and correct definitions that experts offer about marketing, the most complete it would seem that one that describes marketing as the mix of activities that finds its origin from the study of customer, and more in general of the demand and competition, aimed at achieving the business goals of medium- long term through the satisfaction and loyalty of consumers themselves.

Translating what said in the wine world,³² it is obligatory to make a clarification: the marketing of a single sector does not exist, so as not to find space the marketing that involves only the large industries; this is also true for small artisan companies which provide excellent products such as wine. Moreover, the expression “marketing of wine” does not mean nothing if not adequately declined for the actor of reference: the wineries, distributors and consortia of companies. Each of them has its own typicality, its own market and different marketing needs.

For a successful marketing strategy there must be a planning articulated in various steps. The first factor to consider is certainly the competence in marketing, then the market knowledge and, subsequently, the definition of the offer, keeping in mind your own distinctive characteristics, finally the sale of the product. Per se any product, even the best, does not sell itself alone without the help of marketing. To be considered a leader company must, first of all, study the demand (needs, buying behaviour, degree of satisfaction), competition (behaviours of other similar firms) and the general competitive environment (research on sales activities similar in other territories and on potential markets).

³² HAUSMANN C. Marketing e strade del vino. In viaggio tra saperi e sapori (2005).

In the wine sector companies are oriented to the market and to the consumer, replacing the old entrepreneurial spirit, based mainly on the material selling of the product, with choices of production oriented to better opportunities in the reference markets. These are the essential elements to make a marketing strategy the instrument with which to win the competition.

The real strategy is therefore the one that considers all the decisions³³ that allow the company to evolve from a present situation to a future, hopefully better. The marketing strategy sets out the objectives to be achieved, identifies the target market and formulates the marketing mix, i.e. the characterization of the supply in order to reach that target and that goal. These are the pillars that, suitably combined, are able to hold a real marketing strategy. As regards objectives, we must recognize their heterogeneity and variability (sales quantity, value, number of customers, market share, contribution margin, satisfaction and loyalty, return on investment) to associate each a corresponding strategy.

For instance, if a wine producer has as its aim the increase of sales, not necessarily this means increasing the number of customers; simply encourage the per capita consumption of current customers. If, instead, the same producer decides to put the customer at the centre of his own strategy, because he knows to do cross-sell, then it must focus on numbers and try to increase.

The fact that the targets are varied implies greater difficulty in achieving them all simultaneously. In this sense, it is important to size the attainment of the objectives in terms of time (short, medium, long) and space (local, national and international levels), perhaps by arranging them along a hierarchy of priorities. It is very important to the subsequent selection of the target market, so that it is feasible the selected goal and the dosage of the levers of the marketing mix.

In this regard, it is assumed the case of a distributor of Italian wine. He, once formulated objectives, will have to choose which segment contact (wine bars, restaurants, large retailers), evaluating whether it is useful to serve all targets or focus on a few of them; this depends on the objectives and will have an influence on the characteristics of the supply. In the case where he decides to focus on wine bars, he will have a wide choice of labels and types of wine of medium to high quality, he will reduce the time of payment because the frequency of the

³³ TESIO L. Decidere. Piccola enciclopedia del comportamento organizzativo (2004).

purchase will not be very high. If, instead, he is interested to large retailers, quality will be medium-low, payment times difficult to negotiate, but the frequency will undoubtedly be greater.

Substantially, with respect to the target, there can be three types of strategy:

- *The undifferentiated*: in the presence of the coincidence target-total demand.
- *Differentiated*: the segmentation of the market has detected multiple target goals. To grow targets to follow, the greater management costs to follow them in the future.
- *Niche*: the presence of a single target, generally small enough to meet.

At this point, in compliance with the objectives and the selected target will be to combine all those factors, which, appropriately dosed distinguish and differentiate the offering from the competitors. We generally refer to those contained in the English acronym of “4 P”, i.e.:

- mix of products and services (*Product*)
- mix of Prices (*Price*)
- mix of factors of distribution (*Placement*)
- mix of factors of communication (*Promotion*)

Each is, per se, a strategic element because it requires careful planning. In addition to these “4 P” there is a fifth, the *Packaging*, which plays a fundamental role in this sector as regards the recognisability of the product and the history that wants to tell.

2.3. Product

The product is the first of the four elements that characterize the “Marketing Mix”. It makes up the company supply, defining the presentation and the subsequent sale on the market. The strategic combination of four variables allows to sell the product at a given price in points of sale carefully selected.

Each of “4P” has characteristics that differentiate them from other, depending on the sector of reference, on the market, of the geographic scope, of the target, of the goals set out in the strategy and other factors. It is important an integrated use of these levers of marketing, both

to identify the dosage both the composition, and to ensure that each of them is used in a coherent way with the others and with the strategy.

In the world of wine, in particular, the choices of production greatly affect the global characterization of the supply. In fact, in the case of a generic winery, there are many elements to consider in this regard: first of all, the choice of vines, natives (those cultivated and circulated in the same historic area of origin) and those foreign (also called “international” because transplanted from other areas of origin). Among them there are vines that fit well with the territory available, others less; among them, it is possible to select those typical of the territory, as a DOC or DOCG, rather than international ones; or yet to decide to make a blend between them as the IGT wines.

Where to draw the indications on the composition of the product? Simply by two factors: the first of technical type that prefers the wines that get better yield in terms of quality; the other of managerial nature, which highlights the wines required by the current and potential market.

In addition to these, numerous other factors affect the product, from more soft elements but essential for the consumer (colour and perfume) to technical elements (use of biological practices), the aesthetics of the product (the shape, the colour of the bottle), the cork (classic, in plastic or glass, stemming from modern technologies) and the label.

It is common to think that the product of a winery is the wine. Actually, the wine is not the only component of the product, but there are others components to be considered. The wine has many aspects; it speaks of it in relation to the inherent characteristics, distinguishing between wine in purity or in assembly, aged or ready to drink, filtered or not. These are elements that are taken into consideration by the final consumer who evaluates them together before coming to the final choice of purchase.

In addition, the wine to be produced is to be valued in terms of type (white, rosé, red), in terms of grapes used and cellar techniques.

Each of these elements depends, apart from the requests of the market, also by the skills of those who makes the wine and especially from the properties of the territory in which the wine is an expression. Nothing is taken for granted in the world of wine, because everything is used

to reach the final quality and economic returns.

It is important to emphasize also that the product has a strong valence in communicative key; think to the luck of having a great oenologist. Also on the label should be expressed some word; it has great prestige, both for the regulatory content reported (quality mark, the presence of sulphites, etc.) both in terms of attraction for the consumer, unleashing up the imagination of the producer. In the label there is also the corporate designations and the brand.

Finally the ancillary services, often neglected by those who think that the wine is easy to sell. Their importance is double: on one hand, they form the basis for customer loyalty; on the other hand, they increase the potential of the produced wine. Recalling that a loyal customer is worth much more than a merely satisfied, it follows that it is precisely these elements that will make the difference. This is truer if we talk about wine. Examples are, all post-sale services and the company visits related to the possibility to taste and buy.

2.4. Price

During crisis periods, the temptation to review the price lists in order to reduce them becomes ever stronger, as the greater the tendency of the consumer to favour choices to savings rather than those of consumption.

Undisputed element of the marketing mix, the price³⁴ is affected by a long series of negative elements in the wine sector, putting at risk the future scenario of a sector that until a few years ago has lived its maximum optimism. The price is considered to be the most important element of the company supply from which wrongly depend most consumer preferences. “Wrongly” because not everyone knows that the price as a marketing tool is intended to have an influence on the relationship between the company and the consumer; for this any strategic decision regard the prices must be undertaken carefully and bearing in mind the impact they might have.

The decision to purchase is formed according to the expectations of the enjoyment of a product or service; it is not always true, therefore, that the decision to purchase a product is

³⁴ BERTOLI G. La politica dei prezzi: gli aspetti gestionali (2000).

built in relation to the price. If it were not so, we would all support only low cost products.

The wine incorporates many things: a brand, an experience, a territory, a remembrance and much more. In this sense, the first thing to ask is “How to fix the price”? The literature lists many criteria, from the simplest, named as “method of 3C” to the most complex ones, defined in relation to the oenological objective (how much should I produce? With which style?) and the market (which channel to address? What should the cost of my wine?).

In the latter case, to define the price, it is preferable to begin with the fixing of a profitable margin of entrepreneurial activity and, then, reach the price of the bottle (top-down approach), or, on the contrary, carried out the estimation of the production costs, those commercial and marketing, taxes, depreciation, applies its own mark-up until arriving at a price defined (bottom-up approach).

The method of 3C is based on three variables to calculate the price:

1. The first “C” to be considered is that of *cost*: the minimum value below which we cannot drop in the determination of the price, not to lose value. There are special conditions: for instance, when a product is about to expire. In this case a sale below cost could be a good method. The problem must not become structural, in that case we must also consider the hypothesis that the product is not suitable for the market.
2. The second “C” is that of the *customer*: the price that is willing to pay is the maximum to which a producer can aspire. Overcoming the maximum amount the purchase will not be sure, as the required price goes beyond the purchasing power of consumers. This “C” unlike the other is not easy to find, because while costs are known, the tendency of the customer to pay a certain amount must be deduced from its behaviour.
3. The third and last “C” is that of *competition*: defined the maximum price (customer) and the minimum (cost), consider the competitive prices is essential to get an idea of how the other suppliers are oriented within the price range. In particular it is important to understand who is the market leader and at what price offers its own product.

Now we need a couple of details. Not all costs are charged in the calculation of the total cost of production that refers to the first “C”, but only the costs directly related to the product. Then, if you produce 5 types of different wine, costs to be considered for one of these wines

are those directly attributable to this wine (e.g., barrels, cap, bottles, labels) and part of the general ones related to the others wines (administration, oenologist, etc.). The risk would be otherwise to overestimate costs.

The second point relates to the third “C”: identified the leader or market leaders, it is not said that the producer must necessarily arise at a price below theirs. Everything depends on the strategy adopted, by the goal that we wish to achieve and the chosen target: at equal product (even if in the world of wine this is enough subjective) we might choose a low price to penetrate the market (strategy of penetration) or a high one to be positioned differently in the mind of the consumer.

The price that the target customer is willing to pay to purchase a wine is defined *psychological price*, as defined in the framework of an acceptability range that contrasts to a minimum price a maximum one to which high quality is systematically associates. The best strategy would be to locate the appropriate range to the target that positions the product and enhances the quality of the wine. Do not forget, among the components of the price, the rights on alcohol and VAT³⁵.

2.5. Promotion

In the world of wine the communication³⁶ is an essential component of the marketing mix because it enables the firm to be directed more toward the target selected.

The competitive phenomena, the different forms of distribution and the multiplicity of products present on the market have pushed operators to build commercial and promotional paths (price discounts, rebates, gadgets) intended to send a certain number of messages to customers and to influence their choices. It was found that it is not the same thing to tell and communicate wine on television or through the microphones of broadcasters; change the expectations, differ emotions perceived as one or other lends itself to different styles of information and communicative approaches.

³⁵ Value-added tax.

³⁶ SMALL F. *La comunicazione nel food and beverage. Farsi conoscere con piccoli budget* (2005).

In the specific case of the wine industry, the lever is especially on direct contact (where information and communication flow from one consumer to another through events, tastings, festivals, winery visits), so that the consumer can relate to the product through the five senses and where the use of one or the other influences the final communicative outcome and, upstream, the strategy.

An effective communication strategy must ensure the knowledge of wine regardless of the means used. How? By answering the following questions:

- what to say?
- to whom?
- with which goals?
- with which techniques?

In the wine market, the purpose of the communication is mainly to acquire a reputation of “product” and “brand”, in reinforcing of the image, in informing about the new products, to convince, to remember the existence of a product and to know our brand. To be effective the promotion must attract the attention of the consumer in order to raise his interest and involve it up at the time of purchase. Must be defined, then, a true and proper communication plan that meets the company goals.

We consider, first of all, *internal communication* of the company, among the people who work there, which integral part of the construction of the image and essential part of the management. To this follows an *external communication*, which highlights the environment surrounding the company, characterized by its reception points, places of tasting, but also the name of the estate, the specific brand, business cards and brochures that highlight the brand.

A product of excellent quality offered at an acceptable price, distributed in a manner accessible to consumers will be the favourite if accompanied by all the information needed to respond to the needs of the customer. What are the best means suitable to pass a message to the customer? How to draws his attention considered the overview of opportunities that are being proposed? The means that allow an individual to recognize a product, to identify it and to distinguish it from the others in the sale place, stimulating a purchase, immediate or delayed, must be combined with each other to ensure the success of the marketing. There are,

in this regard, two important techniques of communication: the media and the one without the media. The first is based on the use of tools such as print, television and radio; the other is based on the use of complementary techniques such as direct marketing, sales promotion and sponsorship. In extreme synthesis it is possible to identify two distinct communication schemes, each one has the following purposes:

- transfer knowledge (informal/cognitive aspect);
- communicate passions and feelings (passionate/hedonistic aspect)

As regards the first aspect, what is important is the depth of information but, in the world of wine, emerge superficiality and incompleteness in the transmitted messages, this is due to the use of specific terms that cannot be understood by all potential customers. Currently, the operators of the sector are using a new communication tool, Internet, to let know better their products. The most sceptical consider it as an unrealistic target given that a bottle of wine must be touched, untapped and tasted to know it well so that internet can not replace this sensory experience.

Many wineries create their own Internet website, as a further instrument of communication and in the expectation that it can be transformed into a well performing sales channel. Probably Internet is offering to the world of wine the opportunity to start to use synthetic and understandable sentences, able not only to inform but also to excite. A nice challenge that hides, without doubt, a transformation of the logics that so far have guided the entire system of communication of the wine; Internet, in fact, is expanding intensely the number of potential readers/end-users of oenological news, which have so far remained confined in the circle of super fans and allowing companies to do what they had never been able to do: arrive in all the houses, address to all consumer's segments, at every hour of the day and of the night.

The net with respect to television, radio and newspapers, offers another important advantage: in many cases it is also consulted in office hours so that controlled the news, people look for their hobbies and personal interests, including the wine.

To conclude this paragraph, it would be optimal to analyse the case of an individual company and see what possible actions would constitute an effective communication campaign:

1. provide an analysis of the customers of the firm, choosing its own market (number

of customers, their profile, the rate of loyalty);

2. analyse the previous communication actions realized on that market (sales, loyal clientele, enhancing of the reputation);

3. choose a new strategic goal for the campaign (increase of the direct and indirect sales, development of the reputation through products or trademarks, reinforcement of the brand image of the company);

4. define the actions to achieve the objectives set (exhibitions, trade fairs, mailing);

5. define the required media for the realisation of the strategy.

2.6. Placement

In the face of the demands of consumers who are increasingly prepared and the consolidated success of wine, sales strategies should be creative, to change the whole panorama of the distribution of the quality wine. The way to sell and buy wine continually changes, to adapt promptly to the requests of consumers that become, every day, wider and more prepared.

Until a few years ago, instead of today, companies followed the traditional schemes and sales strategies were slightly differentiated. Most of the marketed wine reaches the consumer through retail channels, but we should not forget the change which in recent years has produced the Ho.Re.Ca., that applies a different mark up in the restaurants in the hotel and in the café.

At the global level the extra domestic consumption of wine is growing, demonstration of the change of consumption habits in traditional markets. From the side of manufacturing companies, the choice of the distribution channel depends on the customers and from the chosen position. The *direct sale* is used for the marketing of bulk wine for the own consumption, ensuring a turnover not negligible. Using this channels means benefit from a good presentation of the products and the guarantee of a direct relationship with the consumer. The essential requirement for its success is the endowment of a place dedicated to the sale, to hospitality, to presentation of the products and to tasting.

Some companies are specialised only on the activity of tasting-sale, others in diversified

operations of tasting-sale, visit in the company, accommodation and restaurants. The latter is the strategy more diffused in the world of wine because it ensures exclusive contact between producers and customers within the company.

The owners of wine bar, independent or in franchising constitute a good percentage of the distribution. This type of channel wants to ensure a traditional sale of products. Initially they gave priority to an activity that associates the sale of bulk wine to private citizens and the sale in bottles; today the wine bars are open toward a full range of wines and, also, spirits. Their activity is thus more dynamic respect to some years ago, they are continually looking for products and selective purchases in order to meet loyal customers.

Large retailers are very important in the furniture of wine products. Shop chains grouped under some signs characterize it and it is becoming the main place for purchases.

The current market background has contributed to the development of new methods of marketing and sale of the products, forcing large retailers to be more professional in order to ensure the success of the sales to a customer that is becoming more and more demanding. This change can be done thanks to the balance in the assortments, the presentation of the products on the shelf, attractive promotional campaigns and operations of sensitization of the clientele.

The more dynamic channel is certainly the *Ho.Re.Ca.*, because it represents an important way of communication for the market. The *food & beverage* chains represent a market with interesting perspectives especially for individual producers because they encourage a useful penetration at local or regional level.

2.7. Packaging

How to present bottles and labels to a large audience? Someone uses family images or plays on the irony, others use artistic images (just think to many known Italian stylists that “dress” the product with their brands) and other, at the opposite, refers to the peasant origins.

Everyone can choose but are very few who try to put on labels something really new. In the scenario of consumption is increasing the aesthetic and formal relevance of goods, at the same time as the progressive affirmation of the “image society”. This trend has been already

exposed Schmitt and Simonson³⁷; they identify in the aesthetics a new paradigm of marketing. First of all, the economic consumption is today toward shapes, colours and sensory experiences; the variety of products that crowd our markets is essentially a plurality of images, made in unlimited quantities, fast images intended for a rapid consumption, according to the changing and insatiable needs of today consumers.

The appearance guides our consumer choices, creating always more new form, where what is visible is brought to the maximum degree of exposure. This is recognized in the chromatic choices, in the preparation of the exhibition layout, in projects of communication and *brand image*. In this scenario the packaging consolidates its new role, no longer simple functional packaging, aimed at protecting and contain, but it becomes a communicative interface, aesthetic and sensorial project. The luxury is, by definition, attentive to the shape and aesthetic sensibility; it uses creative forms of packaging, where the brand and its values become visible.

Faced with a situation of excessive or illusory choices, on the one hand, and standardizing on the other, there is the need for additional differentiation, something more able to attract the attention of the consumer and orientate him to purchase. In this sense the packaging represents a powerful tool, able to create a bridge between the form and substance of goods, communicating an interior world through the visual.

The packaging is fully entered in marketing strategies, becoming an integral part of the system-product. Through the choice of the package, namely the component verb-iconic of packaging, and the combination of the colours and shapes, a company can build and strengthen the corporate image, give valuable information about the product, transmit the value of the brand, communicate emotions, make live experiences. In addition to the distribution and the communication, the packaging has become topical, for the growing attention of companies to social responsibility and environmental impact.

It is a dynamic tool that renews itself in time, in order to always remain attractive and contemporary; it preserves the basic features of the recognisability and personality of the brand/product.

³⁷ SHMITT SIMONSON, Marketing Aesthetics: the strategic management of brands, identity and image (1997).

The packaging must not be considered as an instrument removed by other means of communication but must be one of the tools of a global strategy, strongly synergistic.

What is changing in the universe of packaging? There are improvements both in the visibility of the brand, in the description of the product, both in terms of technical design and image. What has just been said is easily seen in the world of wine, where the relevance of the packaging is such as to make it one of the instruments with which to face the crisis in the sector.

Today in this context there is the need for producers to affirm their own brand; in the wine sector there is a profound relationship between the manufacturer and its product therefore there is the need to give it a name and an identity. The role of packaging is vital in this context, in fact to recognise the wine we talk about “label” that truly represents the product. The evaluation of the quality of the product is very emotional, more that rational and therefore the perception of wine depends in large part from the label, from history that recounts: when you take in hand the bottle, the wine it is already almost tasted.

In addition, the wine sector is a highly fragmented market with many manufacturers, each of which has a products portfolio wider, thus emerges the need to have a proper brand strategy. Therefore, always more this market is turning to the professionals who have a deep knowledge of the sector, because that of the wine is a very complex world but with a great history.

2.8. The main competitive strategies aimed to strengthening the “Made in Italy” wine at international level

In the previous paragraphs I have been examined the strategic levers that every wine company uses to achieve its sales and profit targets; each one has its own articulation and internal complexity and is interdependent with the others. The companies will choose the optimal combination of marketing which best suits to internal skills and to the target market. We don't only speak about “4 P” in the context of the marketing strategic levers in the wine sector; in the course of time, in fact, other levers have been added that have extended the possibilities of wineries to succeed on the market, such as for instance the brand management.

It is important to stress that the strategy to follow to support the recovery of the wine sector is the one that provides the use of the following tools: entrepreneurial capacity, preservation of traditions, product quality, and innovation.

Although it is a dynamic sector, that of wine has constantly the need of new information to understand the requests of the market and correct them in the production phase, of indications on the future trend of consumption and of the product, and finally the access to regulatory instruments (availability of funds to invest in the development of new products, processes and technologies; resources with which to restructure vineyards and promote abroad national production). All this guarantees a virtuous path to firms producing wine, orienting them toward the highest competitive advantages in order to win the challenge of the markets.

2.9. The brand management: strategies for achieving a high competitive advantage

The theme of the brand is currently at the centre of the interests of many scholars and manager. Also in the wine sector businesses choose the strategy of “branding”³⁸ to compete at high levels on the market and to achieve a competitive advantage larger than competitors. Among the factors which give importance to this theme, must be remembered:

- the changes in the processes of consumption and purchase of individuals; the socio-cultural progresses, the greater need of clients, the complexity of the competitive environment (increased flexibility, reduce *time to market*) and, finally, the growing availability of information allowed by new technologies and interactive media that until a few years ago even existed that have made consumers more aware of what is offered to them. On the market the supply multiplies up to the excess in the face of a demand, which, is not growing proportionally but becomes more demanding, informed and aware of its value to the business. All this has forced companies to increase the value of their proposal through the adoption of new models and management strategies, where the care of the relationship with the consumer becomes central and

³⁸ GRANDINETTI R. Marketing. Concetti e strumenti (2002).

where the brand is one of the fundamental elements. The customer, therefore, represents a point of reference for all business processes.

- the necessity to give value to intangible assets of the firm in front of operations as acquisitions, disposals or mergers. This is the reason that explains why, in recent years, the brand has been represent as the subject of the most important transactions between companies, making grow both relations between enterprises in which the partners agree to the use of a specific brand, both the operations of acquisition and merger aimed to take ownership of the marches. Consequently, the theme of the exploitation of marks (brand equity) is taking over time more and more importance.

Today, the consumer is looking for something different in the products; he does not stop only to the quality of the good but assigns a personal and individually meaning to the purchasing process. The new approach leaves more space to the needs of the demand making it less standardized, given that the consumer research a symbolic value in what he buys, putting in the second floor the primary function of the good/service.

This evolutionary process has requested a new way to produce where the attention of the enterprise is no longer facing the indistinct totality of individuals that constitute its target; a firm has to focus on the individual consumer, on his particular needs and on his personal expectations. In this perspective, the brand gains important functions where the intangible and symbolic aspects of the produced good prevail over the material aspects. The brand, with its ludic and customization functions, is increasingly a form of knowledge and it moves through a shared network of experiences and meanings between different users who use it.

After having clarified that the theme of the brand is assuming an ever-more central role in the strategic decisions of the company (at least in an optical *customer based*, which favours the relationship with the customer and its loyalty), it is now important to enunciate the brand functions:

- *identification*: make the supply recognizable
- *orientation*: facilitate the categorization of the supply
- *convenience*: allow fast choices by reducing the risk of the economic results

- *commercial vivacity*: expand and differentiate the choice, making the shopping more pleasant
- *information*: transmit the specific contents of the product
- *warranty*: ensure the quality, the constancy of the promised contents
- *expressiveness of values*: represent a style, features, a certain image; a tool that offers itself to the consumer in order to manifest his preferences and values
- *satisfaction*: the ownership of the product produces psychological satisfaction since it represents data, meanings and values, (self-esteem, confidence, strength in relation with others etc.)
- *innovation*: it can create new modes of purchase/consumption, different markets-product, new solutions, new symbolic contents or utility.

Nowadays it is unthinkable to launch on the market a product without a name and especially without personality; it would be an unknown product, invisible to the eyes of the consumer. The brand then takes a fundamental dimension in company management, becoming its strategic element.

There is no more the classical vision of a bipolar market, in which producers and consumers played opposite roles; now we talk about the brand market, characterized by a real dialectic between supply and demand, by exchanges of speeches and not simply products.

2.10. Definition of brand and stages of development

The brand was born from the set of tangible and intangible³⁹ attributes that distinguish a product or service from another similar by nature or by function.

The brand represents a value for the consumer and a commitment in the production phase: “being brand”, in fact, means to consistently meet the expectations of users or prevent them, if possible, before that certain environmental changes may make them change; only then it will be possible to propose products/services suited to those needs.

³⁹ ROVETTA B. Valutazione e gestione del brand e degli intangible assests delle imprese (2003).

To build a brand means, primarily, listen to the needs of the consumer and to translate these requests in supplies capable of responding to the expectations “mal meet” from other products and producers. The brand also represents a value for the company; it is an asset for the firm capable to develop confidence and knowledge, to increase the size of the economic capital and the opportunities for business growth.

The brand is a phenomenon in continuous evolution that seems to be defined more and more in the communicative sphere more than in the commercial one. Given its nature typically communicative, it is possible to distinguish three stages of modern development of the brand. The first highlights the birth of the so-called *functional brand*, in the 1970s, with the aim of ensuring the customer the effective solution to the needs exclusively objective (nourish, clean); a brand that obtains, by the consumer, a large confidence because it guarantees the quality, safety and a lasting performance.

It follows later, around the 1980s, the *brand increased*, born and grown at the time of the fiercer competition, technological development and growth of the supply. It is a brand that is not limited to *problem solving*, but is enriched with emotions to distinguish it from the others. This is the period in which the consumer is looking for something new, the pleasure of consumption, the achievement of a particular status. Thus, every brand begins to imitate the emotions that offer competitors while the advertising has the task of giving to a specific brand an exclusive uniqueness.

Lastly, the market sees rise at the end of the 1990s, the *total brand*, causing a perceptual asymmetry between consumer and brand on the value to promise and to buy, as well as a weakening in the affective bond between the brand and the consumer.

After giving a definition of the brand and have explained its evolution, I pass to describe briefly the relationship that binds the company to the brand. The brand enables the firm to distinguish, differentiate itself from the competition and to create added value. It even seems that this precious intangible resource is what allows firms to reach a dimension that is needed to emerge in a competitive environment, simply by using their own resources: credibility, legality and affectivity. These factors require continual renewal and strengthening so that the brand that represents them can always be behind the times and, thus, competitive.

We should recognize, however, that as all strategic tools, also the brand has its negative sides, revealing even a nightmare for those who must manage it when its size exceeds the capacity of the control of the enterprise. This means that even the brand has important obligations not to break: to ensure continuity, consistency of the mix and socio-cultural obligations.

2.11. Branding policies in the wine sector: informative and transformative strategies and promotions

Historically, *branding* arose as an internal process within the company and also the wine sector shared this common vision. The process began with the conduct of a careful analysis of the market, continued with the strategic positioning and ended with the creation of a marketing plan aimed at the conquest of the consumer. It is evident that the latter, inside the above process, would play a passive role, and the brand, in this perspective, didn't represent more than a service to support the product. It was something pre-packaged, that the consumer bought and paid together with the product.

The development of the web has reversed the terms of this game. First of all, the branding strategies today are nothing more than the result of a process largely external to the enterprise. It is process that the company can only attempt to govern but not to manage and control.

There are two main reasons, the first consists in the changing attitudes of consumption. The consumption is always less motivated by factors of status and increasingly by "identities" reasons. The brand, therefore, loses its primary function to mark a difference and a socio-cognitive territory, in order to become an instrument through which to build relationships with people who identify themselves with certain ethical and moral values. This implies that, independently from the network, a large part of the construction process and communication of meanings of a brand remains outside of the control of the enterprise.

The only thing that can be done by the company is to try to give a strong imprinting to its brand in order to select both internally (employees, suppliers and so on) and externally people who identify themselves with the system of values that the company shares and aims to promote and spread. Many of these spaces are public, so it is only by associating and

promoting these values that companies can support, indirectly, the value of their investments in this direction.

Secondly, the network reduces researching costs, access and sharing of information, creating equally that word of mouth (required to construct the meaning and the value of the brand) that people usually carried out outside of the web. The network, from this point of view, has not done anything else than multiply what has always happened in local contexts.

It is for this reason that becomes ever more difficult to sell the same brand in different ways (sometimes incompatible between them) in different markets. The information circulates and is shared on a worldwide dimension. Think of being able to divide the brand management on individual markets is increasingly a utopia. It is the same for strategies aiming to use different brands in different markets for the same product.

In every case the strategic and multiplicative role assumed by word of mouth, obliges the companies of the world of wine to adopt new instruments to monitor these communicative and value flows; this has to be done also because the process of diffusion of information is not hierarchical more as sometimes ago and, in addition, the influencers are numerous, always different and hardly predictable from the beginning.

The instruments that I am talking about must not be conceived only as control tools, through which understand the complaints in order to manage them before they reach a negative value for the company. These instruments, otherwise, must be creative and used to try to understand and interpret the needs and emerging wishes in order to include the consumer in the creative process. This is why the research and development, as well as the *customer care*, should use them. This is what is needed to enter into a relationship with those people who then will buy the products and services.

In markets saturated of supply, as that of the wine, the brand assumes a central role: for companies, because it is a tool that allows to counteract the competition and defend the market shares; for consumers, for the satisfaction of their own needs. To achieve this result marketing strategies aim, through the use (today more than ever) of media and communication to create in the consumers' minds associations of ideas, feelings, images and experiences which position the brand in a distinctive way so that it is immediately and instinctively

recognizable by customers. Media and communication thus represent the voice of the brand, the means through which firms communicate to consumers the values of a brand and establish with them a relationship.

So what are the best options for a correct marketing strategy? Marketing strategies adopted in order to assert and consolidate a brand can focus on the communication of a single aspect of values or emotions (for a wine, colour, perfume) or on more aspects coherent between them (the taste and pleasure). They can use a single communication channel (the classic advertising) or more channels (printing, direct marketing). Obviously it is possible to combine together, at best, the various options of communication and channels.

Advertising is still an important tool of communication but it is not the only or the most important channel to affirm a brand. The success of a brand depends increasingly by marketing strategies that provide the combined use of multiple communication ways and channels. The coordinated use of multiple channels and messages “hits”, in fact, the consumer in different moments of his purchase experiences and contributes more quickly to the creation and the affirmation of brand equity. Defined the positioning strategy of the brand, the type of message you want to convey and the target toward which contact, the company must implement the creative strategy, establishing the way through which to express the arguments in order to reach the selected target and communicate the desired positioning.

The company will choose an *information strategy*, if the intent is to highlight the features and benefits of the brand, as well as to communicate to the consumer why and how the product is able to give the right response to its needs. Alternatively, the firm will prefer a *transformative strategy* if the objective is to provide a portrait linked to the image of the product and aims, through its distinctive personality, to meet the aspirations and lifestyles of consumers.

Despite the specific approaches of the two strategies, the aim is to establish a solid relationship between consumer and brand. The customer loyal to a brand, in fact, will not invest time and resources in the search for alternative products, but he will instinctively choose those products or services marked by that particular brand. However, the implicit challenge in the creation of the best creative strategy consists in the “jungle” of advertising messages through which to find the way to distinguish in order to strike the interest of the consumer.

If it is true that the communication provides the consumer a reason to buy a certain product, *the promotion* represents the incentive. The promotion can be directed both to the distributor both to the final consumer; in both cases it is a strategy designed to affect the behaviour of the respective target. It encourages the retailer to offer and actively support the brand as an alternative to those of the competition and encourages consumers to purchase the product in a given time or in a certain amount.

A successful promotion, besides transmitting to the consumer a feeling of urgency and convenience, contributes to the creation or consolidation of the brand equity by communicating information or, as often happens, the possibility to try or “taste” the product. Promotions, however, can have negative aspects, in fact, those made incorrectly involve the risk of a devaluation of the product and the brand, with serious damage to the company. Promotions to trade, instead, generally consist of incentives or discounts to the reseller with the only goal of obtaining an exhibition space of greater visibility in the selling point.

2.12. The value of the brand and the creation of brand equity

Unlike twenty years ago, today investigate on marketing strategies means encountering the predominance of the communication on all the other elements of the corporate management. The priority goal of the modern company replaces the need to make it known by consumers to the achievement of the profits, and try to remain present in their minds. Of course, before doing this, a firm need to create, possess and outline some strengths that, subsequently, must be communicated to the public. Among others, the more relevant is brand value, obtained by the combination of three perspectives: the value for the company, for the consumer and business management of the brand.

There are many communicative instruments owned by the company. Any element of the company communicates something: from the company headquarters to the packaging of products, from the organization of the selling point to the logo of the company. The important thing is to uniformly plan these means. For instance, the message issued by the packaging channel must not be in conflict with that one emitted from the advertising channel.

Why this sudden need to communicate? The need for communication, both internal and external to the company, is due to a whole series of social and economic factors that twenty years ago even existed. It is a different type of market (which is becoming increasingly globalised) and consumers, who are doing their shopping in a market populated by an infinite number of products and producers which, thanks also to the socio-economic change that is happening in the world (think for instance to the European Union, with the elimination of national borders), extend their commercial network beyond the borders of their States.

Thus, if the company does not want to go wrong, the consumers must guide it, with their needs and tastes. It is equally true that a strategy will be successful if the firm will dedicate itself also to a work of global communication, using all the means at its disposal. We ask ourselves how can the company being able to build up an experience that for the consumer is worth living. The answer is obvious: creating the brand, a distinctive value and difficult to be imitated because it consists of a series of elements intangible built in time through a careful work of communication. In a market characterized by progressive standardisation of products, increasingly similar technologically and functionally, the development of the brand becomes the means to counteract the tendency to imitation.

The reduction of the products' life cycle is a continuous innovation that requires the help of economic resources in research and development and the crowding of the media that have costs increasing to support. In this context, the capacity to manage the creation and development of the brand with an adequate branding strategy becomes a key competence.

The brand is also what allows to the individual consumer to express also his individual specificity, since the series of his consumer choices constitutes one of the most significant signals with respect to the social context in relation to his personality. This demonstrates how the brand is becoming more and more important for the consumer and is becoming a relevant asset in the management of the products and services of the company. It is therefore essential to understand the essence and the value of the brand, and then perform a careful management.

Starting from these considerations, *brand equity*⁴⁰ is defined as the generative potential

⁴⁰ AAKER D. Brand Equity. La gestione del valore della marca (2006).

that allows to increase the intangible endowment and generate economic value, through the production of new resources starting from existing ones (extension potential); it also allows to strengthen the relations between the company and its stakeholders (relationship potential) and facilitate the production of an environment that is consistent with the purposes of development that the company has given (differentiation potential).

It is therefore clear that the value of the brand for the company is much higher the higher is the value attributed by consumers to brand itself. The management of brand equity must integrate the perspective of consumers together with that of the firm. As regards the corporate management of the value of the brand, becomes fundamental for the company to perform this phase consciously and consistently with the potential of the brand, subdividing it then in assets that compose the brand (loyalty, notoriety, perceived quality, other associated values).

There are many methodologies to measure the value of the brand:

- *model of Adams*: the brand equity is seen as one of the most important resources for the confidence of consumers. It represents a potential for generation of resources that requires a definition of its specific elements to be activated. These are subdivided according to three determinants: knowledge of brand, loyalty and relations with people external to the enterprise. Although it might seem like a simple understanding, the model has a reductive vision because it does not consider the quality perceived by the consumer;
- *model of Aaker*: this approach examines the value of the brand in relation to the resources that the company is able to build. The brand equity is defined according to a series of assets and liabilities, substantially due to the brand loyalty, to the awareness, to the perceived quality and to the associations connected with the brand. The limit of this model is the omission of the relationship between the company and the surrounding environment;
- *evolutionary model of the value of the brand*: the model relies essentially on three evolutionary stages (accumulation, enlargement, activation), on three vectors (enhancement, abstraction and experimentation), which act as drivers in each stage,

and on three levels of potential (differentiation, dissemination and learning), and which represent the resultant and the source of the vectors indicated;

- *model of the brand strength*: the model refers to the position occupied by the brand with respect to those of competitors, highlighting the achievement of business results: create special characteristics for a product, maintain a valid level of quality, make an effective communication program with the outside and a supply of sale and post-sale service punctual and selective (action on the levers of the marketing mix). The strength of the brand depends on some factors: performance of products under the trademark; the longevity/vulnerability of the mark; the extensibility and the growth potential of the mark;
- *brand value chain model*: it represents an analysis tool that facilitates the identification of different business activities that contribute to the creation of value. These activities are powered not only by investments in tangible assets, measurable through the reading of the accounting data but also, especially, by intangible resources that are not represented in the corporate balance sheets;
- *Brand Asset Valuator model*: the model analyses the value of a brand according to four components (diversity, relevance, esteem, familiarity) and studying the relationships between them through a tool called power grid. This is the preferred model in the literature, perhaps the most analytical, but it ensures the comparisons between brands and their evolution over time.

Within the scope of the resource-based theory, these evaluation approaches are based on the identification of a series of indicators that reflect the perception of purchasers and the market results obtained by brand. The intangible resources are attributed substantially to the reputation and relationships; the first measurable through the image, the second through the degree of fidelity. These resources are obviously affected by the level of *customer satisfaction* reached.

The brand equity, therefore, depends heavily on the price that the product is able to obtain, by the number and frequency of purchases/repurchases which, in the final analysis, are the result of the force with which a brand makes customers loyal. The use of the models is then served to highlight the conditions that make the brand a “market reality” that creates value for the

consumer and for the company. The priority goal of the marketing activity based on these models is therefore the profitable achievement of consumers. This aim is achieved by the provision of a supply proposal consistent with the analysed levers capable of attracting the consumer and retains him in time.

2.13. The image of wine: the force is in the brand or the territory?

What are the elements that might depart, in time, the perception of wine in the eyes of the consumer and which is, finally, the impact of the territorial identity on the buying behaviour?

The wineries are constantly seeking to deepen the beneficial effect of the synergies between the propensity to quality, corporation stock, wine/territory identity, and sustainable development. These variables represent the drivers for the competitiveness of wineries and they were identified through an analysis realized by a test on some Italian territories. From this work, has emerged a different propensity of various examined areas with respect to the considered variables; this may have helped to differentiate the image that the different territories of the wine have in consumers' minds.

The starting point is represented by the recognition of the importance that the brand of the territory has on the preferences of consumers and thus, the mutual enrichment that is determined between companies and territory when both entities rely on the values of the brand.

I want to try to define the image of some territories of Italian wine chosen on the basis of their reputation and/or potential, determined on the basis of the tradition and the presence of firms having a decisive branding policy.

The reputation and image of a territory affect the perception and the choices of consumers valuing or demeaning the communication strategy of companies operating on that territory. This statement assumes a meaningful value for those products in which the bond with the territory is very intense and direct as in the case of wine. In fact, it is the result of the characteristics of the "terroir" (understood as a whole constituted by the ground, environment, microclimate and by grapevines of a production area) and the wisdom of those who engage in

the transformation of the raw material. For these reasons, the managerial implications arising from the perception of the brand image of the territory of origin must be suitably assessed especially when companies intend to deal with the international competition. The latter appears today characterized by two major areas:

- the first that sees the presence of big player that address the market with wine productions having characteristics fairly stable in the various vintages and homogeneous between them; hence the emergence of grapevines (Cabernet, Merlot, Syrah, Chardonnay and Sauvignon) able to adapt easily to the different territorial contexts, disregarding from the agricultural traditions of the place of origin.
- the other approach is characterized by a supply anchored mainly to native grapevines (although not disdaining international vines) that are targeted mainly toward market niches or toward consumers attracted by the search of uniqueness and differentiation, thus from the discovery of the territory.

In order to compete, also defending the cultivation traditions of the places of origin, the wineries, especially Italian ones, must therefore be able to affirm their production by focusing on an appropriate commercial positioning through communication and exploitation of their own brand but also recovering the link with the territory of origin, which today constitutes the element of differentiation with respect to the spread of standardization of production and consumption.

The *country of origin effect* highlights the value that is assigned to the concept of typicality and origin by consumers and in particular the impact that geographical origin has both on the purchasing behaviour both on some peculiar characteristics of the product (as the productive tradition, the characteristics of the product, the incidence of competing brands).

The theoretical assumption on which to begin is the brand equity that, as already explained in the preceding paragraphs, is considered an essential element for the creation of value and of the trust that the customers have toward the brand. Then there is the identification of the essential components of the image of the area of origin, necessary to the definition of consumer preferences. Finally, there is the comparison between the “corporate” and “land”

image in order to locate the necessary attributes that the native Italian wines must possess to compete with wines produced with international grapes.

Consumers, in countries like the Benelux⁴¹, Germany, Poland and Russia or, as these, also many other western countries consider the Italian wine the best behind the French, on every point of view. On one occasion, however, Italian wines are listed first with respect to French ones: in quality-price ratio. In all other scales are seconds, sometimes very distanced by the French.

So what are the points of strength of Italian wine? According to these consumers, Italian wines are “good” and have a good image.

There are essentially two cultures of wine. One is linked to the “*estate wines*”; they are wines of prestige and medium-high quality, with limited production and characterized by strong regional influences and sense of territoriality. The second is the one of the “*branded wines*”; they are international wines in the style and don’t have that sense of belonging to a given territory and differ, not for the intrinsic characteristics of the product, but for the intense marketing activity that generally follows them.

The first philosophy corresponds to the Italian and French wine culture. They are nations historically tied to the production, consumption and export of wine. The second culture represents instead the areas that only in more recent times are approaching to this beverage, such as, for instance, America and Australia.

Maintain and improve the competitive level of the Italian industry of wine requires substantial investment and the brand can be a useful tool in support of the development. The brand assessment and management become activities of primary importance in the present context of business management. The companies must highlight the strength and potential of the brand but also the risks of loss of value. It is important, by means of the analysis of significant parameters, check the attractiveness and the potential of the market where the brand works (size, growth rates, competitiveness), the positioning and the differentiation elements of the

⁴¹ Belgium, Netherlands and Luxembourg.

supply (quality, uniqueness, lifestyle, geography), the economic impact on business (profitability, market share, price premium), the image and the brand management process.

In the wine sector the evaluation assumes different specificity depending on whether it is an estate wine or a branded wine. The evaluation of the company and its business model is the first step. In the case of branded wines, it is necessary to consider the relationship with the distributors, contracts with producers, production procedures, brands and other assets of intellectual property such as packaging and logo/images associated with the product. In the case of the estate wines, in addition to what has been said, it is important to evaluate the reputation of management, past and present history of the property, the image of the territory and other intangible factors, which positively influence the purchase experience and consumption of wine. It should also be recalled that the brand can optimize the financial management of the company through its use for obtaining new financial resources. In fact, it is possible to use the brand in financing operations in the medium term.

The branding process of wine is linked to strategies of “organic marketing,” rather than “synthetic marketing”. The first, the organic approach is aimed at creating an emotional bond with the product and manufacturer, focusing on the intrinsic characteristics of the wine and the country of origin and focusing on factors such as tradition and genuineness. The synthetic method, on the contrary, gives greater prominence to marketing elements such as pricing, packaging and label, putting in the second floor the product.

The tendency to branding was accelerated by increasing the competitiveness of the market linked to the production and consumption of wine in countries not traditionally consumers, by increasingly complicated segmentation of the product on the emergence of new profiles of consumer and by different modes of distribution of the product.

The wine sector represents a prestigious showcase for made in Italy. Several are in fact the intangible associations linked to Italian wine. These associations are toward the geography and traditions of the territory, the quality and the organoleptic characteristics of the product rather than on the know-how and the specific skills of the producers. But they are also associations most closely linked to the “Italian way of life”, such as culture, eno-gastronomy and the rich heritage of art and history that have always characterized our country.

2.14. Strategies for the renewal of Italian wine

At national level, but especially abroad, the wine must be proposed focusing on five important factors:

- *service*: the wide range of performance required from consumers and distributors at international level is impressive. Stresses and continuous requests are passed on to the producer that is forced to respond actively and in each case. The strategy will be based, therefore, on the ability to satisfy the needs of both the one and the other operator, proposing both quality services on a commercial level, both those in relation to the food habits *indoor* and *outdoor*;
- *simplicity*: it is the most important factor of a strategy that favours the adoption of production processes that make the wine a product accessible to an unaware public;
- *sustainability* and *health*: they are important aspects when we talk about wine. Nutritionists say that wine, accompanied to the Mediterranean diet, makes people feel good. This is about the moderate drinking that respects the environment and the ethics of consumption;
- *syncretism*: wine is an all-encompassing experience, a lifestyle. How can all of this be true? By transforming threats (the global market, the foreign wines always more accessible, the cultural and commercial contamination of the product) into opportunities that affirm the uniqueness of Italian wine. The opportunities increase when the world of wine is able to influence other situations (fashion, design, architecture), apparently distant from the contemporary social imaginary.

Additional elements are added to the analysis: knowledge, flavour, history and shopping strategy. Proceeding for order, *knowledge* promotes the civilization and the culture of drink. It considers typical aspects of gastronomy and territory, providing to consumers clear information and making wine a product undoubtedly intellectual.

The *flavour*, on the contrary, enhances the many tastes of wine, making it unique and distinct from others. The *history* and roots contribute to stress the competences and the productive

experience.

Last but not less important, is the so-called *shopping strategy* that defines the assortment, prices, distribution and communication; in other words, it encloses the principal levers of the marketing mix of wine.

These, therefore, are all the elements which cannot be avoided if the aim of the company is the revival of the wine sector at national level and more at the global level.

2.15. European initiatives and the role of events

Houghton⁴² (2001) has demonstrated the importance of wine festivals to attract new market segments toward the wine regions. In the last decade, in Europe and in the rest of the world the number of events organized by local communities, industries and associations had grown every year: fairs, festivals and meetings are always more organized for consumers, professionals and tourists.

In EU, many projects are based on cooperation and are connected to exhibitions or seminars which contribute to build new relationships and connections between the various rural areas, natural resources and producers of wine and food, strengthening also the development of small localities and traditional values.

The wine events of the *old world* have often take place on the occasion of religious festivities, showing the deep bond with the local culture, traditions and values. The events in the *new world* are usually festivals that are more proactive with respect to the consumer and connected to a particular type of wine. These different approaches rely on the fact that while the *old world* is characterized by a millenary history, in the *new world* wine regions have developed only during the last 30-50 years, with the resultant pioneering spirit that influence their cooperative and dynamic approach with respect to the wine tourism.

A good example is the Australia, which has developed a strategy of continental wine tourism. The “Wine Australia” is a governmental agency responsible for providing the strategic support

⁴² Australian winery based at Middle Swan, in the Swan Valley.

to wineries across all areas of the country and offers a range of services, with the aim of helping companies to undertake strategic decisions at the business level, to protect the reputation of the Australian wine and its authenticity, to remove the entry barriers into the market and consequently raise the demand of Australian wine at a global level.

The inauguration of the event of 2012 has seen more than a hundred events, tastings and wine festivals throughout the Australian territory. This approach is able to offer to all regions of Australia a wide range of opportunities to enable them to increase investments in activities that are most suited to various brands and to their market strategies. All this has led to an increase in the number of visitors toward the wine regions and to an improvement of the tourist system. Finally, in the organization of events in *new world* countries there is a great sense of cooperation rather than separation between the wine industry and observers.

The “*ProWein fair Internationale Fachmesse Weine und Spirituosen*” in Germany is another example of successful festival that in 2010 has seen intervene in fair exhibitors from 51 different countries and the participation was about 37 000 visitors.

Comparing the *old* and the *new world*, the latter has proved to be more ready to experiment the wine tourism; this is in contrast with the more reactive approach adopted by the *old world*, which has produced wine for more than two millenniums and is therefore more desirous to find new markets. The goals shared by both the *new* and the *old world* through these events are to strengthen the national and cultural identity, to establish wine associations of consumers and to implement a plan for trade promotion, which proves to be always appealing to customers around the world.

Vinitaly is an International wine and spirits fair which occurs, annually, in Verona since 1967. It extends for over 95 000 m², has more than 4 000 exhibitors each year and records approximately 150 000 visitors per edition. The salon collects manufacturers, importers, distributors, restaurateurs, technicians, journalists and opinion leaders.

Each year Vinitaly hosts over fifty thematic tastings of Italian and foreign wines and proposes a program of meetings that addresses the main issues relating to the supply and demand of wine.

In addition to the exhibition areas dedicated to wine producers, the event is composed by workshops, buyers' club and special exhibition areas for promoting the Made in Italy and to let know to the market the emerging companies.

In the Vinitaly context are organized competitions and international awards, the most famous are: *International oenological contest*, *International packaging competition* and the *International Vinitaly award* that together with the *International wine and spirit competition* promotes the dissemination of the wine culture all over the world.

Vinitaly also performs the function of ambassador of Italian wine in the world through *Vinitaly in the world* that organizes events in the main international markets.

2.16. The use of the web and other strategies to promote Italian wine in the world

Innovation is an important means for Italian wineries in order to support the internationalization process following the markets that are becoming ever more globalized. The wine market seems, in fact, be willing to follow the revolution that concerns the world of the web and are always more numerous Italian companies present on the Internet platform. The goal is to work on a wide set of networks which allows to create more simple and immediate relationships worldwide, generating a huge opportunity to foreign visibility for Italian wine.

Also the Italian wine, therefore, decides to follow the digital revolution, supporting solutions such as the *digital-marketing* and *e-commerce*, since in a sector increasingly turned to the foreign market, social networks and blogs in addition to being the access way to the generations of consumers now linked to the virtual world, otherwise difficult to reach, open the way to international sales⁴³.

Established that there must be an online presence by wineries, the question is how this presence should be managed: as regards the social network, tools are numerous and there are

⁴³ MAGNANI A. Il vino brinda sul web per riconquistare i giovani, Il Sole 24 Ore (2015).

several manners, even if the greater importance is played by the goal, which should be to build a relationship with the consumer. A different speech should be done for the *e-commerce* that, being linked to the direct sale, has necessarily need a different commercial strategy. As every commercial distribution channel, the company should evaluate carefully the alternatives on the basis of its characteristics; for instance, all wineries can realize their electronic commerce, but this action is nothing if it is not linked to the commitment of resources, whether economic, that of staff and time, which must be implemented.

The big companies of wine choose the large channels of *e-commerce* for two reasons: first, because they have the resources to do this and second because these channels have already built their pool of users and are to all intents and purposes the equivalent of a major importer. There is also space for small businesses, provided that at the same time they can create a community of people affectionate to the product⁴⁴.

According to search “Italian wineries and the web” conducted by *BeSharable*⁴⁵ in 2014, the network is no longer a taboo for the Italian companies, in fact 94% of the wineries have an internet site, supported by the presence on social networks, allowing them to adapt to technological standards, already achieved by the main wineries throughout the world. The only obstacle in this respect concerns the possibility of putting together tradition and innovation even for large companies: Francesco Zonin, vice president of the homonymous winery, during a speech at Vinitaly 2013, says that “the wine has the capacity to adapt, to expand, but only if behind it there are the right skills and the ability to communicate it”.

In addition to the strategic innovations, the world of wine, as most of the sectors, was struck by the great technological development that has allowed to introduce more efficient solutions: from automated harvest, that allows to produce more bottles in less time, to numerous working techniques that allow to gain time and resources to the realization of the wine.

The renewal of the wine can find its essence also in the strategies relating to the packaging of the product, with the new trend of *bag in box* wine or more simply wine in “box”. In recent

⁴⁴ *Wine2Wine*, Verona Fiere, (2014).

⁴⁵ Communication agency.

years, in fact, this business has recorded significant progresses on markets: for instance, in Sweden today these packages cover the 65% of the consumption of wine. According to Istat⁴⁶ data relating to 2015 sales of bulk wine *Made in Italy* today represent about 10% of the values of Italian wine exports and the 29% of the volumes. This market is still too young to be analyzed carefully but can be considered a successful strategy to penetrate new areas of international market.

Another element to take into strong consideration in the strategic definition of Italian wine is the strengthening of fairs abroad which now represent an essential factor; they are considered as a channel of excellence for export because they allow to meet supply and demand, managing to create a human contact between buyers and sellers that is rare in a world which is now based on virtual relationships. The direct personal relationships still have today a very high value in the commercial sphere because they create an added value that the technologies of today, although very advantageous, cannot guarantee, thus giving to the fair a unique and irreplaceable character. Once fairs were only image instruments while today they have become a powerful means of internationalization since facilitate the access to new markets and the consolidation of those already controlled.

Enter into direct contact with the firms of different countries, outside these organized events, would involve a huge use of time, money and resources; this does not mean that the adhesion to an exhibition not involves a considerable investment in fact quite often the small and medium-sized enterprises can not join these events for economic shortage.

In the management of these events the Italian companies, which are backward with respect to those of Germany and France, should look at the fair as a communication platform capable of attracting the customer. Italian companies are moving in this direction despite their appreciation remains stronger for the fairs that are held in Germany, always considered international hubs for visitors from all over the world, since German trade fairs have strategic, organizational and promotional advanced capacities strongly oriented to the internationalization processes.⁴⁷

⁴⁶ Istituto Nazionale Di Statistica.

⁴⁷ *Le fiere come strumento di politica industriale per la promozione dell'export*, Milano-Congressi (2012).

The strategy of the wine tourism has a huge potential for wineries throughout the world, not yet totally exploited from the Italian ones. From a literary point of view, the growth of the wine tourism has been studied by Dodd and Beverland (2001) who have identified the different life cycles that characterizes the wine tourism:

1. establishment of the cellar
2. recognition of the cellar
3. increase in regional reputation
4. maturity
5. decline.

In the first phase the tourism is defined as “rural” because there are few reception facilities and the cellars have poor reputation; in the second phase are born basis reception facilities with a network of relations that is still in the development phase, in this phase the strategy is to focus on quality; in the recognition phase there is a cooperation between public entities and private companies, consistently high levels of production and fame at national and international level; in stage of maturity wine tourism is animated by festivals and special events and there are no changes to the level of accommodation, nor of networks between companies and institutional entities; in the final phase of decline there is a tendency toward the closure of some structures, the lack of cooperation and a decreasing production level.

A very important aspect to take into consideration is the brand value, defined as the profit or the incremental value for the brand of a product that adds value to companies and to their customers. Getz (1999) studied precisely this subject in the context of the wine tourism considering it the key to communicate a good reputation for the quality of the wine, for the cellar and for the surrounding environment. The wine tourism has been configured, in recent years, as a complementary manner for the generation of income and employment in rural areas where there is the company (López- Guzmán and Sánchez Cañizares, 2008).

The changes that have occurred in rural areas as a result of the globalization, in many regions of the new world and in traditional European areas, have led companies to expand their economic base through tourism, which has become part of a natural progression toward internationalization (Hall and Mitchell, 2000). Therefore, one of the main business to develop

for the Italian wine, in order to improve the national and international presence for wine companies, is that related to the wine tourism, which can be of great help for businesses, not only in terms of sale but also of promotion; it represents a very important “business card” for the country: increase the visits to the wine cellar and vineyards means to increase communication and awareness of the product quality, both for Italian and foreign tourists.

It remains difficult to understand how the growth of this business can generate about 70% of the revenues for the wineries located in areas such as the Niagara Falls in Canada, while being very slow in Italy. A first answer concerns three aspects on which our country has wide margins for improvement: information technology, management and accessibility. It is important to ensure an easy access to the cellar for visitors who today prefer short trips characterized by efficient transports.

In terms of managing, the tourism of Italian wine is organized in 170 “Wine Roads”, but only a few of them work generating results; this is due to the absence of a national entity for the coordination. However, the Italian expenditure for the tourist promotion is much higher than that of its competitors: two times the expenditure of France, three times that of Spain and ten times the expenditure of the United States, but the results of economic and territorial development are lower than those of its competitors, which centralize communication through a national unit, while Italy manages all through the regional authorities thus involving dispersion of strength and resources.

In order to reduce this gap, Italy has the need of a coordination to improve and standardize the hospitality in wine areas, increase its visibility, building strong links with international wine lovers and approaching people to the heart of the product making them participating of an experience difficult to forget.

But it is still the web the real key to improve the Italian wine tourism. Italy needs a coordination to improve and standardize the hospitality in wine areas and to increase its visibility on the web using a single national database and the construction of strong international connections with wine enthusiasts through social media.

Direct sales and wine tourism are the keys that could support SMEs, helping them to emerge from the crisis and to face the foreign markets; minimum quantities of supply too high and

high pressure on sales prices represent the entry barriers that are often insuperable for Italian small companies of the wine.

A large part of the productive fabric of the sector is often located at a crossroads: find new market outlets, or abroad or in Italy, but as we know, both the roads are not easy to take. A possible alternative route could relate therefore to direct sales within the company, especially if connected to the phenomenon of the wine tourism. Despite the difficulties encountered by firms and a slow development, grow the cellars that invest in favor of hospitality, both through parallel activities as agritourism, both through initiatives that make the cellar an open place for meetings, cultural events and exhibitions linked to the taste.

A case study to use as a benchmark for Italy, according to *Wine Monitor*, is the Napa Valley in California. Every year 3 million people visit the Napa Valley, for day trips, staying within accommodation spaces or in private residences. The success of Napa Valley is not only due to its wine sector but to a territory that has been able to create a business around the quality of its wines for the exploitation of a whole area, through the coordination of other assets.

These solutions can be valuable for the growth of Italian wine that needs major and well-designed investments to give greater force to the internationalization process in a constantly changing world, where it is important to understand markets and to “guess” the product that people like abroad.

CHAPTER 3

3.1. PESTL Analysis

3.1.1. Political

The United States of America is a federal republic comprising 50 states and a federal district. The law of the country, based on the Constitution, has its sources in the laws passed by Congress, in the Regulations and in interpretative judgments of the federal rules. The federal system is divided into three powers: legislative, executive and judiciary.

State Governments have, on the daily life of people of the United States, a greater influence than that of the federal authorities. Each state has its written constitution, its system of government and its code of laws. The differences between the laws of the various states can be substantial, even in matters as important as property, health, education and criminal law.

In each member state, the highest authority is the Governor, directly elected. All the member states have a legislative body whose members represent the voters of the state. Finally, each state has its judicial system, which generally starts from a lower level, constituted by the courts of the county and reaches to a Supreme Court of the state. In some states the judges are elected, in others they are appointed, as happens in the federal system.

3.1.2. Economic

With a surface of 9.161.923 Km² and over 325 million inhabitants, the United States represent the fourth largest country and the third most populated in the world. They are the first world economy with a GDP equal to 18 billion dollars in 2015⁴⁸. The American economy began to take off really only after the second world war, arriving today to be capitalistic of mixed type, with a great contribution of private companies in microeconomic decisions, however, adjusted by the choices of the government.

According to the data published by the Bureau of Economic Analysis, the GDP of the United States grew in first quarter of 2016 by +1.1%. This growth has been revised upwards after an initial estimate which indicated the growth of GDP by just 0.5%. This revision reflects the

⁴⁸ International Monetary Fund (IMF).

positive contribution of expenditure for personal consumption (grew by 1,5% compared to the previous quarter), fixed residential investment (+15.6%), public expenditure (+1.3%) and exports (+0.3%). In negative trend, instead, fixed not residential investment (- 4.5%), investments in private stocks and investment of the Federal Government (- 1.6%). Imports have suffered a decline (-0.5%), thus increasing the value of net exports that now contribute to a value of 0.12 percentage points of GDP growth.

On the employment front, with the exception of the month of May that has recorded a slowdown even if growth, continues in 2016 the creation of new jobs. This is the positive more long-lasting trend in the American economy history in the period after the Second World War. According to the Bureau of Labour Statistics, in June employment of the non-agricultural sector increased by 287.000 units, well above expectations 180,000. In general, since the beginning of the year, every month were created on average 172,000 new jobs. The driving sector under this point of view was that one of services, while it remains unchanged the manufacture and decreases the mining and extracting. The unemployment rate is slightly increased to 4.9% (from 4.7%) as well as the rate of participation (62.7% from 62.6%). The growth of 2.6% in nominal wages, moreover, lays the foundations for a growth of consumption, that is the main engine of the US economy. The inflation, calculated on the CPI⁴⁹, stood at June at +1.0% on an annual basis.

The symbol of the economic power in the United States is Manhattan. Here in fact is located Wall Street, home of the New York Stock Exchange, the greater the stock exchange in the world. One of the strengths of the USA is represented by its currency, the Dollar. The official currency from 1792, also represents the reference at world level: in dollars are quoted the raw materials and some countries adopt the US dollar as national currency. This enables the United States to issue more currency of that required to meet the national need with consequent increase of the seigniorage appropriated by the Central Bank. The true advantage is represented by the fact that they have a greater freedom to use the instruments of monetary policy for the internal stabilisation.

⁴⁹ Consumer Price Index.

United States represent, for foreign companies, a great opportunity to acquire visibility at international level and, through it, to conquer new markets. The United States are among the seven countries more competitive in the world and found in the innovation and efficiency of the financial market the main strengths.

With approximately 56 thousand dollars of annual per capita income, in purchasing power parity terms⁵⁰, the United States are among the first countries in the world, and the first large size, to ensure to Italian products a continued and widespread market.

Economic and trade relations are an essential pillar in relationships between Italy and the United States. The United States are the country with which Italy has historically its greater trade surplus.

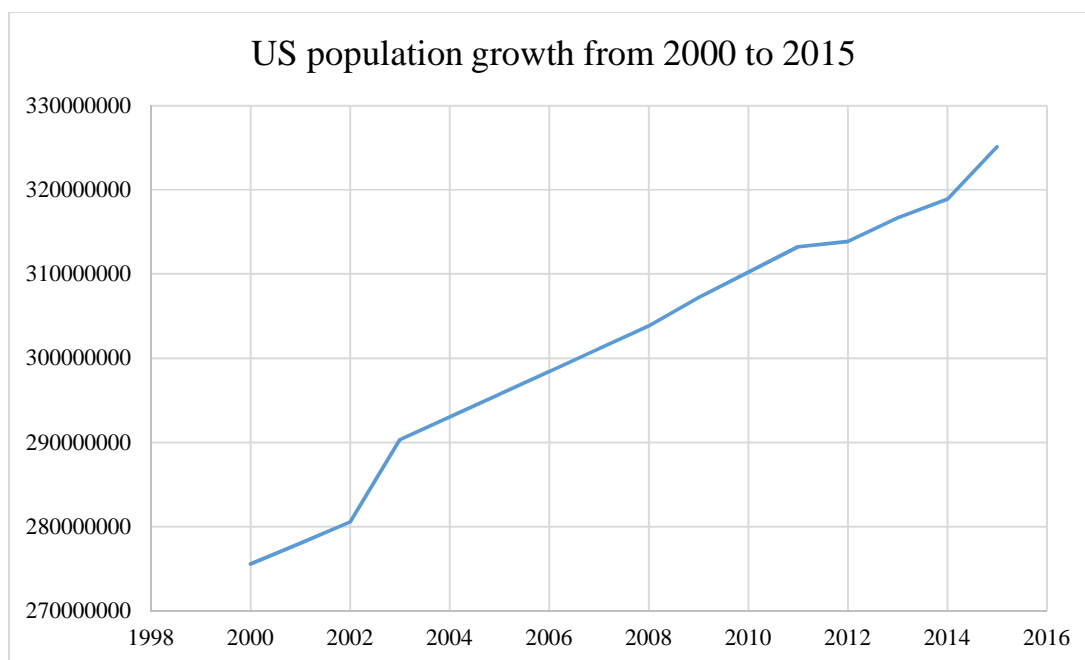
Italian exports in the USA are mainly concentrated on the areas of machinery, means of transport, fashion and agri-food products. In the Italian demand of US products are prevailing instead pharmaceutical and chemical products, energy products (coal and refined petroleum) and aircraft.

Italian investments in the USA mostly concentrate on retail sectors (textile/clothing), automotive, logistics and aerospace. The US investment in Italy revolve mainly around the sectors of manufacturing industry, in particular in the chemical, mechanical, computer and electronics and services, in particular those financial/insurance, those relating to information technology and telecommunications, and banking services.

3.1.3. Social

The American population is in strong growth (increased by 16.67% in the period 2000-2015), mainly thanks to a strong immigration, coming largely from Latin America and from east Asia. The average annual growth rate from 2000 to 2015 was 1.1%.

⁵⁰ Economist Intelligence Unit (EIU).



Source: www.indexmundi.com

Although the inhabitants are very numerous, the population density is about 30ab/km², which means that the majority of the land is sparsely inhabited. The main urban centres are concentrated in:

- the east Coast, where there are large metropolises like New York, Boston, Philadelphia, Washington, Baltimore, Miami;
- the continental part, on the shores of the Great Lakes, where rise Chicago and Detroit;
- the California coastline, with San Diego, Los Angeles and San Francisco.

For the purposes of my discussion, we can say that the consumer of wine is a consumer of luxury goods. The American consumer of luxury goods is now divided into three categories⁵¹:

1. *ultra-rich*: they have an annual income of over 25 million dollars. They are those who are rich in family or who have made their fortune. Their number is growing rapidly;
2. *rich*: they have an annual income of more than 150 thousand dollars but less than 25 million. Also this category is in strong growth;

⁵¹ www.ice.gov.it

3. *aspirants rich*: they have an annual income equal to or less than 75 thousand dollars.

They are those who before buying a luxury product renounce to something essential.

The three categories described fall in “Generation X and Y” (born respectively between 1965 and 1982 and between 1983 and 2004). They are sons of “baby boomers”, the first American generation to have travelled, attended the University and made investments in equities. The Generation X and Y is so accustomed to always live in comfort and to have available money for personal expenses. They are more discerning consumers and they know the world of fashion with the related brands.

3.1.4. Technological

Innovation and technology are the cornerstones of the US economy. Since its birth, the country is the leader in terms of adaptation and application of the technology. Even if the country must face strong competition from emerging economies, it is expected that it will continue to maintain a supremacy of technology compared to its competitors.

Moreover, the United States have also been in the forefront of the enhancement and development of technologies in areas such as nanotechnology, environmental technologies and biotechnology, that opens up enormous opportunities for companies with capabilities in the mentioned sectors.

The I-tech sector is another field in the United States that have much success. However, the United States are facing strong competition from countries like China and India.

3.1.5. Legal

The United States have two different levels of jurisdiction: a federal government with federal laws that apply to each state and fifty different codes of state laws. This system is similar, in some way, to the dichotomy Europe-member state. In addition to this complexity, which is present in many areas of American law, it must be remembered that the legislation has abolished the Prohibition at federal level. This legislation had been carefully designed to grant

members the maximum level of power in the rules of the laws on the alcohol within their borders.

In other words, as well as national laws of a member state of the EU may not contravene a specific EU directive, in the same way as a law of a US state cannot contradict the Federal Law, but the state law on the importation and distribution of wines may change and vary widely from state to state.

In the USA, eighteen states that represent about 25% of the population directly regulate sales of spirits by controlling retail or wholesale distribution⁵². These states are called “*Monopoly states*”. In these, the state has the monopoly on wholesale and/or retail of some or all categories of alcoholic beverages such as beer, wine and spirits. It should be noted however that the laws on monopoly differ widely depending on that the liquor stores are really direct by the State or instead to be subcontracted.

Moreover, many of these states have different levels of regulation on the basis of the type of alcoholic beverage, and a good part of them excludes wine and beer from the state monopoly (for example, in these states, wine and beer are sold in supermarkets, while liqueurs, distillates, etc. are sold in shops operated or subcontracted by the State).

The other thirty-two states, including New York, California, Texas and Florida are called “*Licensure states*”. These countries give licenses to private sellers. The agencies of the state may apply certain conditions to licenses, thus helping the state to control the sale of alcohol more indirectly.

For example, the state of New York, check prices through the Alcoholic Beverage Control Law Section 101-b, a statute of presentation-prices. This law requires that the wholesaler registers monthly at the New York State Liquor Authority (authority in matters of spirits of the State of New York) a list of prices which has decided to apply to the sale of their products to other wholesalers or retailers during the specified period with a clause providing for a reduction in prices to match those of the competition. The statute, however, does not authorize

⁵² These states are: Alabama, Idaho, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, Washington and West Virginia. In addition, in Montgomery County in Maryland, the county enjoys a monopoly in the sale and/or distribution of alcoholic beverages.

anyone to determine the final sales price of the wine, nor constrains the wholesalers to the prices that may apply to their dealers.

3.2. The wine in the United States

US is very important as regards the production of wine at world level.

The more important state for wine production is California that reaches, alone, over 90% of the total production of the country. In the western region of the United States there are, in addition to California, also other states which in recent years have shown particular vocation for the production of quality wine, in particular the state of Oregon and Washington. Different is the situation of the eastern coast where it is cultivated mainly autochthonous and hybrids grapes from which are being produced wines usually sweetened with sugar at the end of vinification.

Although US is now considered among the most important wine producing countries of the world, the internal consumption of wine is not relevant as it happens for the other European countries. Other beverages and the considerable prejudices about wine and alcoholic beverages, which are still rooted in the country, do not allow the wine to obtain a better and suitable consideration in food habits of the population.

If we take as an example the most important state for the wine production of the country, California, the average annual consumption per capita of wine is just over 10 litres, while in France or in Italy, the European countries where there is the greatest wine consumption per capita, the value rises to over 50 litres. In US also is spreading ever more the phenomenon of wines distributed with the marks of the large distribution chains, as Costco, Target, Sams's Club, Whole Foods and 7-Eleven.

According to data of the specialized company Information Resources Inc. of Chicago, sales of wines distributed with commercial trademarks are quintuplicate over the past five years. These are wines of average quality sold at affordable prices (between 3 and 10 dollars per litre) and intended to an informal and inexperienced clientele. The packages are sometimes different from the usual bottles, as for instance the box by three litres distributed by target with

the name “wine cube”. The vines more widespread in the new segment of commercial trademarks are: Merlot, Cabernet Sauvignon, Chardonnay and Sauvignon Blanc. Most of these table wine is produced in California, while some other come from Australia and New Zealand. The quality-price ratio of such wines seems to be able to obtain substantial sales volumes within the large retail distribution chains.

The European grape varieties mainly cultivated in the country are the so-called international varieties, such as for instance, Cabernet Sauvignon, Merlot, Pinot Noir, Chardonnay and Sauvignon Blanc; however, in recent years some Italian species, such as Sangiovese, Nebbiolo and Barbera, have been introduced.

The quality achieved by Californian wines is now considered of excellent level and this is mainly due to the drastic but necessary changes that the Californian producers have contributed to the enology starting from the beginning of 1980s, as a continuation of the changes introduced in the first years of 1960s.

The types of white grapes mainly cultivated in California are Chardonnay, Sauvignon Blanc and Riesling, while among the main red grapes there are Cabernet Sauvignon, Merlot, Pinot Noir, Sangiovese, Syrah and Zinfandel. Among all the production areas of California, the most important and best known are the Napa Valley, Mendocino, Sonoma and Carneros.

The Napa Valley, the winegrowing area more famous in absolute throughout California, is located, as the other three, in the north of San Francisco. The most cultivated grape in this area is Chardonnay followed by Cabernet Sauvignon, with which are obtained excellent wines, probably the most representative of the entire Napa Valley.

The enology of Napa Valley is also known for the use of wood that is used for both the fermentation, also of white wines, and for aging. This a sign of the large success that the technology of the barrels’ construction has in this area.

The area of Sonoma after having experienced the prestige and reputation of Napa Valley, not far away, has been able to impose with productions of extreme importance, especially with wines produced with Chardonnay grape. However, there are also excellent examples of wines produced with Cabernet Sauvignon and Zinfandel. Good examples of Cabernet Sauvignon are

produced in the Alexander Valley while the zones of Russian River Valley and Green Valley are particularly suited to Pinot Noir.

3.3. The American consumers of wine

According to the survey of the Wine Market Council, in 2015 in US, 40% of the 230 million American adults has consumed wine. This means that there are approximately 92 million consumers of wine in the US. 30,4 million Americans drink wine more than once a week (*usual consumers*), while 61,6 million drink less than once a week (*occasional consumers*). The usual consumers are therefore 33% of the total of wine consumers, however they drink 81% of all wine consumed in the US.

In terms of demographic groups, the usual consumers are divided as follows:

- 30% are Millennials or Generation Y (between 12-33 years old)
- 19% are Generation X (between 34-51 years old)
- 38% are Baby Boomers (between 52-70 years old)
- 13% are consumers over the age of 70.

It is important to underline that in recent years the trend more relevant is the growth of territorial wines at the expense of varietal wines. This trend involves primarily red wines compared to white wines. In the last two years the 41% of new wines appeared on the US market were territorial wines, of which 31% for the red wine and 10% for white wines. The varietal that most of all has suffered the substitution with the territorial was the Merlot.

The *varietal wine* is a wine not linked to the distinctive character of a single zone. In a varietal wine “commands” variety, the grape of base: for example, Sauvignon, Cabernet and Merlot. The varietal wines can be more or less successful, more or less mature, more or less structured, but speak the common language of *standardization*.

A *territorial wine* is more unpredictable. In it the varietal characters, while remaining perhaps perceptible, are the minority if compared to the strong personality of the territory.

The way in which the modern drinker relates to wine, at least in the United States of America, is changing and the producers of the sector are taking note of what this means for their business. Think that, for instance, before the crisis caused by the twin towers attempt in 2001, the only variable taken in to consideration for the quality of wine was the price. After that, American consumers started to choose wine on the basis of their tastes and preferences.

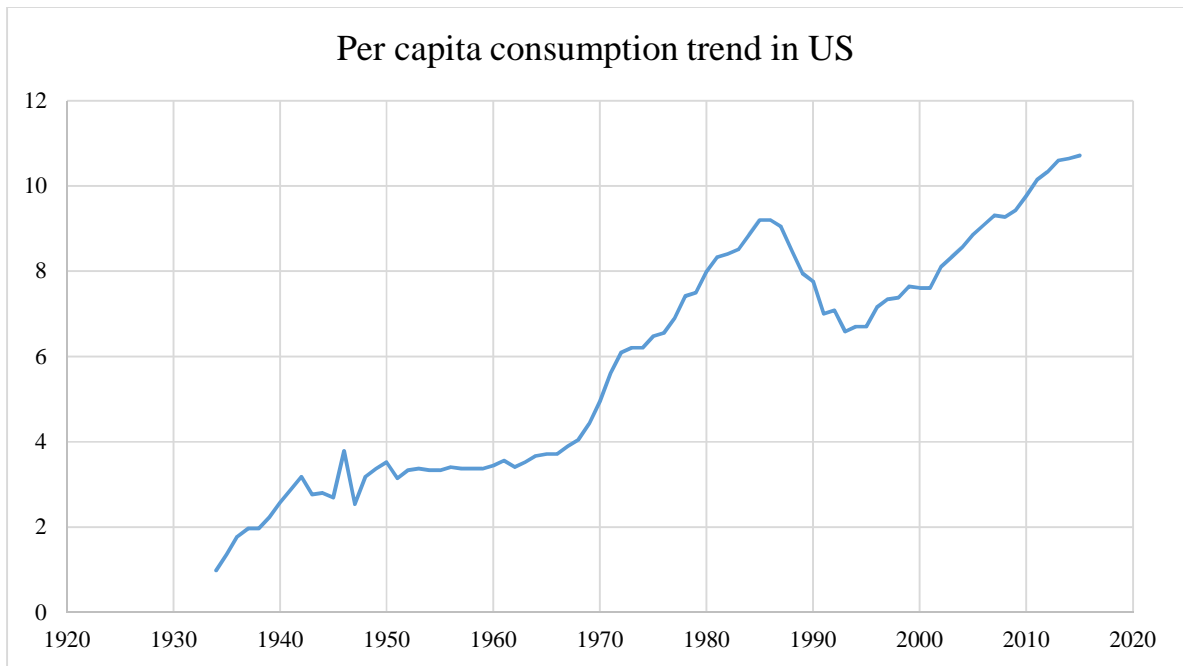
The generation of the Millennials has redesigned the way in which the wine in America is marketed, the way in which it is packaged and how it is distributed to the consumer. This is due in large part to the distinguishing characters commonly associated with this generation: the need for immediate satisfaction, the social aspects of wine consumption and the amount of information that can be obtained easily and quickly.

Other factors include aspects that would not normally associated with the drinking of wine, such as, the sense of adventure and risk-taking, lower prices and convenience. In this analysis it is also important to consider the degree of influence that Millennials have on other generations.

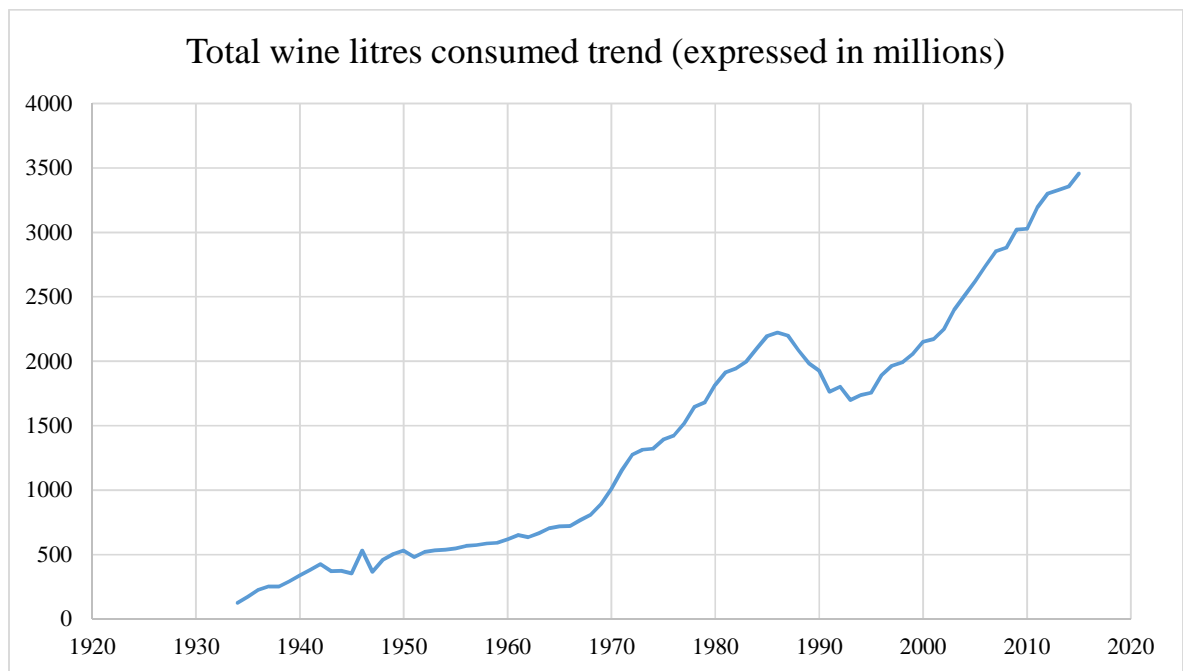
The winemakers are working to ensure that the profit that Millennials provide are exploited to the maximum possible extent.

By the early 1930s in US, the consumption of wine has seen an increase in very slow but constant up to undergo a major fall in the years 1990s, then counterbalanced by an enormous growth since the beginning of the year 2000s, when the first Millennials reached the legal age to drink. Since then the trend has always strongly increased. At the beginning of this year the United States has become the first consumer of wine for volume, overtaking France. Approximately 4 billion of wine bottles were consumed in US during 2015, 12% of all world consumption of wine.

In terms of per capita consumption, the United States are still far from their European counterparts (Italy, France and Spain) but the potential for gain in this market are enormous, bringing to the study of different approaches in terms of merchantability and purchasing power.



Source: Wine Institute



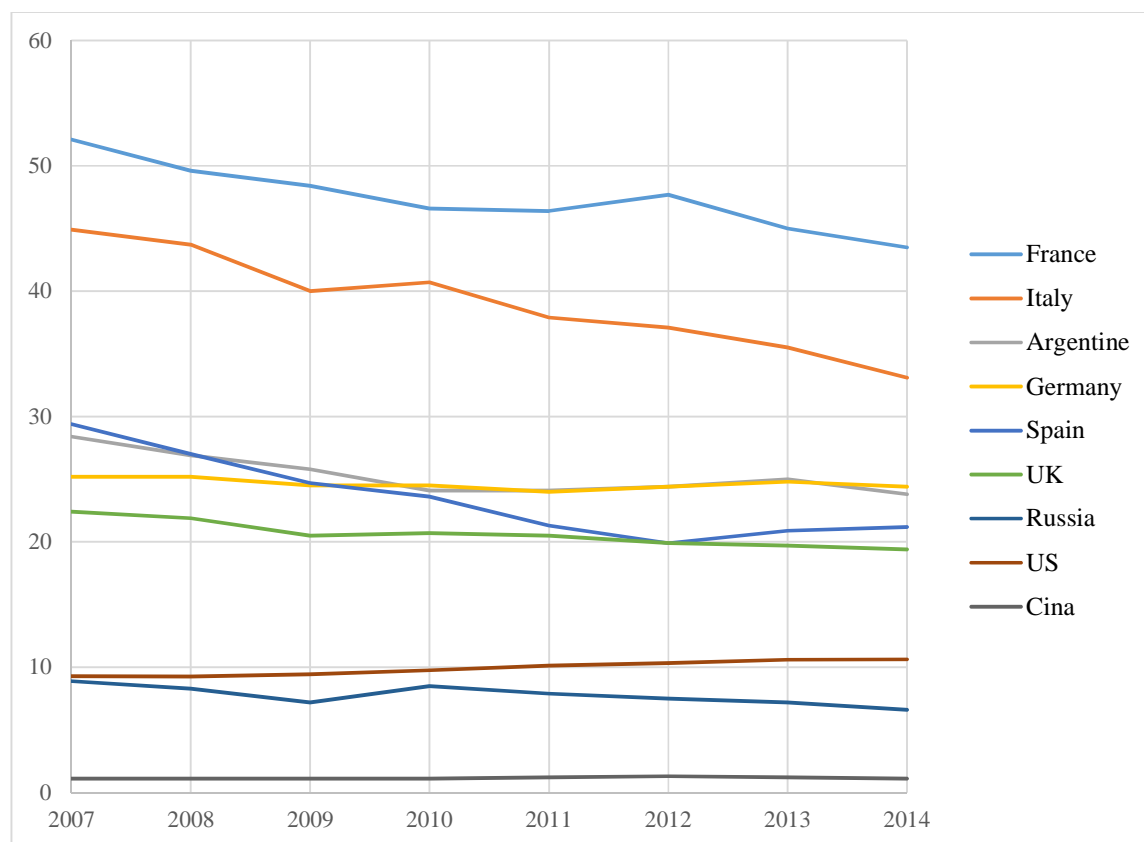
Source: Wine Institute

Despite the trend of wine consumption per capita is positive in the USA, it remains relatively low if compared with the other member. This means that the tradition of wine is still at the

beginning in US and so companies who import in this market will have to adopt marketing strategies aimed at raising awareness of the product.

LITRES PER CAPITA	2007	2008	2009	2010	2011	2012	2013	2014
France	52.1	49.6	48.4	46.6	46.4	47.7	45	43.5
Italy	44.9	43.7	40	40.7	37.9	37.1	35.5	33.1
Argentina	28.4	26.9	25.8	24.1	24.1	24.4	25	23.8
Germany	25.2	25.2	24.5	24.5	24	24.4	24.8	24.4
Spain	29.4	27	24.7	23.6	21.3	19.9	20.9	21.2
United Kingdom	22.4	21.9	20.5	20.7	20.5	19.9	19.7	19.4
United States	9.3	9.3	9.4	9.8	10.1	10.3	10.6	10.6
Russia	8.9	8.3	7.2	8.5	7.9	7.5	7.2	6.6
China	1.1	1.1	1.1	1.1	1.2	1.3	1.2	1.1

Source: I numeri del vino



In this last chart it is important to note that in the United States the trend of per capita consumption is growing while decreases in all other countries (except for Spain and China). What has most affected in the decrease in consumption was the reduction of the “daily drinkers”, i.e. those who consume more than half a litre of wine per day. This reduction is dictated by the fact that the way of daily consumption (in combination with the meal) is typical of the food habits of the population that is older. Consequently, the reduction “physiological” and in the time of these consumers has not been replaced by younger ones, for which the patterns of consumption are often different, associated to less frequent moments of conviviality.

Other causes may be: diets, attention to health, fighting to abuses, stricter standards, the speed of the changes in tastes, new markets, new commercial betting and prices.

The Baby Boomers are still the main consumers of wine in the US, with 38% of total consumption; the Millennials are in second place with 30% and this number is growing rapidly. It is evident that the generation of the Baby Boomers will slowly decreasing, while that of the Millennials will continue to grow, as each of them becomes adult.

It is therefore essential for wine producers and sellers to understand how the consumption habits of this generation are different from those of their antecedents and adapt their marketing strategies in this direction, so as to fully exploit the profit opportunities.

The Millennials opt for refinement often associated with wine, cocktails and artisan beers; they also do not need special occasions to drink, indeed is considered a social and relaxing activity.

The consequence of this is that even if the Millennials are paying less for the wine compared to the Baby Boomers, for an economic availability clearly lower, they consume wine much more often.

For Millennials the wine purchase begins with the decision of a price range, which is largely influenced by the occasion of purchase, followed by the grapes, the vintage, the region of origin and finally from the more attractive bottle. These are the characteristics to which the wine sellers pay attention when studying the Millennials' buying habits.

On average, Millennials consumers, who drink almost three glasses of wine for any occasion, spend approximately \$15 for a bottle to bring to a party, \$20-\$30 for a bottle for themselves or anyway to drink at home and \$50 or more during meals outside, preferring to drink more types that purchase a single bottle. This deviates from the habits of the Baby Boomers and the generation X, which have the tendency to drink randomly at home and when they eat outside they spend less, opting for the purchase of a single bottle of wine compared to a greater number of varieties.

This has a direct impact on small enterprises and on producers of local wine, which often are able to maintain the selling price of their products below 20 dollars, offering only a couple of options at a price slightly higher to meet the entire demand. With production costs kept relatively low, the complete control on the management processes, on production and on

transports, is really in the interest of small wine producers to find a product that offers a simple quality with a relatively low price.

The characteristic of the Millennials is that they prefer a product with an interesting history with respect to one commonly considered to be of high quality. This generational feature is often cited as an important factor in food revolution that is touching the country, together with the request for healthier food, biological and of which the origin is indicated and secure.

This, in turn, is due to the ease with which the Millennials are able to access the information. The wine is no exception to this.

According to a research conducted by the “Council wine market”, the 85% of Millennials frequently buy brands of wine unknown. For wine producers, this means being able to maintain their operations on a small scale, gaining while remaining relatively unknown. In other words, the Millennials love a good story (storytelling) and prefer an extravagant and interesting label.

Consequently, given the competence of the Millennials to access and obtain information, the wine has assumed a very social aspect for its marketing. Learn to know the wine has never been so easy as today.

A drinker no longer needs to be in Napa Valley or in Bordeaux to have access to information on a particular autochthonous grapes of the region, as modern consumers are not limited to a store of local wine that only brings Chianti, Cabernet and Pinot Grigio.

The Millennials in America trust in the opinion of their friends on social networks or on a website of reviews made by consumers much more than that of experts and professional sommelier.

For this reason, the wine industry is taking important steps to ensure that their brand is represented according to these approaches.

Perhaps one of the most surprising feature to be attributed to the consumer habits of Millennials is the way in which they succeed in influencing the older generations to follow their example.

When the baby Boomers exceed their preconceptions and their loyalty, often misplaced, in some wines, manage to be as open and willing to explore the vast world of wine at their disposal. In addition, have the money to do it well and more frequently than the Millennials.

At the end the older generations will begin to act exactly as the Millennials, relying more on their tastes, asking more meaningful information and discovering options previously unexplored.

It is not surprising then that the wine industry in the United States are directing their efforts toward the marketing and branding.

Some argue that the future of wine in America will be “in box” because offers convenience and it is an eco-friendly solution as the Millennials wish. According to others improve the design of bottles and labels would be the safest way to attract and maintain this demographic group.

American consumers of wine in the near future will be, presumably, those who today are *occasional consumers*. The *usual consumers* are close to the maximum of the per-capita consumption (if they have not already reached it). The consumption of wine in the US is still a fairly recent phenomenon to allow the acquisition of new consumers that currently drink other types of alcoholic beverages.

For the Generation X, for instance, there has been a phenomenon of displacement from beer to wine. Especially for the Millennials (which not all still have reached the age of 21 years, the legal age for drinking alcohol) there is still space in the growth of per capita consumption. Let us remember that this is the first generation that grew up in a society where the consumption of wine was a normal thing (in the media, in movies and on TV, in reviews on newspapers etc.). Let us remember also that this is a generation that is still at the beginning of its economic level development. Thus it is likely that the growing of this level will increase the willingness to spend more money to drink the best wine.

These considerations, together with the fact that the total of the adult population in the US will continue to grow, leads to predict that the consumption of wine in the US will continue to grow in the medium term.

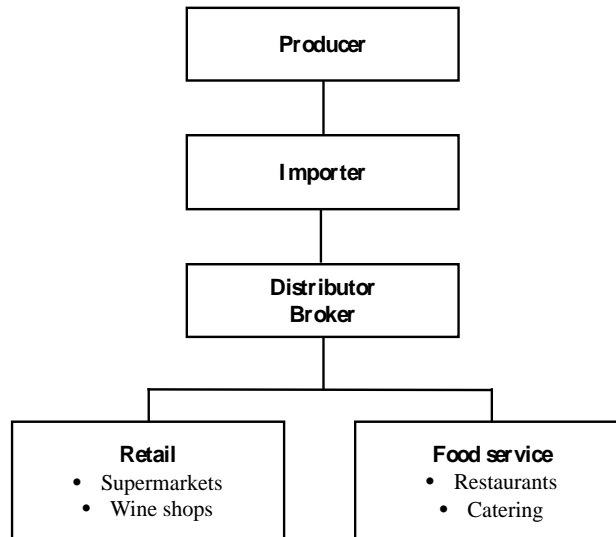
The other large group of future American consumers is the I-Generation, i.e. the “Young Millennials” that were born between the middle and the end of the 1990s. It is a generation from which expect the constant use of the internet for their decisions, thus maximum transparency and information sharing, maximum capacity and desire to experiment brands (which implies potentially minimal brand loyalty), maximum search/request of authenticity. According to the various experts, if this demographic group will begin to drink wine, the overall consumption of wine in the US will further increase.

3.4. American distribution system

Today 32 member states, among which the most important markets like California, New York and Florida, allow the private sector to distribute and sell alcohol autonomously. Other states have decided to implement a controlled model, i.e. with the direct involvement of the state in one or more steps of distribution, with its direct definition of the area of action of the different actors in the chain and therefore less competition.

In most of the United States there is a distribution system at four levels before reaching the final consumer:

1. producers
2. importers
3. distributors and brokers
4. retail and food & beverage before reaching the final consumer.



Italian wine producers cannot directly export or sell their wines in the United States. In order to sell wine to a customer there must always be the intervention of an importer authorized to import in the state of the final customer.

Importers are not directly involved in the distribution of the product but they rely on national or regional distributors able to ensure important services such as the storage and delivery of the goods, services to promote products through media and points of sale and the insertion of new products. Distributors must have a license for each state where they operate.

The brokers are representatives with a percentage gain in relation to sales that have important contacts with buyers. In this way it is possible on the one hand to promote products, on the other hand to provide buyers the necessary guarantees on the manufacturer and distributor in terms of quality, price, deliveries and promotional support.

As regards retail at supermarkets, mid-low wines with simple label and attractive packaging are the most important in relation to the number of sales. A market with a strong growth is then that of private label of large retailers like Costco or 7 eleven or as the colossus Wal-Mart that launched its line of wines with the brand Oak leaf vineyards and a positioning around two dollars per litre.

An important phenomenon is also that of the growth of supermarkets as the primary distribution channels even for gourmet products in response to the growing desire of consumers to eating well even at home. The supermarket chains are the most important channels for sales volumes and they register the highest growth; supermarkets, at regional level, are equipped with distribution centres that deal with the reception of the goods and its redistribution to the different units of the chain.

A phenomenon of great interest is that of the Gourmet Shop and specialty stores, mainly located in the centres of large cities. They offer a range selected and exclusive of high quality products. These are, for the most part, independent shops with a single point of sale managed by the owner. The products are selected mainly on the basis of their quality, exclusivity and novelty; in order to position the products in this category of outlets, it is fundamental an original packaging and the promotion at the sale point with actions of tasting.

The food & beverage middle-high restaurants remain the main insertion channels on the American market for Italian imports, in particular wine. The popularity of Italian cuisine is the best channel for the promotion of Italian wine and it is bringing awareness on the market of an increasingly wide range of denominations and regional varieties. This channel is served mainly by local distributors able to offer a wide selection of products and a daily delivery service.

Do not underestimate finally the channel of wine purchases on the web especially from abroad. Both for sales and for the promotion is very important for producers to carefully pay attention to their image on the web because it is one of the main channels of deepening of American consumers, in particular younger consumers.

Before the company can begin to export wine in the US, importers must follow a special procedure which provides an assessment of the product's requirements. The evaluation is performed by the TTB⁵³.

⁵³ alcohol and tobacco Tax and Trade Bureau

First of all, it is necessary that the importer, in order to obtain a license (basic permit), has an office with employees in the US, otherwise it is sufficient to operate with a US importer that already performs this task.

For alcoholic beverages it must be checked whether it is necessary to approve the label from the TTB, which will release the COLA⁵⁴ if it is in compliance with the requirements. This recording is almost always mandatory. In this way it is determined whether the product conforms to the federal legislation.

In some cases, it is also provided a prior assessment (pre-COLA) in order to assess whether the label identifies the product correctly. The approval of the product involves the examination of the ingredients, of the formulation and may include chemical analysis or the pre-import letter issued by the producer (which contains the formulation and the detailed description of the production process). The aim is to ensure the absence of prohibited ingredients, ensure that the ingredients subject to limitation are used properly and that the tax classification is correct.

For wine, in the EU, there is an agreement⁵⁵ on the recognition of the correct use of the oenological practices for wine-producing alcoholic beverages with an alcoholic strength between 0.5%-22% vol. In this case it is not necessary the verification of the production process by the TTB. Therefore, for these types of products, it is not necessary to obtain the pre-COLA.

To obtain the COLA, in the case of wine, a company must send three labels for each type of product for the examination and the approval of the TTB. In order to register the label, the Italian producer must find an importer and authorize him to record his products in order to sell them in the state where importer operates. Only after registration of the label it will be possible to send and commercialize the alcoholic product.

The label must indicate:

- *wine denomination*;

⁵⁴ Certificate Of Label Approval

⁵⁵ EU/US agreement on wine trade, Art. 2, paragraph 1, point a.

- *brand name*: it can be also used the name of the importer or exporter if the name has geographical references and can be confused with the origin of the product. It must be combined with the term *brand*, reported with character size not less than half of the same name;
- *type*: for instance, “table wine”. For DOC wines is sufficient the words “Denomination of Controlled Origin”;
- *name and address of the manufacturer, of the bottler or exporter*: it is possible to combine it with the country of origin;
- *country of origin*: for instance, “product of Italy” or “produced in Italy by...”;
- *net content*: it is possible to add the equivalent in ounces (FL. OZ);
- *alcoholic content*: the indication below 14% vol. is not mandatory for the federal government but it is compulsory in many states. It is therefore convenient to put it on the label with the following expression: “alcohol X % by volume”;
- *name and address of the importer*: it must be preceded by “imported by” or “sole agent”. It must match the name or company name to which has been given the permission by the Treasury Department;
- *warnings for consumer protection*: for instance, “contains sulphites” or “contains a sulphite”.

It is mandatory, moreover, to mention on all alcoholic beverages the following warnings:

- “according to the surgeon general, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects”;
- “consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems”.

The labelling for varietal wines is subject to the same community rules since it is necessary to return the used vine (varietal grape), equal at least to 75% of the grapes required, the vintage dating and the indications on the production and bottling with specific rules regarding the origin and the percentages of provenance. Also in this case the indications given above remain compulsory.

The bottle of wine entered in the American market will present two types of labels:

1. *main label*: it must be the original Italian label that distinguishes the wine in Italy;
2. *back label*: it must contain the information required by the US authorities to enter the wine in the local market.⁵⁶

3.5. The price formation process, from the producer to the final consumer

A company wishing to export in the United States must, first of all, consider the dollar/euro exchange rate and the transport costs. Furthermore, the company must consider the process of customs clearance. In this phase the company must deliver to the customs some documents necessary for the calculation of import duties. These documents are: the export invoice, the customs declaration for importation, the transport document and the packing list.⁵⁷

Together with the transport and customs clearance, duties are a fundamental element for calculating the so-called “duty paid price” that comprises, in addition to the duties, VAT and various customs services.

The correct calculation of duties paid for imported goods and products in US is crucial to arrive at the selling price to be charged to the final customer. The duties significantly vary depending on the category of goods to which belong the imported products.

There are three types of duties or tariffs:

1. *ad valorem duties*: the duty is calculated on the basis of the total invoice value of the imported goods;
2. *special duties*: the calculation is based on the weight or quantity, or also on the country of origin;
3. *mixed duties*: the calculation is in part *ad valorem* and in part in accordance to the special duties.

The first step for the calculation of the duties is to classify the goods in accordance with the import codes adopted by US customs. Companies refers to HTS⁵⁸ (Harmonized

⁵⁶ http://mefite.ice.it/settori/documenti/Guida_ICE_Export_VINO_italiano_2014.pdf

⁵⁷ The packing list contains: certificate of origin, certificates of analysis, labelling of wine and packaging.

⁵⁸ Table which classifies the goods to be imported according to the customs code.

Tariff Schedule) in order to know the applied duty. This code is composed of 10 numbers, the first 4 indicate the macro-category and the following indicate the various types of products within that category.

If the product to be imported is not included in the table, it is possible to contact the US Customs Service presenting a customs documentation that includes a detailed description of the goods, the destination of use, costs and percentages of raw materials and a sample of the goods.

In addition to the above duties, there are, sometimes, the antidumping duties⁵⁹ or countervailing duties. In the US these types of duties are imposed by the ITC (International Trade Commission). This authority guarantees equal treatment between importers and US companies. In addition, it should be also applied to imports sales taxes and HMF⁶⁰ (Harbor Maintenance Fee), equal to 0.125% of the value of the goods. HMF must be paid at the time of entrance in the market.

Just a few steps and often the Italian wine in the American shops is too expensive in the eyes of the customer. The increase is almost exponential: the price of a wine bottle of an Italian cellar not only doubles but even tripled when it is sold in US. This occurs because of the dynamics that often the consumer does not perceive.

The following table shows all the steps that lead to the definition of the retail price (in dollars), tripled compared to that of the manufacturer. Moreover, it is also shown the great increase in the case wherein the bottle is sold in a restaurant.

⁵⁹ Dumping means the practice of selling abroad at a lower price with respect to the country of origin.

⁶⁰ Created by the Water Resource Act of 1986. The fee is intended to require those who benefit from maintenance of U.S. ports and harbors to share the cost of the maintenance.

<i>Price steps</i>	<i>Table wine</i>
Producer price	6.0
Transport costs	0.5
Duties/state and federal taxes	0.3
Entry price in US	6.8
Importer mark-up (30%)	2.0
Internal US transport costs	0.1
Dealer mark-up (30%)	2.7
Wholesale price	11.6
Retailer mark-up (50%)	5.8
Retail price	17.4
Restaurant mark-up (150%)	17.4
Restaurant price	29.1

Source: Spanish Commerce Chamber in New York and Impact Databank

The table shows quite clearly that the American distribution system determines predominantly the price increase of the bottle. The part concerning the transport is rather irrelevant, less than a dollar for each bottle always that the wine is shipped in a batch of 400 cases in the intercontinental route.

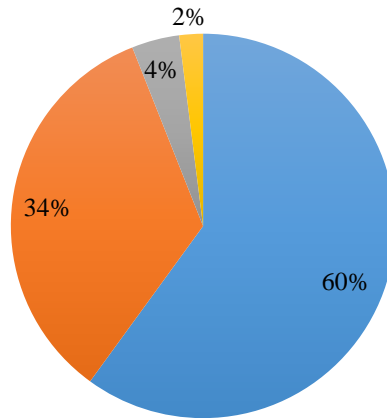
In the same way, the part relating to taxes and duties is not so significant, 0.3\$ for each bottle. But it is important to note which are the taxes that, rather than falling on the bottle at the importation time, fall on the distributor or seller of the bottle as specific taxes for the sale of wine.

It is however clear that to have the greatest impact on the price are the importer and distributor, which recharges both the 30%. Finally, the retailer or the restaurant, having the greatest risk of not placing the bottle and dealing with lower volumes, increase the price by 50% and 150% respectively.

It comes out, therefore, a framework where the 6\$ bottle ends up on the shelf of a wine shop at 17\$. In this calculation over 10\$ are appropriated by the American distribution system, i.e. 60% of what the final consumer pays. This proportion rises to 22\$ on total of 29\$ for a bottle sold at the restaurant, i.e. about 76% of the total.

Division of the retail price of a wine bottle in US

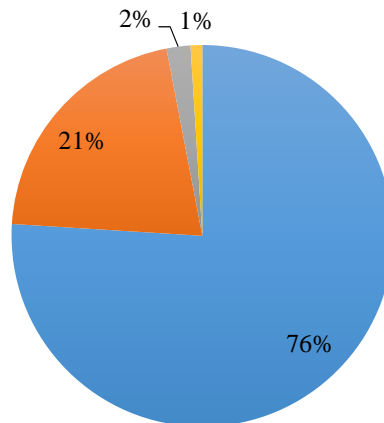
■ US mark-up ■ Production costs ■ Transport costs ■ Taxes



Source: I numeri del vino

Division of the restaurant price of a wine bottle in US

■ US mark-up ■ Producer price ■ Transport costs ■ Taxes



Source: I numeri del vino

In accordance with the Nielsen data, table wines sales, for domestic consumption, amounted at 13.6 billion dollars (+4.9%) with an average price per bottle of 7.02 dollars.⁶¹

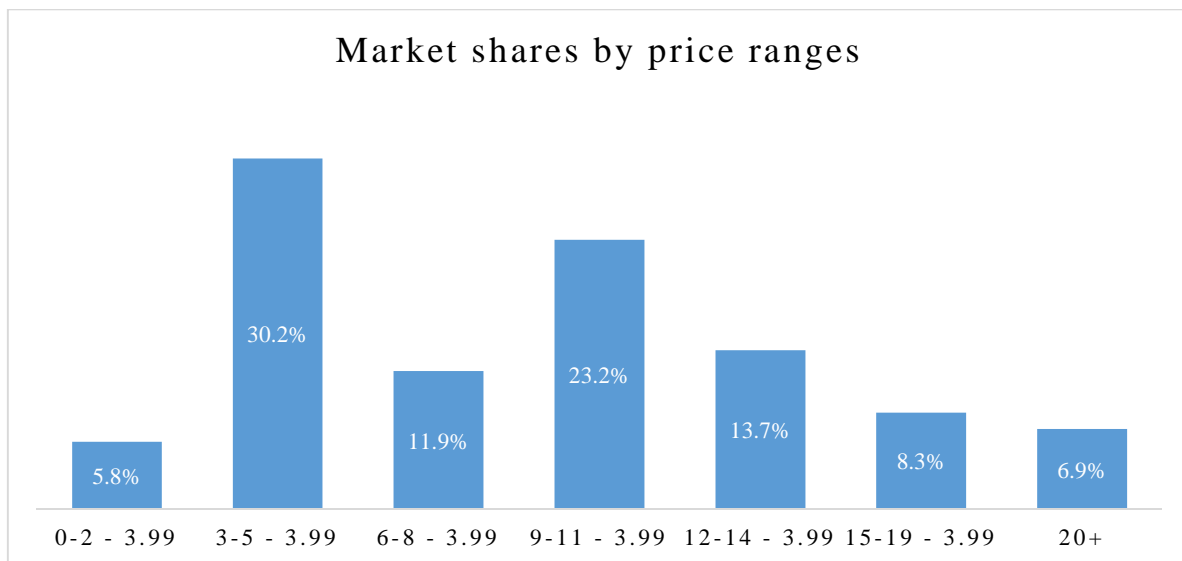
⁶¹ The data refer to the period from august 2015 to august 2016.

The 73% is wine made in US, which is worth 9.9 billion dollars (+5.4%), while imported wines are 27% market share, with a value of 3.7 billion dollars (+3.5%).

Between the price ranges, the highest consume is still concentrated in that between 3 and 5.99 dollars, which applies for the 30.2% of the market (with a turnover of 4.1 billion dollars, +1.1% growth) and in that between 9 and 11.99 dollars, which applies for the 23.2% (with a turnover of 3.1 billion dollars, +7.7% growth).

Higher price ranges grow more: the one between 12 and 14.99 registers +11.1%, reaching 1.8 billion dollars, the 13.7% of the market, that between 15 and 19.99 registers +12.3% (8.3% of total sales) and those over 20 dollars that registers +10.5%, reaching 945 million dollars (6.9% of the total).

A significant share of the market is still the one with a range between 6 and 8.99 dollars, it worth 1.6 billion dollars (11.9% of the total), while it is increasingly marginal the range from 0 to 2.99 dollars (790 million dollars, 5.8% of the total).



Source: winenews.it

Using the selling price as a measure of quality, wine can be divided into six categories that identify as many qualitative levels⁶²:

- *basic*, less than 3€;
- *popular premium*, from 3€ to 7€;
- *premium*, from 7€ to 10€;
- *super Premium*, from 10€ to 14€;
- *ultra premium*, from 14€ to 25€;
- *icon*, superior to 25€.⁶³

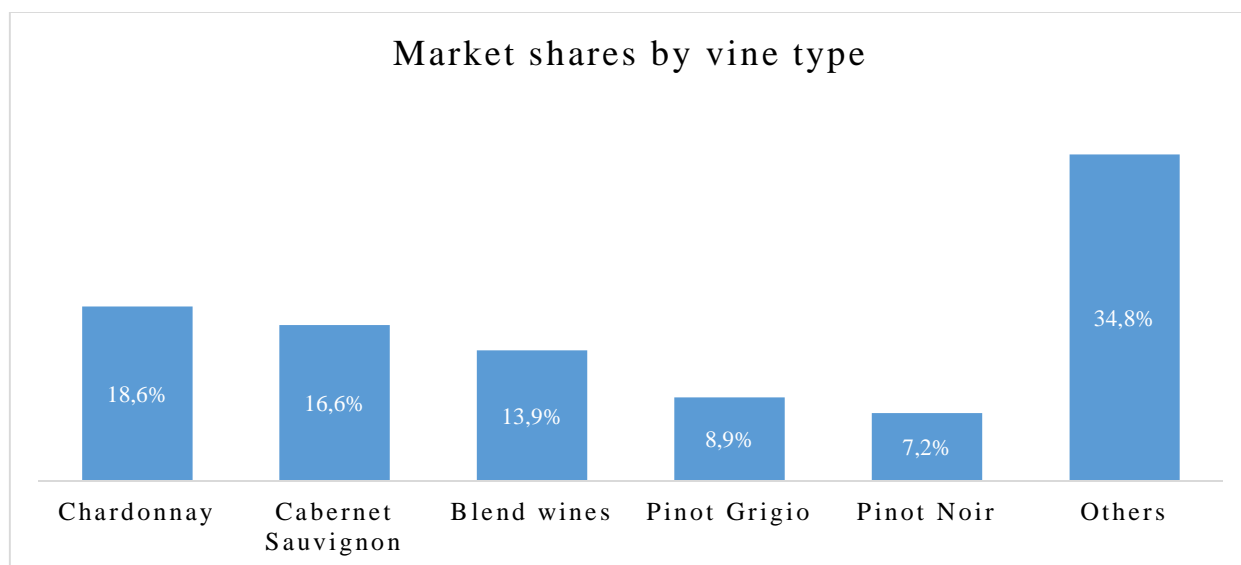
These prices are producer prices and not the price of sale to the final consumer.

Among the wine types, red wines continue to dominate the scene in value, with 7 billion dollars (+5.5%), while the whites are worth 5.8 billion (+4.1%) and rose wines 796 million dollars (+5.7%).

As regards the favourites vines by American consumers, Chardonnay (2.5 billion, 18.6% of the total) and Cabernet Sauvignon (2.2 billion, 16.6%) dominate, followed by blend wines (1.9 billion, 13.9% of the market), almost all from red wines (1.6 billion dollars). To complete the “top five” Pinot Grigio (1.2 billion, 8.9% of the total) and Pinot Noir (987 million, 7.2% of the total).

⁶² CIAPONI F. Il controllo di gestione delle imprese vitivinicole, (2005).

⁶³ The other segmentation generally accepted is that formulated by Ernest & Young that classifies the wine on the basis of six price ranges: basic, less than 3\$; popular premium, from 3\$ to 6.99\$; premium, from 7\$ to 9.99\$; super premium, from 10\$ to 13.99\$; ultra premium, from 14\$ to 25\$; icon, superior to 25\$.



Source: winenews.it

3.6. Guado al Melo case study



Guado al Melo is a winery on the hills of the Tuscan coast, in the heart of the Bolgheri DOC.

The Denomination of Controlled Origin Bolgheri extends in the territory of the municipality of Castagneto Carducci, on the Tuscan coast, in the countryside between the hills and the sea, in a territory rich in history and traditions of wines. The cultivation of vine, with the olive tree, characterizes from time this landscape, thanks also to a climate and a land particularly favourable.

The wine production in this area has reached a great reputation from 1980s, with the discovery of the vocation of this territory to produce red wines of remarkable quality and aging capacity, combining to the typical Sangiovese other vines, such as Cabernet and Merlot.

The wines of Bolgheri have always distinguished for some key characteristics: the great elegance and complexity.

Guado al Melo is a small family business with 9 employees. The activity has been curated by the work of a winemaker and enologist, Michele Scienza and his family, who have a long tradition in the viticulture in their region of origin, Trentino. The principles of sustainable agriculture and healthy are the basis of the production of the wines which are produced in the traditional way without additions or manipulations that alter the natural characteristics of the grapes.

The name Guado al Melo is ancient: in the past, an apple tree allowed to identify the place of safe crossing of the torrent of Bolgheri, which marks the northern boundary of the estate.

The *vision* of the company is to disclose the millennial culture of the vine and wine through a quality production which respects the principles of sustainability.

In order to be always updated on the path toward a more sustainable agriculture, the company maintains relations with the world of research and the University.

Historical researches have allowed to ascertain that the land of Guado al Melo are dedicated to viticulture for at least 200 years. At the time Guado al Melo was called vineyard of Santa Maria. The presented vines were Vermentino, Trebbiano, Malvasia, Canaiolo and Sangiovese. In the nineteenth century was introduced Cabernet and, from 1900, the Merlot.

In the course of the twentieth century, the great estate was partially crumbled and Guado al Melo had, in time, several small owners always devoted to viticulture. In 1992 a new owner had instead plant fruit trees and olive trees. However, this pause lasted little: in fact, in 1998 it was purchased by the Scienza family that restored life to the vineyards of the ancient tradition.

The cultivated vines today belong to the more ancient Bolgheri tradition, such as the Sangiovese and the Vermentino, and to the more modern, such as Cabernet Sauvignon, Cabernet Franc and Merlot. The total extension of the estate is about 27 hectares.

Guado al Melo conducts an internal activity of research and development with the aim of developing new products and better understand the interaction of vines that are not typical of the area of Bolgheri with autochthonous ones. The company also carries out tests to assess the influence of certain technologies on the final product in order to improve it.

The company also conducts a social function on the territory by sponsoring an amateur rugby company through which it finances projects in the prisons of Tuscany with the purpose to use this sport for re-educations aims.

3.7. The sustainability, the wine cellar and the wines

Guado al Melo intends to promote the environmental sustainability of the wine as an essential element of the qualitative excellence and competitiveness of production on the markets.

A sustainable wine is produced in an eco-friendly manner, i.e. respectful to the environment. But not only. To do this the company follows the methods of integrated agriculture, i.e. the best methods currently available which put together three fundamental goals:

- less impact on the environment,
- high quality,
- healthiness of the final product (absence of extraneous residues).

The Protocols adopted by the company are established by the *Magis* system, one of the first projects for the sustainable wine and among the most advanced in the world. The job is then certified by an international institution (DNV-GL) which ensures that products are safe and sustainable enhancing their image at international level.

Magis helps to maximize productive result in qualitative and quantitative terms with the best cost/benefit ratio, rationalising the number of interventions on the production process. The energy consumptions and the use of resources are optimized, without ever losing the quality and the identity of each wine, that are appreciated all over the world.

The company uses glass bottles not too heavy and employs methods in the cellar that exclude the use of correctives or chemical-physical manipulations that alter the natural characteristics of the grapes which are processed as they arrive from the vineyards.

Furthermore, according to the UN (United Nations), a truly sustainable agriculture also includes economic and social implications. For an Italian winery these aspects are focused on two main themes: culture and work.

In this regard Guado al Melo engages in an active way to protect and promote the history and the culture of wine, the values of its tradition and craftsman wine: inside the company was created the wine library and a cultural path in the vineyards and the winery. The company also organises meetings and seminars on this theme.

The company is also engaged with the world of research, participates in projects and makes available its own vineyards to experiment new eco-friendly methods. Finally, Guado al Melo protects the well-being and rights of its employees, enhancing their capacity.

However, sustainability does not concern only in this, but all the aspects of the company. The cellar is in fact completely underground to protect the integrity of the landscape. This also involves a high energy saving.

The cellar is hidden under a low hill, covered with olive trees and plants of the Mediterranean territory. Being completely underground, it allows to keep in a natural way and throughout the year an internal environment appropriate to the storage of wine. Furthermore, underground tanks allow to recover and recycle the rainwater.

The interior is modern and designed so that it is functional to work and to visitors welcome. The company has created a cultural path about wine for visitors, which begins in the vineyard and then continues inside the cellar, in the museum and library.



Source: www.guadoalmelo.it

The aim of the company is to provide genuine wines, which are the expression of the territory, persons and of vines from which arise. They are elegant wines, pleasant, balanced and never too much alcoholic.

The Winery Guado al Melo produces eight different wines falling into classes IGT Toscana and DOC Bolgheri. The company takes care of all the production process from the care of grapevines, to the realization of the wines until their bottling.

The company designs and manufactures the labels and all promotional material. Labels carry always images of grapevine or grape, mostly taken up by the Etruscan culture.

Guado al Melo offers to its consumers a wide choice producing over red wines even white wines and rosé for a total of 150.000 bottles per year.

The wines falling within Tuscany IGT class offered by the company are:

- Rosa al Melo;
- L' Airone;
- Bacco in Toscana;
- Guado al Melo Bianco;
- Jassarte (limited production, 3000 bottles).

Fall within the class DOC Bolgheri:

- Antillo;
- Rute;
- Atis.



Source: www.guadoalmelo.it

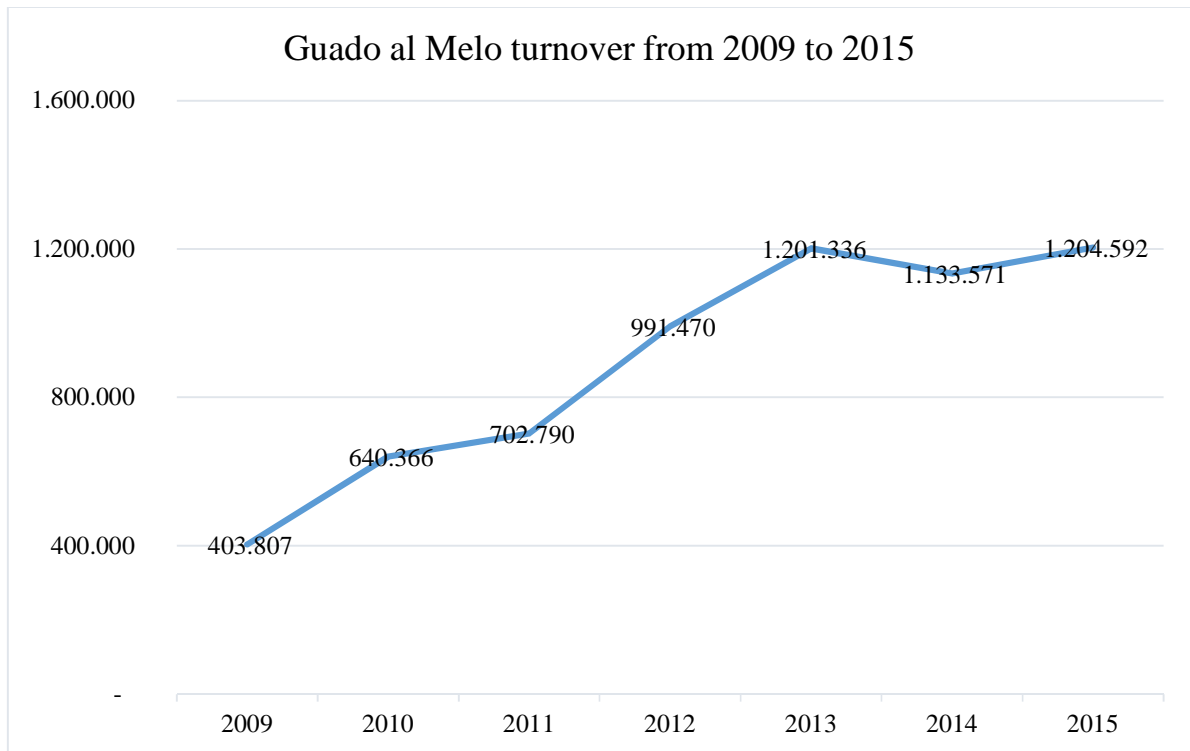
The target of Guado al Melo has the following characteristics:

- good formation of cultural nature: this means that the consumer is able to find in the product that bond with the territory that is stressed by the images contained in the labels of each bottle that, as has already said previously, recall the Etruscan tradition;
- consumer belonging to the middle class with good purchasing power;
- eco-friendly consumer that is able to appreciate the commitment of the company towards sustainability;
- consumer mainly young and dynamic with age between 20 and 50 years;
- consumer that is expert of wine and wine areas.

3.8. Performances and export markets

Bottles produced by Guado al Melo have a range of producer price between 4€ and 17€. Wines with a producer price of 4€ are Rosa al Melo, L'Airone and Bacco in Toscana followed by Antillo, Guado al Melo Bianco, Rute, Jassarte and Atis that respectively have producer prices of 6€, 7€, 8€, 12€ and 17€.

The production of Guado al Melo stood in 2015 to 150.000 bottles. The number of bottles produced remained nearly constant from 2009 until today. This production has made possible the realization of a turnover that, in 2015, stood at 1.204.592 million euros.



Guado al Melo internal sources.

From the analysis of financial statements from 2009 to 2015 there is an actual validation between the implementation of the strategies and the trends of the obtained results.

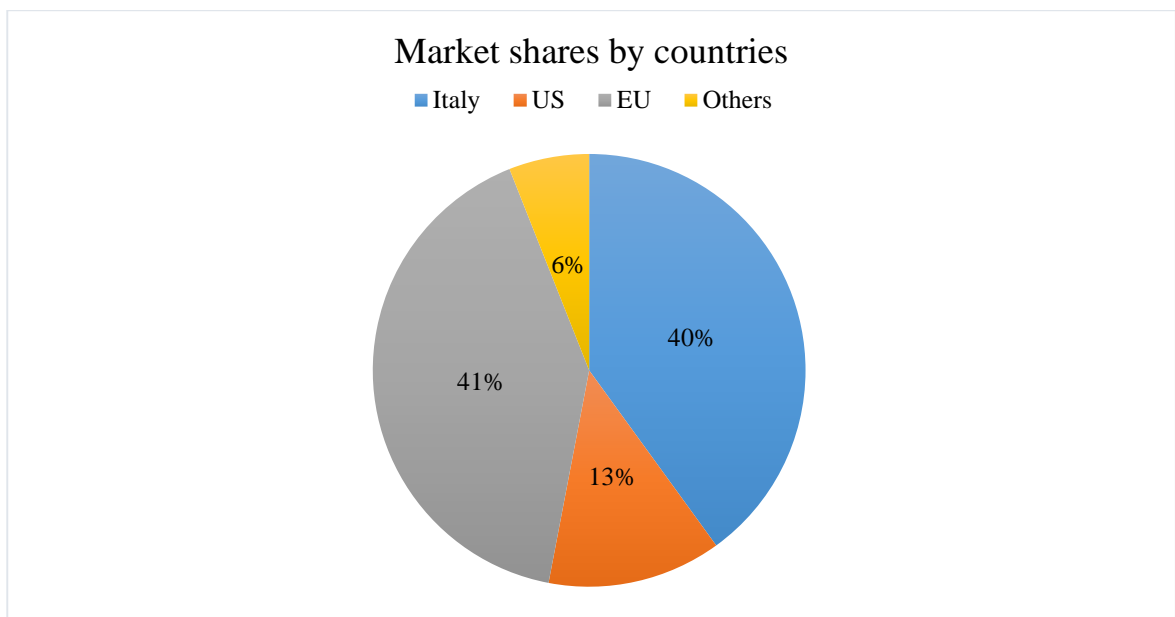
Financial statements are all closed in positive and show a trend with an almost steady growth. The large growth rates are also due to the fact that Guado al Melo is a relatively young company that is a newcomer on the market.

The year of greater weakness is 2014, a year in which the tendency of the world economy has remained weak and has seen the international trade flows stagnate; the company, however, has been able to abut on high profitability levels thanks to the quality of its products and the strong incidence of export on total turnover that is 60%.

Guado al Melo is very diversified from the export point of view, in fact, it distributes products not only on the domestic market but especially on foreign markets which are:

- EU countries;
- US;

- Canada;
- Japan;
- Singapore;
- Australia;
- Russia;
- Thailand.



Guado al Melo internal sources.

From the chart we can see how US represents a fundamental market for the company in fact the American business is 13% of the total as the 41% of the EU is divided in the various Member States which, if taken individually, would not have the same impact of the American one.

Guado al Melo operates on the US market differentiating importers and distributors according to reference state. Today the company exports through six different importers:

- *DRG* is an importer which is addressed to other companies for the distribution of products in various states:

- *Dreadnought Imports Ltd* in Pennsylvania;
- *Best Brands Inc* in Tennessee;
- *Db a Five O' Clock Brands* in Michigan;
- *Lohr Distributing Co.* In Missouri;
- *Orsini Wines* in North Carolina;
- *Simple Farmer Wines* in Illinois;
- *Solo Vino Imports Ltd* in Ohio;
- *Margaux & Co Imports* in Virginia and Maryland;
- *Vigneti del Sole Imports*: it imports and distributes in Florida;
- *Noble Wine Imports*: it imports and distributes in Texas. In this state, moreover, Guado al Melo wine is distributed by *Spec's* that is a liquor store chain;
- *Aventine Hill*: it imports and distributes in Connecticut;
- *Charles River Wine*: it imports and distributes in Massachusetts;
- *Margaux & Associates*: it imports and distributes in Louisiana, New Mexico and Oklahoma.

Just a few months ago, moreover, Guado al Melo has begun to export and distribute in New Jersey through *North East Wine*.

As has already been said previously, Guado al Melo produces eight different types of wine. Rosa al Melo is the only product that the company decided not to enter the US as the market of rosé wines is still at the beginning and the consumption of this type of product is still relatively low. L'Airone, after having had a great success on the domestic market, was entered by the company on the American market from only a few months with the hope to reach the levels of the Italian market.

The other six typologies had immediately a great success in the United States by guaranteeing to the company very high selling levels.

3.9. The presence in foreign markets: strategies

The presence on foreign markets was implemented through travels with the aim of participating to fairs and tasting, both in the foreign and Italian markets. The purpose is to meet importers and distributors willing to commercialize the company products. Relationship with importers is fundamental in foreign markets, because it creates a true partnership in the management of the product.

In the development of these relations there is a high exchange of information and knowledges about the market and the consumer with the purpose to develop, when possible, strategic plans.

The strategy of Guado al Melo relies on the importance of the brand, on the typicality and the link with the Tuscan territory. The company exports the “Tuscany brand”, that is a meaningful name in the world of wine because it recalls the beauty, the wine tourism and the quality of the wines.

While maintaining its strategic approach oriented toward the sale and distribution in the Ho.Re.Ca. channel, the company began to pay attention to the modern distribution, a channel which has become increasingly marked in the years conquering the interest of companies, as Guado al Melo, devoted up to that moment to the differentiation of products.

The entrance in the large retail distribution takes place gradually by only selecting the sale points aimed to the choice of quality.

As regards the communication strategy, Guado al Melo, unlike the major firms producing wine, which rely on large advertising budgets, aims to a more “soft” communication, investing in hospitality and visits in the company with the aim of bringing people to understand the character of the wines directly where these are produced.

In recent years the company has grown thanks also to the choice of having the best available technologies, as the IT is now considered the basis of numerous strategic processes for the marketing of high quality wines.

Following this strategic approach, the company has understood the importance of a web platform able to involve Italians and foreign consumers in the best possible way; for this

Guado al Melo has become known to the world thanks to the realization of a web site, inside which texts, images, video and interactive content create a multimedia environment and a web strategy capable of exporting wherever the wine spreading in a capillary manner the excellence of Italian wine.

In this way Guado al Melo has opened more and more to the global market thanks to the potential of the network. The product is offered in every aspect, with particular attention to foreign markets (consolidated or emerging); the site in fact has been translated in four different languages to reach “slices of the world” always growing and until now unexplored. The attention to the website is demonstrated by the fact that it is, today, in continuous development.

The strategic activity of Guado al Melo has the purpose, in some cases, of changing customer habits as it has happened in the US where there has been a gradual abandonment of wines excessively strong and covering in order to direct toward flavours that deliver to the palate a set of taste sensations. It has been a cultural change that has paved the way, in the US market, to the company symbols.

3.10. Future marketing strategies for the conquest of foreign markets

Guado al Melo was born with the customer in mind, it is certainly a *marketing oriented* company, which does everything to win the consumer.

The commitment of the company is maximum: the creation of every wine is entrusted Michele Scienza that is responsible for carrying out targeted market research and constantly monitor all products. Is therefore prerogative of the company, in the moment in which the wine is placed on the market, that the percentage of possibilities that this product has success is very high.

This is important especially in a context of confidence in the relationship with customers, which rely precisely to the brand Guado al Melo with the security that this matches always a great quality.

Every bottle is studied in detail since the goal is that it is noted on the shelves between hundreds of other bottles. The packaging is periodically renovated, taking into account the trends in consumer tastes.

The internationalisation strategies adopted by the company vary from market to market. Every market has different factors of differentiation, but in particular is very much dependent on the level of evolution of the wine sector: the company can find young market and then have the prerogative to make itself known by customers and then build loyalty, or mature and saturated markets, in which the company must work on product positioning and acquire a good reputation in the mind of the consumer. There is to say that in every type of market in which Guado al Melo operate, the strategy is based on a close relationship with the interlocutor abroad.

The wine sector is still one of those sectors in which the human relationship based on the high professionalism is still considered of great importance. Obviously to be successful it is not enough only to be professional and astute sellers, but the success of the firm relies on product quality.

The target consumer is not influenced by complex labels or heavy glass bottles, but research good quality product at a good price, and this reputation that the company creates, increases without doubt the *brand awareness*.

The marketing strategy takes place in the traditional manner. Guado al Melo carry out various market analysis and then proceeds with the classic instruments of the marketing mix, finally it analyses the major trends or identifies the new tastes and needs of the consumer.

After this there are two different ways that the company can take: if the trend goes for more, the company use a “pull” strategy, i.e. acts as *follower*, or searches a product desired by consumers not yet present on the market and on this the company works on a new project or anyway, in quality of *first movers*, to try to do something innovative.

Another dynamic that often occurs is one that sees the *retailer* requiring a particular type of wine: the team of oenologists is essential in these cases because it tries to develop a unique

product, differentiated with respect to others and this is the only way to have a strong identity in the market.

Also the team of tasters works to keep more concentrated and clear as possible the profile of the products that the company has with its own brand. In other words, a product not only arises from a comparison with the market, but also from an internal comparison, in a very precise manner, in order to have a shared of goals in terms of product.

The *experiential marketing* is at the heart of the strategy of Guado al Melo.

The principal moment in which it is possible to establish an authentic relationship with the consumer is certainly that of welcoming in the winery. Since the beginning of 2016 the company has registered more than 3000 winery visits thanks to its strong communication system. From this it is easy to understand how this marketing strategy is at the centre of Guado al Melo that has been able, till now this year, to attract many tourists and fans of the world wine sector in its estate.

This hospitality treatment, which may take place in the wine cellar, in the library or in the vineyards, represents an encounter with the world of wine highly participatory, interactive and collaborative. During these visits the company also organizes tastings of the produced wines.

Among the personages that revolve around the wine the main one is certainly the producer, which plays the role of testimonial and image of the bottles; consequently, the direct contact with the same becomes precious vehicle of symbolism and sensations. The producer has the task to entertain the public and tell the myth of his company and wines during the process of reception. All this with a good capacity of storytelling, with clear and concise speeches, but rich of anecdotes.

The investments dedicated to the administration of the reception at the headquarters of the winery are always more substantial and the purpose of this is to make the tangible relationship and to ensure that the experience, tested in this situation, is for the consumer concrete, multisensory and unforgettable.

There are several strategies for conducting the welcome process. In general, it is possible to combine the past and present, tradition and innovation with stimulating effects on guests.

Usually it is convenient to emphasize the most historical and typical parts of the cellar in order to intrigue visitors; those most technological parts are instead more useful in front of a more expert, demanding and passionate clientele. However, producers must be creative in order to find a way of differentiation.

In the future of Guado al Melo is necessary to continue the investment activities both to maintain the high quality of the products, both as regards the productive structure. An advice is to enhance the commercial division by inserting a *brand ambassador* and have a stronger and greater sales force. The figure of a *brand ambassador* in the US requires however very high costs; according to Michele Scienza the investment should be around 150.000 euros each year.

Wine is no longer just a food but a hedonistic resource. Wine is the bearer of values. At the centre of the image of Guado al Melo there are exactly these values, which does not propose only the “liquid product”, but offers an experience. In a market which is becoming more and more evolved in which the consumer is increasingly unfaithful, companies become therefore suppliers of emotions and experiences.

As previously mentioned the produced wines come out from the cellar with producer prices ranging from 4€ to 17€. The future goal of Guado al Melo is to conquer new consumer and “shift” customers toward the consumption of wines with higher producer prices at the expense of the lowest.

By doing so, the company would increase its turnover by keeping otherwise unchanged the total production of bottles. This increase is due to the ability of the company to produce larger quantities of wines with higher profit margins by decreasing the production of those with lower profit margins.

In order to achieve these objectives, the strategy of Guado al Melo is based on four key points:

- increase the brand value. This is possible, for instance, by strengthening its reputation through ratings of international magazines that are at the basis of the consumer choices of American consumers (Wine Spectator, Wine Enthusiast and Wine Advocate);

- move toward distributors with a high end clientele both from economic and product knowledge point of view;
- increase the travels abroad in order to communicate the brand values and create that “worth of mouth” which is fundamental in the wine sector;
- increase the visits in the company of followers of the wine world by exploiting the tourism that is a fundamental part of the zone in which the company is situated. In this way consumers will be able to appreciate the traditions and the values of the territory in which the wine culture has always been present.

Conclusions

This thesis has as its object the study of the Italian wine sector and the strategies put in place by the wineries in the American market in order to consolidate the levels of export.

To do this, companies need efficient and well-designed strategies with respect to the characteristics and the dynamics of market founded in the countries in which they operate. The study in fact comes from the need of internationalization of Italian SMES, for which is more difficult to undertake an international path. This need arises, in some cases, by the fact that the domestic market is saturated or lacking in new opportunities, while in other cases occurs in response to a situation on their market of origin almost negative.

The Italian entrepreneurial system is weak in supporting those small companies who often struggle to undertake a process of foreign expansion which may require onerous investments; nevertheless, these companies have great potential that if well exploited, allow to achieve great successes in the international sphere, especially in the sector of wine, which is capable of offering particularly profitable possibilities.

The strategic solution for Italian wine falls on the export and on the research of development opportunities at international level, by exploiting the abilities to compete of Italian companies that, if they are put in the best conditions, they show to be able to deal with the difficulties encountered in the approach to foreign markets achieving performances of great value.

The last study of Wine Intelligence, a company specializing in market research with headquarters in UK, underlines the consolidation of the first place in the world ranking of the American market. The reasons for this growing trend are attributed to the generational changes, to population growth and to cultural factors.

US market will be very important from now to 2025. This is due to the growth of usual consumers that will increase, from 92 million (40% of the adult population), to 109 million in 2025, i.e. 44% of the adults. In other words, a growth of 17 million over a period of ten years.

Fundamental will be the contribution that comes from the I-Generation, i.e. those born from 1995 onwards, which will have a decisive role in the growth of consumption. Those who belong to this category are about 22.7 million people. They will become usual consumers of

wine, reaching 21% of total drinkers around the country. With respect to Millennials, the I-Generation is certainly accustomed to the use of technology but is more prudent in spending less, with less risk attitude and with more attention to the purchased product.

The only way to be able to be winners is to continue to input on the market the best products focusing not only on the application of competitive prices, but especially by educating consumers to know the peculiarities of Italian wine. This because we are able to offer an identity as no other country in the world.

To do this there are many levers on which wineries need to force. Some of them have already been exploited, some require a more intense and integrated approach.

One relates in particular to the composition of the *industry* of the Italian wine. It is composed of many small and medium-sized firms. This could represent initially an obstacle to the success in the attempt of internationalisation. On the contrary, thanks to the awareness that if you are together you can do better, lots of small companies have joined, creating a great and unique industry, managing to transform an unsuccessful competition in a virtuous cooperation. This meant that there is a more intense knowledge relating to the market, to the production and a significant transfer of know-how in all the phases of the supply chain, providing excellent results on the national territory and abroad.

Another aspect not to be overlooked is the one of the sales channels. Our competitiveness can not only be concentrated on the export front: the real challenge lies precisely in not forget (or, even worse, underestimate) the internal market.

Italian companies must necessarily improve in this field, because we are a country able to attract millions of visitors to our architectural beauties and landscapes, but from the point of view of wine, we are not able to intercept this flow of tourists and direct it toward visits to wineries and especially to direct sales. There is an urgent need to open up to new forms of communication and promotion of the territory.

Even the social network and the online wine promotion offer an idea about the trends of Italian wine in the world. The young consumers are turning to the Internet in order to the purchase and to collect information about the main characteristics of the product.

It is therefore important for wineries to adopt a good strategy of web marketing and advertising also in the perspective of storytelling which is an instrument to convey through videos, images and words the values of the brand.

The digital communication arrives where systems of traditional promotion have evident limitations. Internet breaks down the barriers between producer and consumer and links even those cultures distant from the western world who do not know the peculiarities of Italian wine.

In my opinion, the key to success in this market is the correct evaluation of the product positioning in order to create a coherent message with its own territory and wine which we want to propose that has to be, at the same time, attractive in the eyes of American consumers.

The key points on which the Italian wineries must focus are the following:

1. An original product and faithful to the territory. It must differentiate for the characteristics of the area and compared to similar and competitor products. At the same time, it must be able to meet the characteristics of American tastes, offering an emotion and an experience that goes beyond the perceived value;
2. A strategy of branding and packaging (bottle, label and capsule) coherent with the positioning of the product and with the target market to which it is addressed, that recalls the message that wineries want to transmit;
3. A distribution strategy that selects the most suitable channels for the marketed wine, from restaurants to large distribution to retail, starting from more representative markets/states that can play a pioneer role;
4. A promotion and a communication in support of the importer, selected as a trusted partner and influential on the reference market.

The strength of the Italian producers lies in the strong bond with the territory, the history and traditions. American consumers want to know what makes different our wine and they are not interested in the technical part. They want a history; they want to open a bottle and make a trip.

Italian wineries must remain open to potential changes in the American market. The market is in evolution; the consumption is increasing even in the domestic context, not only at the restaurant. Companies should dare and experience, without precluding new roads.

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Abstract

The Italian wine sector has many points of strengths but also some points of weakness. Between the first should certainly be recalled the quality of the wines that combined with the tradition of winemakers, helped our products to reach the primacy in many countries; an important point of strength is also the extreme variety of vines, with the presence of many native vines to be exploited.

On these basis the objective of the research is to analyse the competitive strategies, check the strategic process and the coherence between the strategy and the structure of a Tuscan company, Guado al Melo.

Tuscany is currently one of the regions with the greatest potential and this presents itself as a promise for the Italian viticulture. The rediscovery of some native vines has led the region to become a case study for the possible future developments.

Today the attraction for the world of wine reaches the highest levels. As other sectors, wine is also affected by globalisation. In fact, today wine is no longer only produced in places where it is believed that the first wine grapes arose. Other regions of the world, called the *New World*, are now beginning to produce wines that can compete with traditional countries producing wine. This has lead a to crisis in the performance of wine in the *Old World* which have to adapt to the tastes of the market and are therefore continuously required to renew their vineyards and to adapt the production, both in terms of qualitative and commercial competitiveness.

In addition, wine is no longer only a beverage but also a product in which one can invest and this makes it an extraordinary case of globalisation.

But what is the position that the Italian wine has in the American market? Which are the strategies adopted by companies to enter this market? This work has the objective to analyse these issues, trying to identify the most effective strategies to compete within the modern global scenario.

The thesis is divided into three chapters.

The first chapter presents a general analysis of the Italian and world market of wine. Are

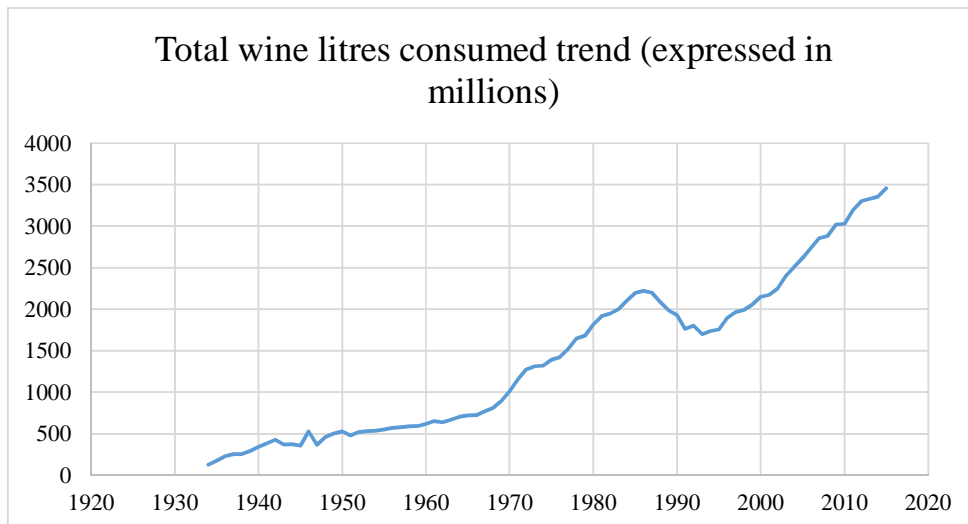
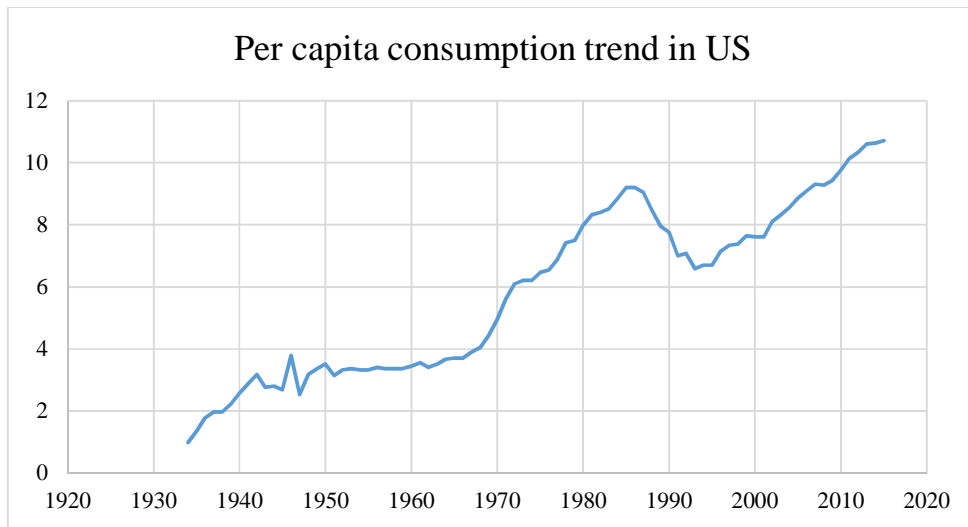
examined, moreover, strategies for internationalisation present in the literature; the aim is to trace those that are the fundamental points according to which implement an appropriate strategy for international expansion, focusing the attention on the advantages and disadvantages and which strategies are most used by Italian wineries.

In the second chapter are examined marketing strategies adopted by the wineries with particular attention to marketing mix. It is very important to understand what are the strength points on which companies must leverage in order to increase the turnover. A particular reference will be relative to the influence that the brand value levers of the marketing mix have on consumer choice. Also is discusses the theme of wine tourism which proves to be of fundamental importance in Italy due to the strong oenological tradition.

In the third chapter is made a qualitative and quantitative analysis of the American market by studying the changes in consumer choice and the consumption levels of recent years. Then there is an analysis of the specific case of a winery in the area of Bolgheri, Guado al Melo. In particular the study focuses on the performances of the company in relation to marketing strategies for the promotion of Made in Italy in the American market.

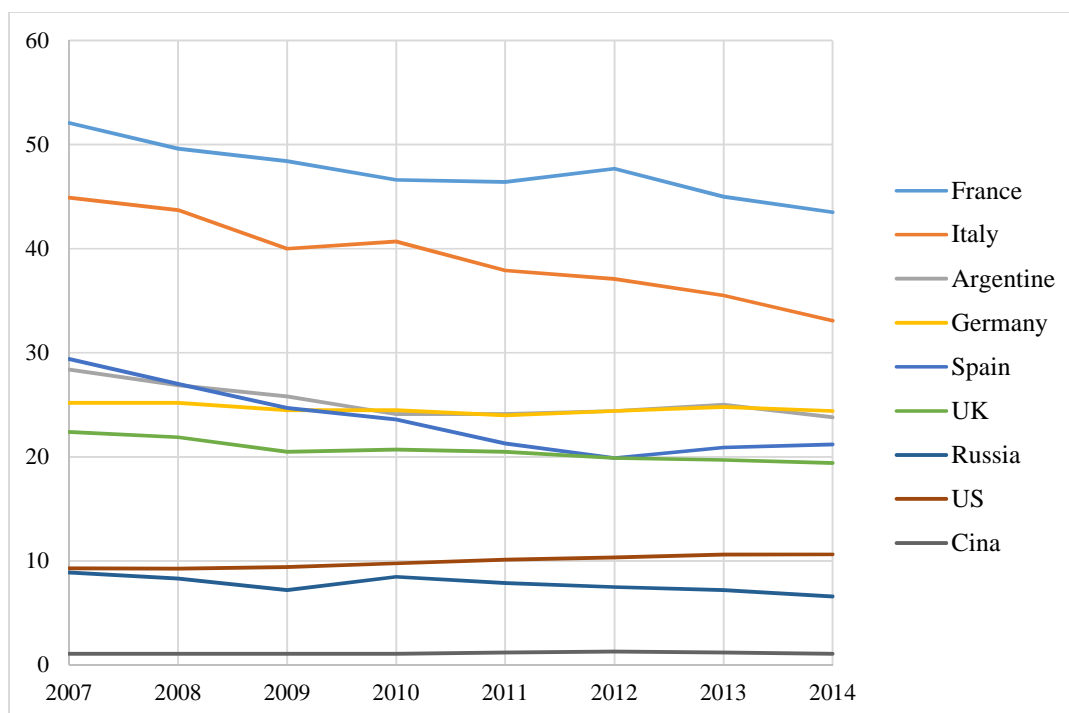
By the early 1930s in US, the consumption of wine has seen an increase in very slow but constant up to undergo a major fall in the years 1990s, then counterbalanced by an enormous growth since the beginning of the year 2000s, when the first Millennials reached the legal age to drink. Since then the trend has always strongly increased. At the beginning of this year the United States has become the first consumer of wine for volume, overtaking France. Approximately 4 billion of wine bottles were consumed in US during 2015, 12% of all world consumption of wine.

In terms of per capita consumption, the United States are still far from their European counterparts (Italy, France and Spain) but the potential for gain in this market are enormous, bringing to the study of different approaches in terms of merchantability and purchasing power.



Source: Wine Institute

Despite the trend of wine consumption per capita is positive in the USA, it remains relatively low if compared with the other member. This means that the tradition of wine is still at the beginning in US and so companies who import in this market will have to adopt marketing strategies aimed at raising awareness of the product.



Source: I numeri del vino

In this chart it is important to note that in the United States the trend of per capita consumption is growing while decreases in all other countries (except for Spain and China). What has most affected in the decrease in consumption was the reduction of the “daily drinkers”, i.e. those who consume more than half a litre of wine per day. This reduction is dictated by the fact that the way of daily consumption (in combination with the meal) is typical of the food habits of the population that is older. Consequently, the reduction “physiological” and in the time of these consumers has not been replaced by younger ones, for which the patterns of consumption are often different, associated to less frequent moments of conviviality.

Other causes may be: diets, attention to health, fighting to abuses, stricter standards, the speed of the changes in tastes, new markets, new commercial betting and prices.

The Baby Boomers are still the main consumers of wine in the US, with 38% of total consumption; the Millennials are in second place with 30% and this number is growing rapidly. It is evident that the generation of the Baby Boomers will slowly decreasing, while that of the Millennials will continue to grow, as each of them becomes adult.

It is therefore essential for wine producers and sellers to understand how the consumption habits of this generation are different from those of their antecedents and adapt their marketing strategies in this direction, so as to fully exploit the profit opportunities.

The Millennials opt for refinement often associated with wine, cocktails and artisan beers; they also do not need special occasions to drink, indeed is considered a social and relaxing activity.

The consequence of this is that even if the Millennials are paying less for the wine compared to the Baby Boomers, for an economic availability clearly lower, they consume wine much more often.

For Millennials the wine purchase begins with the decision of a price range, which is largely influenced by the occasion of purchase, followed by the grapes, the vintage, the region of origin and finally from the more attractive bottle. These are the characteristics to which the wine sellers pay attention when studying the Millennials' buying habits.

On average, Millennials consumers, who drink almost three glasses of wine for any occasion, spend approximately \$15 for a bottle to bring to a party, \$20-\$30 for a bottle for themselves or anyway to drink at home and \$50 or more during meals outside, preferring to drink more types that purchase a single bottle. This deviates from the habits of the Baby Boomers and the generation X, which have the tendency to drink randomly at home and when they eat outside they spend less, opting for the purchase of a single bottle of wine compared to a greater number of varieties.

This has a direct impact on small enterprises and on producers of local wine, which often are able to maintain the selling price of their products below 20 dollars, offering only a couple of options at a price slightly higher to meet the entire demand. With production costs kept relatively low, the complete control on the management processes, on production and on transports, is really in the interest of small wine producers to find a product that offers a simple quality with a relatively low price.

The characteristic of the Millennials is that they prefer a product with an interesting history with respect to one commonly considered to be of high quality. This generational feature is

often cited as an important factor in food revolution that is touching the country, together with the request for healthier food, biological and of which the origin is indicated and secure.

This, in turn, is due to the ease with which the Millennials are able to access the information. The wine is no exception to this.

According to a research conducted by the “Council wine market”, the 85% of Millennials frequently buy brands of wine unknown. For wine producers, this means being able to maintain their operations on a small scale, gaining while remaining relatively unknown. In other words, the Millennials love a good story (storytelling) and prefer an extravagant and interesting label.

Consequently, given the competence of the Millennials to access and obtain information, the wine has assumed a very social aspect for its marketing. Learn to know the wine has never been so easy as today.

A drinker no longer needs to be in Napa Valley or in Bordeaux to have access to information on a particular autochthonous grapes of the region, as modern consumers are not limited to a store of local wine that only brings Chianti, Cabernet and Pinot Grigio.

The Millennials in America trust in the opinion of their friends on social networks or on a website of reviews made by consumers much more than that of experts and professional sommelier. For this reason, the wine industry is taking important steps to ensure that their brand is represented according to these approaches.

Perhaps one of the most surprising feature to be attributed to the consumer habits of Millennials is the way in which they succeed in influencing the older generations to follow their example.

When the baby Boomers exceed their preconceptions and their loyalty, often misplaced, in some wines, manage to be as open and willing to explore the vast world of wine at their disposal. In addition, have the money to do it well and more frequently than the Millennials.

At the end the older generations will begin to act exactly as the Millennials, relying more on their tastes, asking more meaningful information and discovering options previously

unexplored. It is not surprising then that the wine industry in the United States are directing their efforts toward the marketing and branding.

Some argue that the future of wine in America will be “in box” because offers convenience and it is an eco-friendly solution as the Millennials wish. According to others improve the design of bottles and labels would be the safest way to attract and maintain this demographic group.

American consumers of wine in the near future will be, presumably, those who today are *occasional consumers*. The *usual consumers* are close to the maximum of the per-capita consumption (if they have not already reached it). The consumption of wine in the US is still a fairly recent phenomenon to allow the acquisition of new consumers that currently drink other types of alcoholic beverages.

For the Generation X, for instance, there has been a phenomenon of displacement from beer to wine. Especially for the Millennials (which not all still have reached the age of 21 years, the legal age for drinking alcohol) there is still space in the growth of per capita consumption. Let us remember that this is the first generation that grew up in a society where the consumption of wine was a normal thing (in the media, in movies and on TV, in reviews on newspapers etc.). Let us remember also that this is a generation that is still at the beginning of its economic level development. Thus it is likely that the growing of this level will increase the willingness to spend more money to drink the best wine.

These considerations, together with the fact that the total of the adult population in the US will continue to grow, leads to predict that the consumption of wine in the US will continue to grow in the medium term.

The other large group of future American consumers is the I-Generation, i.e. the “Young Millennials” that were born between the middle and the end of the 1990s. It is a generation from which expect the constant use of the internet for their decisions, thus maximum transparency and information sharing, maximum capacity and desire to experiment brands (which implies potentially minimal brand loyalty), maximum search/request of authenticity. According to the various experts, if this demographic group will begin to drink wine, the overall consumption of wine in the US will further increase.

The analysed company is an exemplary case of success. Guado al Melo is a winery on the hills of the Tuscan coast, in the heart of the Bolgheri DOC. The Denomination of Controlled Origin Bolgheri extends in the territory of the municipality of Castagneto Carducci, on the Tuscan coast, in the countryside between the hills and the sea, in a territory rich in history and traditions of wines. The cultivation of vine, with the olive tree, characterizes from time this landscape, thanks also to a climate and a land particularly favourable.

The wine production in this area has reached a great reputation from 1980s, with the discovery of the vocation of this territory to produce red wines of remarkable quality and aging capacity, combining to the typical Sangiovese other vines, such as Cabernet and Merlot. The wines of Bolgheri have always distinguished for some key characteristics: the great elegance and complexity.

Guado al Melo is a small family business with 9 employees. The activity has been curated by the work of a winemaker and enologist, Michele Scienza and his family, who have a long tradition in the viticulture in their region of origin, Trentino. The principles of sustainable agriculture and healthy are the basis of the production of the wines which are produced in the traditional way without additions or manipulations that alter the natural characteristics of the grapes.

The *vision* of the company is to disclose the millennial culture of the vine and wine through a quality production which respects the principles of sustainability. In order to be always updated on the path toward a more sustainable agriculture, the company maintains relations with the world of research and the University.

The cultivated vines belong to the more ancient Bolgheri tradition, such as the Sangiovese and the Vermentino, and to the more modern, such as Cabernet Sauvignon, Cabernet Franc and Merlot. The total extension of the estate is about 27 hectares.

Guado al Melo conducts an internal activity of research and development with the aim of developing new products and better understand the interaction of vines that are not typical of the area of Bolgheri with autochthonous ones. The company also carries out tests to assess the influence of certain technologies on the final product in order to improve it.

The aim of the company is to provide genuine wines, which are the expression of the territory, persons and of vines from which arise. They are elegant wines, pleasant, balanced and never too much alcoholic.

The Winery Guado al Melo produces eight different wines falling into classes IGT Toscana and DOC Bolgheri. The company takes care of all the production process from the care of grapevines, to the realization of the wines until their bottling.

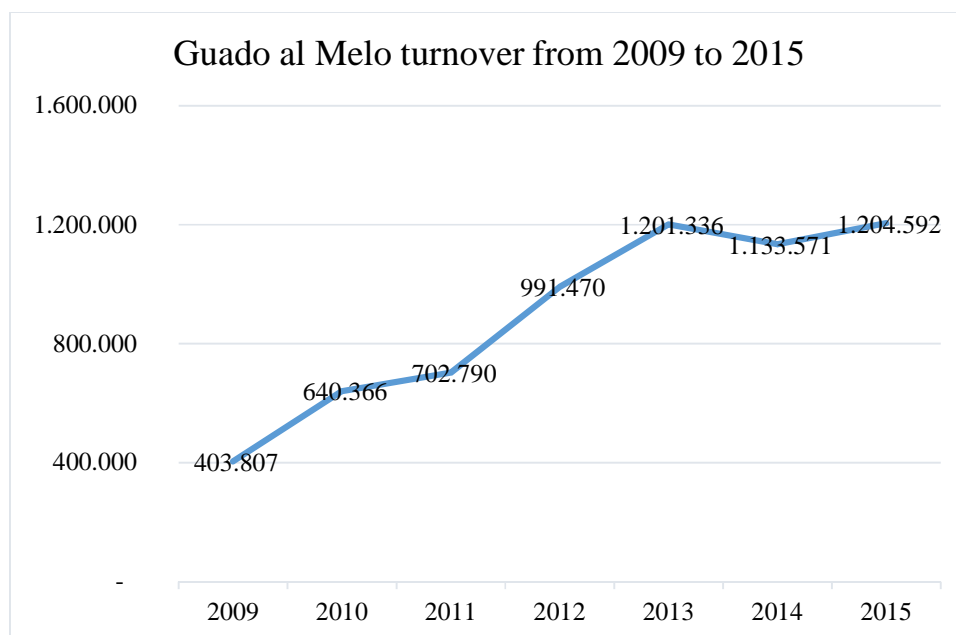
The company designs and manufactures the labels and all promotional material. Labels carry always images of grapevine or grape, mostly taken up by the Etruscan culture.

Guado al Melo offers to its consumers a wide choice producing over red wines even white wines and rosé for a total of 150.000 bottles per year. The target of Guado al Melo has the following characteristics:

- good formation of cultural nature: this means that the consumer is able to find in the product that bond with the territory that is stressed by the images contained in the labels of each bottle that, as has already said previously, recall the Etruscan tradition;
- consumer belonging to the middle class with good purchasing power;
- eco-friendly consumer that is able to appreciate the commitment of the company towards sustainability;
- consumer mainly young and dynamic with age between 20 and 50 years;
- consumer that is expert of wine and wine areas.

Bottles produced by Guado al Melo have a range of producer price between 4€ and 17€.

The production of Guado al Melo stood in 2015 to 150.000 bottles. The number of bottles produced remained nearly constant from 2009 until today. This production has made possible the realization of a turnover that, in 2015, stood at 1.204.592 million euros.



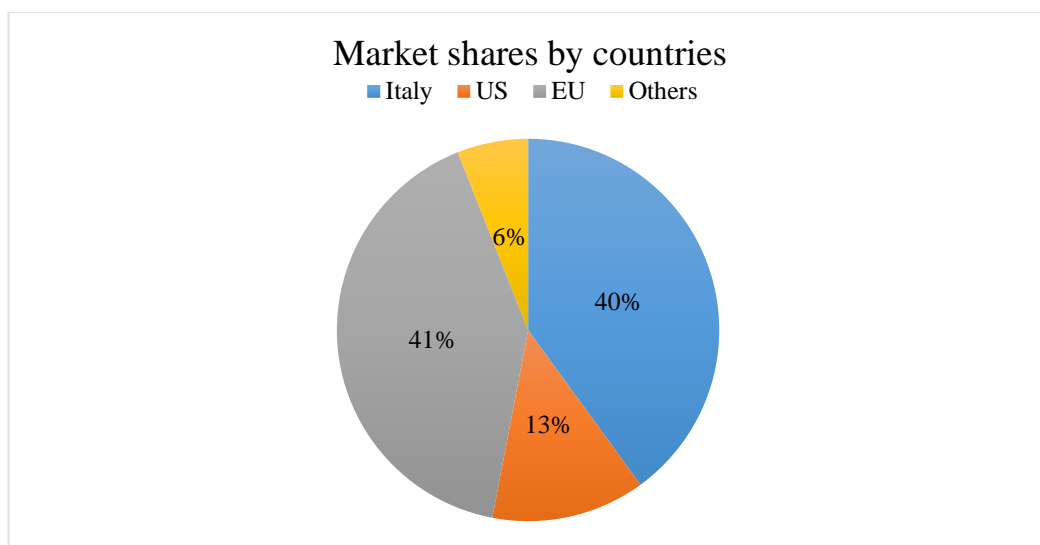
Guado al Melo internal sources.

From the analysis of financial statements from 2009 to 2015 there is an actual validation between the implementation of the strategies and the trends of the obtained results.

Financial statements are all closed in positive and show a trend with an almost steady growth. The large growth rates are also due to the fact that Guado al Melo is a relatively young company that is a newcomer on the market.

The year of greater weakness is 2014, a year in which the tendency of the world economy has remained weak and has seen the international trade flows stagnate; the company, however, has been able to abut on high profitability levels thanks to the quality of its products and the strong incidence of export on total turnover that is 60%.

Guado al Melo is very diversified from the export point of view, in fact, it distributes products not only on the domestic market but especially on foreign markets.



Guado al Melo internal sources.

From the chart we can see how US represents a fundamental market for the company in fact the American business is 13% of the total as the 41% of the EU is divided in the various Member States which, if taken individually, would not have the same impact of the American one.

The presence on foreign markets was implemented through travels with the aim of participating to fairs and tasting, both in the foreign and Italian markets. The purpose is to meet importers and distributors willing to commercialize the company products. Relationship with importers is fundamental in foreign markets, because it creates a true partnership in the management of the product.

In the development of these relations there is a high exchange of information and knowledges about the market and the consumer with the purpose to develop, when possible, strategic plans.

The strategy of Guado al Melo relies on the importance of the brand, on the typicality and the link with the Tuscan territory. The company exports the “Tuscany brand”, that is a meaningful name in the world of wine because it recalls the beauty, the wine tourism and the quality of the wines.

While maintaining its strategic approach oriented toward the sale and distribution in the Ho.Re.Ca. channel, the company began to pay attention to the modern distribution, a channel which has become increasingly marked in the years conquering the interest of companies, as Guado al Melo, devoted up to that moment to the differentiation of products. The entrance in the large retail distribution takes place gradually by only selecting the sale points aimed to the choice of quality.

As regards the communication strategy, Guado al Melo, unlike the major firms producing wine, which rely on large advertising budgets, aims to a more “soft” communication, investing in hospitality and visits in the company with the aim of bringing people to understand the character of the wines directly where these are produced.

In recent years the company has grown thanks also to the choice of having the best available technologies, as the IT is now considered the basis of numerous strategic processes for the marketing of high quality wines.

Following this strategic approach, the company has understood the importance of a web platform able to involve Italians and foreign consumers in the best possible way; for this Guado al Melo has become known to the world thanks to the realization of a web site, inside which texts, images, video and interactive content create a multimedia environment and a web strategy capable of exporting wherever the wine spreading in a capillary manner the excellence of Italian wine.

In this way Guado al Melo has opened more and more to the global market thanks to the potential of the network. The product is offered in every aspect, with particular attention to foreign markets (consolidated or emerging); the site in fact has been translated in four different languages to reach “slices of the world” always growing and until now unexplored. The attention to the website is demonstrated by the fact that it is, today, in continuous development.

The strategic activity of Guado al Melo has the purpose, in some cases, of changing customer habits as it has happened in the US where there has been a gradual abandonment of wines excessively strong and covering in order to direct toward flavours that deliver to the palate a

set of taste sensations. It has been a cultural change that has paved the way, in the US market, to the company symbols.

Guado al Melo was born with the customer in mind, it is certainly a *marketing oriented* company, which does everything to win the consumer. The commitment of the company is maximum: the creation of every wine is entrusted Michele Scienza that is responsible for carrying out targeted market research and constantly monitor all products. Is therefore prerogative of the company, in the moment in which the wine is placed on the market, that the percentage of possibilities that this product has success is very high.

This is important especially in a context of confidence in the relationship with customers, which rely precisely to the brand Guado al Melo with the security that this matches always a great quality.

Every bottle is studied in detail since the goal is that it is noted on the shelves between hundreds of other bottles. The packaging is periodically renovated, taking into account the trends in consumer tastes.

The internationalisation strategies adopted by the company vary from market to market. Every market has different factors of differentiation, but in particular is very much dependent on the level of evolution of the wine sector: the company can find young market and then have the prerogative to make itself known by customers and then build loyalty, or mature and saturated markets, in which the company must work on product positioning and acquire a good reputation in the mind of the consumer. There is to say that in every type of market in which Guado al Melo operate, the strategy is based on a close relationship with the interlocutor abroad.

The wine sector is still one of those sectors in which the human relationship based on the high professionalism is still considered of great importance. Obviously to be successful it is not enough only to be professional and astute sellers, but the success of the firm relies on product quality.

The target consumer is not influenced by complex labels or heavy glass bottles, but research good quality product at a good price, and this reputation that the company creates, increases without doubt the *brand awareness*.

The marketing strategy takes place in the traditional manner. Guado al Melo carry out various market analysis and then proceeds with the classic instruments of the marketing mix, finally it analyses the major trends or identifies the new tastes and needs of the consumer.

After this there are two different ways that the company can take: if the trend goes for more, the company use a “pull” strategy, i.e. acts as *follower*, or searches a product desired by consumers not yet present on the market and on this the company works on a new project or anyway, in quality of *first movers*, to try to do something innovative.

Another dynamic that often occurs is one that sees the *retailer* requiring a particular type of wine: the team of oenologists is essential in these cases because it tries to develop a unique product, differentiated with respect to others and this is the only way to have a strong identity in the market.

Also the team of tasters works to keep more concentrated and clear as possible the profile of the products that the company has with its own brand. In other words, a product not only arises from a comparison with the market, but also from an internal comparison, in a very precise manner, in order to have a shared of goals in terms of product.

The *experiential marketing* is at the heart of the strategy of Guado al Melo. The principal moment in which it is possible to establish an authentic relationship with the consumer is certainly that of welcoming in the winery. Since the beginning of 2016 the company has registered more than 3000 winery visits thanks to its strong communication system. From this it is easy to understand how this marketing strategy is at the centre of Guado al Melo that has been able, till now this year, to attract many tourists and fans of the world wine sector in its estate.

This hospitality treatment, which may take place in the wine cellar, in the library or in the vineyards, represents an encounter with the world of wine highly participatory, interactive and collaborative. During these visits the company also organizes tastings of the produced wines.

Among the personages that revolve around the wine the main one is certainly the producer, which plays the role of testimonial and image of the bottles; consequently, the direct contact with the same becomes precious vehicle of symbolism and sensations. The producer has the task to entertain the public and tell the myth of his company and wines during the process of reception. All this with a good capacity of storytelling, with clear and concise speeches, but rich of anecdotes.

The investments dedicated to the administration of the reception at the headquarters of the winery are always more substantial and the purpose of this is to make the tangible relationship and to ensure that the experience, tested in this situation, is for the consumer concrete, multisensory and unforgettable.

There are several strategies for conducting the welcome process. In general, it is possible to combine the past and present, tradition and innovation with stimulating effects on guests. Usually it is convenient to emphasize the most historical and typical parts of the cellar in order to intrigue visitors; those most technological parts are instead more useful in front of a more expert, demanding and passionate clientele. However, producers must be creative in order to find a way of differentiation.

In the future of Guado al Melo is necessary to continue the investment activities both to maintain the high quality of the products, both as regards the productive structure. An advice is to enhance the commercial division by inserting a *brand ambassador* and have a stronger and greater sales force. The figure of a *brand ambassador* in the US requires however very high costs; according to Michele Scienza the investment should be around 150.000 euros each year.

Wine is no longer just a food but a hedonistic resource. Wine is the bearer of values. At the centre of the image of Guado al Melo there are exactly these values, which does not propose only the “liquid product”, but offers an experience. In a market which is becoming more and more evolved in which the consumer is increasingly unfaithful, companies become therefore suppliers of emotions and experiences.

As previously mentioned the produced wines come out from the cellar with producer prices ranging from 4€ to 17€. The future goal of Guado al Melo is to conquer new

consumer and “shift” customers toward the consumption of wines with higher producer prices at the expense of the lowest.

By doing so, the company would increase its turnover by keeping otherwise unchanged the total production of bottles. This increase is due to the ability of the company to produce larger quantities of wines with higher profit margins by decreasing the production of those with lower profit margins.

In order to achieve these objectives, the strategy of Guado al Melo is based on four key points:

- increase the brand value. This is possible, for instance, by strengthening its reputation through ratings of international magazines that are at the basis of the consumer choices of American consumers (Wine Spectator, Wine Enthusiast and Wine Advocate);
- move toward distributors with a high end clientele both from economic and product knowledge point of view;
- increase the travels abroad in order to communicate the brand values and create that “worth of mouth” which is fundamental in the wine sector;
- increase the visits in the company of followers of the wine world by exploiting the tourism that is a fundamental part of the zone in which the company is situated. In this way consumers will be able to appreciate the traditions and the values of the territory in which the wine culture has always been present.

This thesis has as its object the study of the Italian wine sector and the strategies put in place by the wineries in the American market in order to consolidate the levels of export. To do this, companies need efficient and well-designed strategies with respect to the characteristics and the dynamics of market founded in the countries in which they operate. The study in fact comes from the need of internationalization of Italian SMES, for which is more difficult to undertake an international path. This need arises, in some cases, by the fact that the domestic market is saturated or lacking in new opportunities, while in other cases occurs in response to a situation on their market of origin almost negative.

The Italian entrepreneurial system is weak in supporting those small companies who often struggle to undertake a process of foreign expansion which may require onerous investments; nevertheless, these companies have great potential that if well exploited, allow to achieve great successes in the international sphere, especially in the sector of wine, which is capable of offering particularly profitable possibilities.

The strategic solution for Italian wine falls on the export and on the research of development opportunities at international level, by exploiting the abilities to compete of Italian companies that, if they are put in the best conditions, they show to be able to deal with the difficulties encountered in the approach to foreign markets achieving performances of great value.

The last study of Wine Intelligence, a company specializing in market research with headquarters in UK, underlines the consolidation of the first place in the world ranking of the American market. The reasons for this growing trend are attributed to the generational changes, to population growth and to cultural factors.

US market will be very important from now to 2025. This is due to the growth of usual consumers that will increase, from 92 million (40% of the adult population), to 109 million in 2025, i.e. 44% of the adults. In other words, a growth of 17 million over a period of ten years.

Fundamental will be the contribution that comes from the I-Generation, i.e. those born from 1995 onwards, which will have a decisive role in the growth of consumption. Those who belong to this category are about 22.7 million people. They will become usual consumers of wine, reaching 21% of total drinkers around the country. With respect to Millennials, the I-Generation is certainly accustomed to the use of technology but is more prudent in spending less, with less risk attitude and with more attention to the purchased product.

The only way to be able to be winners is to continue to input on the market the best products focusing not only on the application of competitive prices, but especially by educating consumers to know the peculiarities of Italian wine. This because we are able to offer an identity as no other country in the world.

To do this there are many levers on which wineries need to force. Some of them have already been exploited, some require a more intense and integrated approach.

One relates in particular to the composition of the *industry* of the Italian wine. It is composed of many small and medium-sized firms. This could represent initially an obstacle to the success in the attempt of internationalisation. On the contrary, thanks to the awareness that if you are together you can do better, lots of small companies have joined, creating a great and unique industry, managing to transform an unsuccessful competition in a virtuous cooperation. This meant that there is a more intense knowledge relating to the market, to the production and a significant transfer of know-how in all the phases of the supply chain, providing excellent results on the national territory and abroad.

Another aspect not to be overlooked is the one of the sales channels. Our competitiveness can not only be concentrated on the export front: the real challenge lies precisely in not forget (or, even worse, underestimate) the internal market.

Italian companies must necessarily improve in this field, because we are a country able to attract millions of visitors to our architectural beauties and landscapes, but from the point of view of wine, we are not able to intercept this flow of tourists and direct it toward visits to wineries and especially to direct sales. There is an urgent need to open up to new forms of communication and promotion of the territory.

Even the social network and the online wine promotion offer an idea about the trends of Italian wine in the world. The young consumers are turning to the Internet in order to the purchase and to collect information about the main characteristics of the product.

It is therefore important for wineries to adopt a good strategy of web marketing and advertising also in the perspective of storytelling which is an instrument to convey through videos, images and words the values of the brand.

The digital communication arrives where systems of traditional promotion have evident limitations. Internet breaks down the barriers between producer and consumer and links even those cultures distant from the western world who do not know the peculiarities of Italian wine.

In my opinion, the key to success in this market is the correct evaluation of the product positioning in order to create a coherent message with its own territory and wine which we

want to propose that has to be, at the same time, attractive in the eyes of American consumers. The key points on which the Italian wineries must focus are the following:

5. An original product and faithful to the territory. It must differentiate for the characteristics of the area and compared to similar and competitor products. At the same time, it must be able to meet the characteristics of American tastes, offering an emotion and an experience that goes beyond the perceived value;
6. A strategy of branding and packaging (bottle, label and capsule) coherent with the positioning of the product and with the target market to which it is addressed, that recalls the message that wineries want to transmit;
7. A distribution strategy that selects the most suitable channels for the marketed wine, from restaurants to large distribution to retail, starting from more representative markets/states that can play a pioneer role;
8. A promotion and a communication in support of the importer, selected as a trusted partner and influential on the reference market.

The strength of the Italian producers lies in the strong bond with the territory, the history and traditions. American consumers want to know what makes different our wine and they are not interested in the technical part. They want a history; they want to open a bottle and make a trip.

Italian wineries must remain open to potential changes in the American market. The market is in evolution; the consumption is increasing even in the domestic context, not only at the restaurant. Companies should dare and experience, without precluding new roads.