The role of the consumer

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The global market continues to be flooded with new wine brands and consumers are faced with an ever-increasing choice. As new products are launched and brands created to alleviate global oversupply, the question of whether consumers want or need these products is raised. Wines by themselves do not automatically usher in customer loyalty or strengthen customer relations. In today’s world, customers are looking for products that suit their purpose best – in terms of price, features, quality, appearance and availability. To be successful, you need to add value for your customer, by distinguishing between what you are selling and what your customer is buying.

This paper examines the role of the consumer with regard to new product development, packaging, distribution, consumption and the market challenges we face. While presenting information regarding the strength of loyalty that can be engendered among consumers, this paper also highlights the vigilance and focus we must now exercise to retain and expand our relationship with the consumer. The strategic importance of thorough consumer research and insight in planning and executing our marketplace activities is critical to all facets of the Australian wine industry.

The ability to influence

The role of the consumer is varied and comprehensive. What may be one person’s key selection criteria may not enter the thought process of another’s. So how do we develop products that meet their needs?

Certainly, the changing retail landscape brings challenges of its own, and the increasing number of countries, brands, offers, styles and information can also present confusion as well as interest. Helping the consumer manage the surfeit of information can ensure that ‘more options’ does indeed mean ‘greater opportunity.’

Important product cues such as wine style, price and promotion are very important and of particular interest to wine consumers. The role of packaging and other types of on-pack or point-of-sale (POS) marketing communications within the wine category are also significant.

Due to the diverse range of purchase locations at which consumers can buy wine, and the range of occasions at which they can consume it, these factors also appear to be of particular importance to wine consumers.

Above all, consumers do indeed judge wine by its label, and also give significant consideration to grape variety, country or region of origin, label design, bottle shape and, increasingly, promotional offers.

Traditional patterns and cycles

Like many industries, the wine business has traditionally moved through cyclical phases, with the market being driven by different components at different times, depending on the development of both the category and the market in question (Figure 1). In addition, exterior forces have also influenced this ‘life cycle’, such as currency movement, global (as opposed to category) supply/demand dynamics, retail structures and socio-economic factors at a local market level.

The rise and rise and rise of the gatekeeper

One of the recent market developments that suggests a move out of a cyclical phase and indicates more of a paradigm shift towards a new commercial landscape is that of retail consolidation. Currently a multi-market, if not a global phenomenon, retail consolidation has permanently changed the shape, scale and demands of both commercial engagement and consumer exposure to wine. Now firmly established as a fast-moving consumer-good (FMCG) product, wine is now positioned and sold with similar promotion-driven dynamics to other FMCG goods.

Traditionally FMCG markets offer a small number of dominant brands which capture a large percentage of market share and therefore command a high degree of repeat purchase. The upside is the increased potential for larger, more accessible consumer franchise, targeted through coordinated retail platforms that enjoy greater economies of scale, supply chain efficiencies and have positive consumer impact. The downside is that the enormous concentration of buying power and control of consumer access comes at a margin demand that is increasingly difficult to sustain for many companies.

Paradoxically, while this development positions the retail buyer as pivotal in the exchange between brand and consumer, it must surely provoke volume brands to invest even more heavily and directly with the consumer in order to maintain benign control and influence in this most critical of relationships.

Undoubtedly, competitive advantage can come from an improved understanding of consumer behaviour in the wine category, which in turn can be leveraged to advantage in the distribution stakes. Adopting a brand and/or category leadership position with regard
The role of the consumer

The ultimate competitive advantage comes from application of your model to managing your existing brands, planning innovation and new product development and working with customers and consumers in the retail environment.

The category as a brand value

Every category (or wine producing region) aspires to be a successful provider of wine for many types of occasions and consumers. However, while individual categories can potentially achieve 'anything', it is rare that they can achieve 'everything'. So what is Australia's unique consumer selling point? Answer: its interdependent four horizons – or personalities – that seek to move both the consumer and the occasion from accessible informality to quality-driven wine experience (Figure 2).

The need to remain relevant and compelling

As existing markets mature and new ones evolve, can a single category realistically aspire to achieve this broad and inclusive base of appeal? Or, is there a point at which the very attributes required for premium differentiated wine (i.e. typically low yielding, unique non-expandable sites with little or no room for economies of scale and expressly designed to accentuate the vagaries of vintage) appear antagonistic to those required to promote the heavily branded commercial end of the market (the more homogenous requirements of big production uniformity such as mechanisation, ample water supply and relative freedom from frost, disease and ripening period rain)?

Perhaps it is possible to consider these two apparently polarized ends as not entirely irreconcilable. After all, the marketplace is a continuum, not a conjunction of two extremes – specialist retailers take over where multiple grocers let go; independent fine wine shops then take up the baton; restaurants and on-premise operations bring yet an additional dimension and so on according to each market's distribution structure. Consumers inhabit all of these environments and increasingly they operate across a number of them rather than exclusively in one dimension only.

In fact, the Wine Australia message identifies the middle part of this market pyramid as the crucial part of the mix – both in the sense of its own identity as a profitable part of the branded export equation, and as a stepping stone to higher price wine above. The reputation of these in turn feed back to those below. Such is the development of an evolving wine category, and such is the way to ensure consumer creation, adoption and retention – the holy trinity of successful consumer brand relationships.

Consumer wine involvement

Promoting varietal and stylistic diversity through wine regions (interest), along with the development of modern production and marketing methods (innovation), is the way to communicate and enhance quality standards and consumer expectation worldwide. While this is obviously essential for the elite, terroir-driven wines,
it is equally so for the more affordable, everyday wines that will
determine whether wine becomes the 'lifestyle' beverage of choice
for current and future generations.

The real challenge for Australia – as it is for every successful
category – is to ensure that it continuously displaces or renews its
entry point wines with fresh, varied and interesting brands. This will
‘nourish’ the consumer base and ensure that, as it evolves, it does not
migrate away to other categories. Consumers need to be reminded
why they first chose an Australian product, so that the ‘loyalist’ can
confidently assert that “Australian wine affordably meets my wine
needs and comfortably and dependably suits my lifestyle – why
should I look elsewhere?”

The logical conclusion of this mutually supportive relationship
between accessibility, mid-tier interest and ultimate pursuit of wine
quality is a dominant and successful wine category, with at least
something for every occasion, if not something for everybody.

In order to do this, we must present clear and relevant consumer
propositions, sustain interest through new product development and
maintain our aspirational cues by educating consumers about wine
regions and our landmark wines. The trump card to play in today’s
nominal buyers’ market is to ensure that you have a strong, broad
and vital consumer franchise that can add value to the distribution
equation.

Above all, an important understanding must be the industry
requirement to evolve the consumer upward, rather than relying on
the apparent current focus of growing the market through increased
weight of purchase. A corollary to that is the need to develop the
total market with the introduction and creation of new consumers,
and the intent to populate that opportunity with a more holistic
mix of profiles than the currently disproportionate ‘grey-market’
trend. In short, if mainstream, mass market wine brands do not
embrace and engage the mercurial ‘cool-hunters’ (international 18-
24 year olds, both genders) in the way that drinks and entertainment
companies such as Diageo, Viacom and Sony have done, then the
‘generation next’ opportunity will become the ‘lost generation’.

**Conclusion**
The reality of market demands is that the interaction of producer-
gatekeeper-consumer is always a changing one, but one that for
the foreseeable future is best managed through a demand-led
approach: consumer insight. Strong relationships need to be built
and maintained above the line (consumer), below the line (trade
customer/distribution) and through the line (consumer at point-of-
purchase). We are now entering a new market phase where it is not
the consumer alone that is king, but the customer.

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