Branding Strategies For Georgian Wine Producers

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Abstract: Nowadays markets proceed to grow and competition, within the businesses are getting more ferocious. This simply means that companies cannot succeed only to have products or services. The 21st century and globalization of businesses gave direction to adjust business models to the new environment and to increase importance of international brand management. Brands are the most abiding corporate assets, which ensure durable economic benefits for the companies. People receive delight from wine for over 8000 years and it was one of the first products which were broadly traded. The industry is on the stage of maturing and is saturated with different brands. It is getting harder and harder to differentiate wine brands from each other. Wineries need to have a clear marketing and financial objectives to achieve a favorable outcome in the market.

Keywords: Branding, Wine, Product, Package, Label, Price.

I. INTRODUCTION

New world era started, before the nineteenth century nearly all of the world’s wines were produced in Europe and that tendency was changed, when many foreigners from old world region brought know-how in new world [2]. ‘California, Chile, and Argentina moved beyond their missionary cottage industry backgrounds to develop large commercial vineyards. Australia, South Africa, and New Zealand, too, found areas not far from some of their larger cities where grapes would grow well [18].’ In the past, the wine industry had the clear knowledge, that good quality wine will drive the sales. Nevertheless, nowadays this is not the case. In today’s world, wine makers must have the skills on how to sell the high quality wine in the market and to make this; they need knowledge of marketing principles to achieve better market positioning in the mind of customers than their competitors do. Over last 20 years, the wine marketing has developed plenty of methods to increase return on investments in the wine industry. Brand managers finally figured out that customers need an easy way in the wine culture. Consumers can enjoy wine, without knowing wine making mechanisms, so they developed new languages of wine from industrial approach to more hedonic aspects [18]. However, the process for customers to find the right wine from a wide variety of products is very confusing. It is also related to a risk. Somehow, customers try to reduce this risk by analyzing available attributes, such as labels and bottles. They also examine quality, which is possible only after the purchasing and testing of the wine [9].

Georgia is an ancient country with strategic location on the boarders of Europe and Asia, linked to Russia, Turkey, Azerbaijan and Armenia and population is over 4 million people [21]. Georgia is one of the ancient countries of wine making, with the vineyard area almost 45 thousand hectares, beside 500 exclusive wine grapes varieties and rare wine making methods, which do not have similar approach in the world. The archaeological detection found that wine in Georgia has been produced 8000 years ago. Within the period of 1990 and 2005 wine export had increased from 5 to 40 million liters. The growth was meaningful in 2000-2005 and the sector was becoming stronger. Unfortunately, from 2006 Russians made trade restriction on Georgian wines in their market. This was huge financial loss for the whole country, because 80% of wine export was done in Russia. Almost 150-200 thousand tons of grapes are produced in Georgia, from which 30-40 tons are handled in wine companies. In 2006, wine was exported by 100 companies, but this number from 2007 till 2010 was reduced to 60-70 companies and nowadays around 20 companies make wine export from the country [7].

II. BRANDING WINE STRATEGIES

The companies in today’s environment are competing with each other not with the products, but with the brands. A brand creates assurance that a product will have a positive feeling for people that is why they pay more for the brand; it also makes it easier for consumers to find a product [11]. Brand is an effective tool that helps in risk reduction during the product decision process. If the customer will be satisfied with the quality, it will be easier for them to choose the product next time [15]. Wagner and Olsen and Thach define brand as a name that consumers can trust and help to increase brand priceless [18]. If consumers trust the brand and the price increases in the market, they are more favorable in this case [8]. To achieve an effective marketing plan, authors advice that you find out who the buyer is, which they have categorized into five different segments [18]:

- Social wine users (they drink wine at the parties, marriage ceremonies, etc.).
- Image-oriented wine users (e.g. they consume wine when they go out with business colleagues and they buy the brands which they trust).
- Ritual-oriented wine users (involved in trying new wine taste to increase the cognition).
- Premium wine users (consumers with high knowledge of wine).
- Weekend wine users (low expertise of the wine, drink at the weekends and do not spend too much money).

They have also identified six categories of wine price segment [18]:

- Super value wines - Less than € 3.00
- Basic premium wines - € 3.00 – 6.99
- Premium wines - € 7.00 - 9.99
- Super Premium wines - € 10.00 – 13.99
- Deluxe wines - € 14.00 – 49.99
- Icon wines - € 50.00 – and greater
Furthermore, Resnick has categorized wine brands into three categories [14]:

- **Luxury brands**, owned by families communicate prestige and lifestyle, quality and high price. They create emotions for the customers; example is Palmer, which is associated to European history.
- **Premium brands** rely on labels and combine it with a place.
- **Brands for mass market**.

In the wine industry, price is related to the quality. If the price is high, the quality of the wine will be higher. Moreover, Moulton and Lapsley found that buyers who spend less money for wine are more loyal for the brand, than buyers who pay more, because such type of people love adventures [12]. Consumers can easily recognize branded wine. According to Resnick brand in the wine business can be associated and linked to three things: location of a place or a region, type of a grape and image of living style. Resnick also suggests that wine marketers should concentrate on the following branding decisions [14]:

- Will the wine family or individually branded?
- Will they use brand extension strategy and use the same brand name, for other wine?
- Will they make multi-brand decision and more than two brands will be expanded in the same wine line?
- Will they make brand positioning?

According to Resnick to create successful brand marketers should concentrate on the following factors [14]:

- Companies must know customers and their expectations about the wine, price and packaging.
- Marketers must make a clear brand image positioning in consumers’ minds.
- The names, websites, advertisements must be designed effectively.

However, Bill Deutsch has highlighted more factors that makes brand successful. The factors are known as 5P [14]:

- **Product** means that wine must be of agreeable quality and unique.
- **People** play an important part in the wine business. They create tradition of wine making.
- **Packaging**, this must be unique and catch the customer’s attention.
- **Price** of the wine must be in range with the quality.
- **Promotion** must increase wine awareness by using smart and effective marketing strategies.

Based on the study, consumers cannot remember the wine brand name, which they have tasted last night. Resnick argues that wine is in a mature market, where funny wine labels are more effective, they are different, than traditional labels which show the long history of a beautiful estate and magnificent of the country. Moreover, inappropriate labels can decrease sales. The fundamental principle is that the message that you are giving to the clientele must be accurate [12], [14]. The bottle is the second component of packaging where the appearance: shape, color, foil and cork are important features [14]. The strong brand positioning allows companies to communicate with consumers, using the brand name, labels, bottles and alliance. Positioning helps to be perceived differently in the consumers’ minds [18], [12]. Moulton and Lapsley point out that competition in the wine industry is high. To build a strong brand for wine companies is harder than it used to be, while buyers have more choices from different wine producers [12].

The world wine market changed very fast, because of the several factors [1]:

- The technical development improved the wine quality.
- Increased number of wine producing countries and markets.
- Distribution channels are changed.
- Change of the consumer behavior.

Every year the international wine markets are developing and the new world wine producers are becoming strong players in the markets, while the clientele are getting more educated and curious.

New world wine producers are countries outside Europe and in 2004 they composed 23% of global wine production, whereas old wine producers: France, Italy, Spain and Germany comprised 55% of the global production [3]. See Table 1.

**Table 1**: Wine production and consumption by country, 2004 [3]

<table>
<thead>
<tr>
<th>Country</th>
<th>2004 Production</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old World</strong></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>5.7</td>
</tr>
<tr>
<td>Italy</td>
<td>5.1</td>
</tr>
<tr>
<td>Spain</td>
<td>4.2</td>
</tr>
<tr>
<td>Germany</td>
<td>1.0</td>
</tr>
<tr>
<td>The United States</td>
<td>2.4</td>
</tr>
<tr>
<td>Argentina</td>
<td>1.5</td>
</tr>
<tr>
<td>Australia</td>
<td>1.4</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.9</td>
</tr>
<tr>
<td>Chile</td>
<td>0.6</td>
</tr>
</tbody>
</table>

The wine production and export in 2013 is supposed to increase in Argentina. They have exported more than 2300 brands in 100 different countries in 2011. Over the past twenty years the trend changed and the country increased to export the red wine, while the production of white and rose grape varieties were reduced. The small wine producers are promoted with the programs like as tax exemptions, equipment donation and promotion. For a wine sector in 2010 the government established 14 million fund. Nowadays their world market share is only 5% and the goal till 2020 is to increase the share from 5 to 10% and better position the high-quality wine from Argentina [16]. From 1980 the Australian wine market started to develop and nowadays they export in more than 82 countries [10]. The main export markets for them are UK and US. Australian wine export
decreased by 4% compared to previous years and in 2013 it is estimated to be 712 million liters. Moreover, they export only two-third of their wine production. Australian wine industry has developed a marketing plan to make stronger positioning of their wine by increasing the perception of the quality and values. It is also planned to communicate adventures and discoveries of the Australian wine, for this they will try to use social media [16]. After France, Italy and Spain the one of the best wine producer is **California** and most of the businesses are family-owned. They export in more than 100 countries and annually they have positive impact in the state: the industry created 330,000 jobs, they paid taxes amount of $14.7 billion and attracted of over 20 million tourists. The Californian wine making style is very young and has gained recent reputation in the global market [19], [3]. **Chile** is an excellent place for wine production because of the climate [3]. During the last 8 years, vineyards area increased by 70%. The 70% of Chilean wine production is exported in more than 150 countries. They face a big competition on foreign markets and their prices are lower than the competitors. According to the statistic, Chile became the seventh largest exporter. Because of the consistent development of the wine quality and price. The Chilean government tries to support wine industry by using marketing promotion strategies. These promotion activities are more aggressive in Canada, Germany, UK and US [17]. Based on the literature, **New Zealand** in 2012 experienced 5% reduction in export, compared to previous years [16]. They earn annually from export nearly $1.2 billion [6]. Wine and wine tourism plays meaningful role in the New Zealand economy [13]. **South Africa** started wine production in 1659 and they are young international players in the foreign market. At the end of 20th century the private wine companies started to think to increase the local demand in the country by using different marketing strategies like wine tours, trade shows, etc. From 1973 the government also paid more attention on the quality control [5]. In South Africa it is estimated that the production of grapes will be less in 2013, compared to 2012 and they will export 430 million liters, which is 6% more than in the previous years [17]. Wine producers can no longer ignore the power of the cyberspace. They will be making the mistake if they will evade the opportunities offering the internet. From 1990, internet became a place where companies could sell their products and services. It was also positive for consumers, because they were having more choice and getting the information faster about a product. To use internet effectively, wine company websites must be functional, instructional, and attractive. The well-organized websites offer consumers the advantages of personalization and usefulness [12], Wagner, Olsen, and Thach have presented guidelines that are more specific to the design of effective websites [18]:

- The company must give a description of the wine and show the photos of the bottles.
- The producers must have a tool that checks the age of a visitor on the website.
- The wine companies must use a tool that checks shipment availability and should have a tool that protects credit card.
- The companies must try to persuade visitors to sign up for the newsletters.

- They must develop a tool, which confirms that an order is received and shows approximate shipping time.
- The producers must take care of visitors who buy the wine from the website e.g. give discounts, etc., to increase loyalty.

The company must pay attention to the quality of the websites, because it can be directly associated to the quality of wine. The domain name of the websites must be the same as the companies’ name, because consumers will use the internet search tools to find the winery. The best websites understand the needs of the consumers and they quickly answer the question, which is asked concerning who produces the wine. A website is a strategic tool, which should be easy to use and helps to communicate with the consumers [18], [20].

### III. METHODOLOGY

Twelve new world wine country firms and eight Georgian producers and were randomly selected. Based on the quantitative research only 92% of non-European and 88% of Georgian wine producers are giving the company statements: when and how they were established and what was their mission in the market. 75% of non-European and 88% of Georgian wine producer’s websites have information about the performance of their company (awards). Additionally, only 75% of non-European wine companies are having their own heritage whereas all Georgian companies have their own story for the market. However, only 42% non-European and 13% of Georgian wine producers use their slogans for the business. See Figure 1.

![Figure 1: Quantitative analysis of the Central Statements](https://example.com/figure1.png)

The second main category in content analysis is product with two sub-categories, See figure 2:

- Grapes
- Label design
The result from non-European wine producers was that, 83% were describing their product in depth. On their websites, they were writing information about the different grape varieties and their uniqueness. The next sub-category is label design, which can be either traditional, modern or producers will bring out both with different products in order to reach a larger clientele. From the research 50% of companies are having traditional label design for their product, 42% of companies are using combination of traditional wine labels and modern wine labels, and 8% are having modern label design for their product. The quantitative research of Georgian wine producers shows that only 63% of companies are describing their grapes. Additionally 88% of Georgian wine producers prefer to have traditional label design, 13% are having the combination of modern and traditional label design in their product range and the analysis show that there are no Georgian wine producers that display only modern label design.

The third category in coding guide is brand attributes with three sub-categories:
- Country of origin
- Region
- Values

According to the research, 58% of non-European wine companies are describing the importance of their region and only 42% have decided to use country of origin positioning strategy. The research also shows that 50% of Georgian wine producers have applied country of origin strategy and 50% have positioned the region. However collectively non-European and Georgian producers are trying to communicate different values with the clientele: family, traditions, innovation, trust, and self-expression. The visual presentation can be seen on figure 3.

The brand architecture is the fourth main category with four sub-categories in the coding framework:
- House of brands
- Endorsed brands
- Sub-brands
- Branded House

The quantitative content research of non-European wine websites displayed that 92% have applied branded house strategy in their wine business and only 8% have endorsed brand strategy. According to the Georgian wine websites, 63% of Georgian wine producers are using the branded house strategy. Whereas 25% of the Georgian wine companies prefer to have endorsed brand strategy and 13% have house of brands tactic. See figure 4.

The fifth main category in coding guide is brand name with seven sub-categories:
- Founder
- Descriptive
- Fabricated
- Metaphor
- Acronym
- Magic Spell
- Combination of all

Based on the research from these seven different brand names, 42% of non-European wine producers apply the founders name to the wine; 17% use metaphor brand names, whereas 8% prefer to have fabricated names and 33% have decided to have a combination of different type of names. According to Georgian wine companies, only 13% use founder names, 13% of producers prefer descriptive names for the business, and 13% have applied fabricated names for the brand. Furthermore, 25% of wine companies in Georgia use metaphor names for the brand and 38% have a combination of different brand names. The results are illustrated in figure 5.

**Figure 2: Quantitative content research of the products**

**Figure 3: Quantitative content analysis of brand attributes**

**Figure 4: Quantitative content analysis of the brand architecture**

**Figure 5: Quantitative content analysis of the different brand names**
Figure 5: Quantitative content analysis of the brand name

The brand name is important part of every product; the name helps to position the wine in the market and communicate the product with consumers. It helps to make associations, differentiate from competitors, increase recognition, memorability, and awareness. In the content analysis, the wine price segment is the sixth main category with the sixth sub-categories:

- Super value wines
- Basic or sub-premium wines
- Premium wines
- Super Premium wines
- Ultra premium or deluxe wines
- Icon wines

The companies have opportunity to play in more than one price segment and based on the results seven non-European wine producers are playing in basic or sub-premium wine segment (Kaiken, Telteca, Hardys, Gallo Family, Concha Y Toro, Nobilo, Boland Cellar), where the prices of the product varies between € 3 – € 6.99. In addition, seven companies have wine in the premium wine segment, were the price is € 7.00 - € 9.99 (Hardys, Penfolds, Robert Mondavi, Concha Y Toro, Errazuriz, Brancott Estate, Boland Cellar). Additionally high competition is in ultra premium or deluxe wine segment, here the price of the wine varies between € 14.00- € 49.00 and five non-European wine producers are playing in this segment. (Hardys, Penfolds, Robert Mondavi, Concha Y Toro, Errazuriz). Furthermore, only two companies have product in the super value wine, super premium wine and icon wine segments. According to the research, five out of twelve non-European wine producers are playing only in one segment and for the most part, they are in the sub-premium wine segment; the other seven companies are playing at least in three different segments. Also based on the results Hardys offers customers more choice of different prices, because they are playing in four different kind of price segment. It can be seen in table 25. It must be considered that the prices and products are the case to change and it is not stable because for the most part it depends on the Austrian importers, hence it follows that Georgian producers must be careful.

IV. SUMMARY

Wine was one of the first commodities which was traded abroad and archaeological findings proved that Georgia was a wine country, with a long history of the wine culture, so branding will offer the opportunities for Georgian wine producers to differentiate the product from competitors, promote and create recognition of the wine and the country and increase brand awareness. The findings of the non-European and Georgian wine companies showed that there are number of important changes, which need to be made from the side of Georgian wine producers. All of the producer must give strong statements about the company, where they will underlie not only their long-history, traditions and quality but also grapes and location. This helps customers to be interested in knowing more about your company and product and to create an emotional connection. There are Georgian companies who are not giving statements about their performance, it is of course right to improve and gain the awards while successful competitors are already using this to their advantage. They must consider that it is not enough to present only the awards that they have won in Georgia, while the awards are directly associated to the quality. These vineyards also have to participate in exhibitions of their target countries so that they can present awards from more recognized countries, while the international fairs arises more trust among consumers. The brand heritage is an important factor that influences on the brand identity. There is no recommendation about the heritage for Georgian wineries while all of them created their own Georgian wine legend for the market on their websites. The legends can help them to be different from competitors, while majority of non-European wine producer uses the company foundation stories. Furthermore, it could be a good idea to communicate their stories in the target countries not only through websites, but through hanging up well designed paper with the story on the bottles. This may help to be different, communicate and position the Georgian wine legend in customers’ minds. Additionally brand mantras and slogans are essential part to make brand positioning. The research showed that only minority non-European wine producers were having their own slogans, so it is of course a good idea that Georgian companies should develop their own slogans for the firms. Since all majority competitors refer to the wine quality and place in their slogans; it could be suggested to use heritage. It will help Georgian vineyards to achieve better positioning of their wine against the competitors and it will also help to increase the possibility to recognize the wine. There are a number of essential changes, which need to be made. The literature, suggests that grapes are important attributes for the brand and Georgia has nearly 500 unique variety of grapes, besides the empirical research showed that competitors are making a good presentation of the grapes of their wine, so therefore there is a definite need that all Georgian companies presented the information about different grape varieties, their expression and distinctiveness to the clientele. This will give rise to interest, increase awareness and emotional connection. Wine is a very sensitive industry, where marketers need to pay attention to a lot of details, when they want to position the product, especially to a label design, from where consumers make the decision buy or not to buy the product. Label design plays crucial role of making the brand successful. From the current findings Georgian producers must continue to use traditional label design, while it can be also related to central statements about the company, where producers mostly talk about traditions, long heritage and quality. Because if they will decide to use trendy label designs, they will need to communicate different values, which is related to the contemporaneity. According to the literature, the place is an important attribute for the wine brand. The findings of the brand attributes show that non-Europeans position their wine based on the region and it is of course possible that all Georgian wine companies do the same, but it is associated with a risk, while to position a small region from a country, from where they do not have any information, it may effect on consumers buying behavior with negative effects on sales. It could be a good idea to use the country of origin strategy for their wine, when
they are exporting abroad. Customers perceive and directly relate the country of origin to the quality, so it will also be hard to position a product in Europe from a poorly recognized country such as Georgia. Therefore, it is a need from Georgian government side to establish a fund to increase the country recognition in the target countries by participating in different events. The values are important part of the brand association network, while they influence on a customers purchasing behavior, besides the non-European wineries do that in a very professional way. Based on the research, Georgian wine companies must add more values of self-expression and personality with all the other values what they state on their websites. According to the literature, companies can use the different brand strategies, which offer various opportunities in the market. Moreover, the results of the investigation show that most of the non-European and Georgian wineries have branded house strategy, besides there are Georgian wineries that use house of brand or endorsed brand strategy, therefore they must think on the advantages and disadvantages of having these strategies, which are more expensive, especially for small family owned winery companies. The brand name is a substantial part of the brand management and the study has also found that generally most non-Europeans use founder brand names, it will be of course the right choice to use founder brand name from the Georgian side, while the name will communicate the traditions, family and heritage. However, it is a good idea from the Georgian wineries side to be different and have different combinations of a brand name strategy especially founder, descriptive and metaphor names, while it will help to combine and communicate different values, such as traditions, grapes or places. In addition, wineries must think that the brand name for Austrian consumers must memorable, unique and have a suitable sound in the market. The 21st century, globalization, digital age and internet are offering a lot of opportunities for businesses. The Georgian wine companies can use this chance and add e-commerce function on their websites, to make this is related to the expenditures and time, but afterwards it can offer more sales abroad and also within Georgia, besides it could be also suggested to add online chat function to have a better communication with the clientele; this is a new tool and it is not used by the competitors yet. In addition, producers must have more than one language available for their customers. Furthermore, the best practices of non-European wine producers show that the brand name and the domain name for the websites are the same. It is also a good idea for some of the Georgian wine companies to improve these; successful competitors go this way, because for consumers it is easier to find your vineyards in internet. Moreover, it is also significant that Georgian wineries check the legal age of the website users, as they are not doing this. In the digital age it is a good idea to connect with customers, through social networking websites. The present study showed that compared to non-European wine producers, Georgian wineries used different social websites to reach clientele, but further research in this field can be made to check the frequency of how often they upload information, answer users’ questions, etc. The wine marketing is a new phenomenon and wineries should accompany this trend. Previously wine producers have focused more on the sales and quality, besides these factors are still important in the wine business, however nowadays companies are focused more on the communication of different values, building association networks and strong brand names. As well as in the digital age wine marketing is now achieved much more through the many social marketing websites. The companies can catch-up the trend and use all these opportunities for their advantage.

References


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