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RIDING ON THE SUCCESS OF BRAND AUSTRALIA: A PRELIMINARY ANALYSIS OF QUEENSLAND WINES AND WINE REGIONS

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Abstract

The Australian wine industry has achieved remarkable success during the last three decades. A key to this success has been the establishment of “Wine Brand Australia”. While the majority of this success has been achieved by wineries located in South Australia, Victoria, New South Wales and Western Australia, over the last decade the Queensland wine industry has experienced greater percentage of growth than the national average in terms of the number of producers, tonnage crushed and the value of exports – admittedly from a very low base (0.2% of wine grape production in 2000). The aim of the paper is to gain a better understanding of the marketing strategies and regional factors that have aided the Queensland wineries and wine regions in achieving success. The results are based on a survey of the industry and an analysis of published data. In addition, a number of targeted interviews were undertaken with industry leaders in Queensland. The findings of the study highlight the importance of destination branding in sustaining the growth and vitality of the Queensland wine industry and the need to focus on promoting wineries in Queensland as being in the tourism/service industry rather than in wine making.

INTRODUCTION

International sales have a positive impact on the firm, the regions where they are located as well as the national economy. While many regional industries within Australia have suffered, the wineries have shown a remarkable dynamism, at a time where there was an oversupply of wine internationally by successfully tapping into overseas markets. In 1983/84 only \$17 million worth of wine was exported - within a decade it had reached \$370 million and in 2003 it reached 2.4 billion, making Australia the fourth largest exporter of wine in the world, in terms of value, behind Italy, France and Spain (AWBC, 2006). The majority of this success has been achieved by wineries located in South Australia, Victoria, New South Wales and Western Australia. However, over the last decade the Queensland wine industry

has experienced greater percentage of growth than the national average in terms of the number of producers, tonnage crushed and the value of exports – admittedly from a very low base (0.2% of wine grape production in 2000). Unfortunately, in recent years, the Australian wine industry and to a lesser extent the Queensland wine industry has been the victim of its own success, by 2006 Australia had a surplus of 900 million litres of wine (Speedy, 2006), more than 2000 small boutique wineries (AWBC, 2006), contributing to reduced prices and profitability for many within the industry. Fortunately, while devastating for many regional industries, the unseasonal weather and continuing drought in 2007 helped to reduce production and ease the glut of wine within the industry.

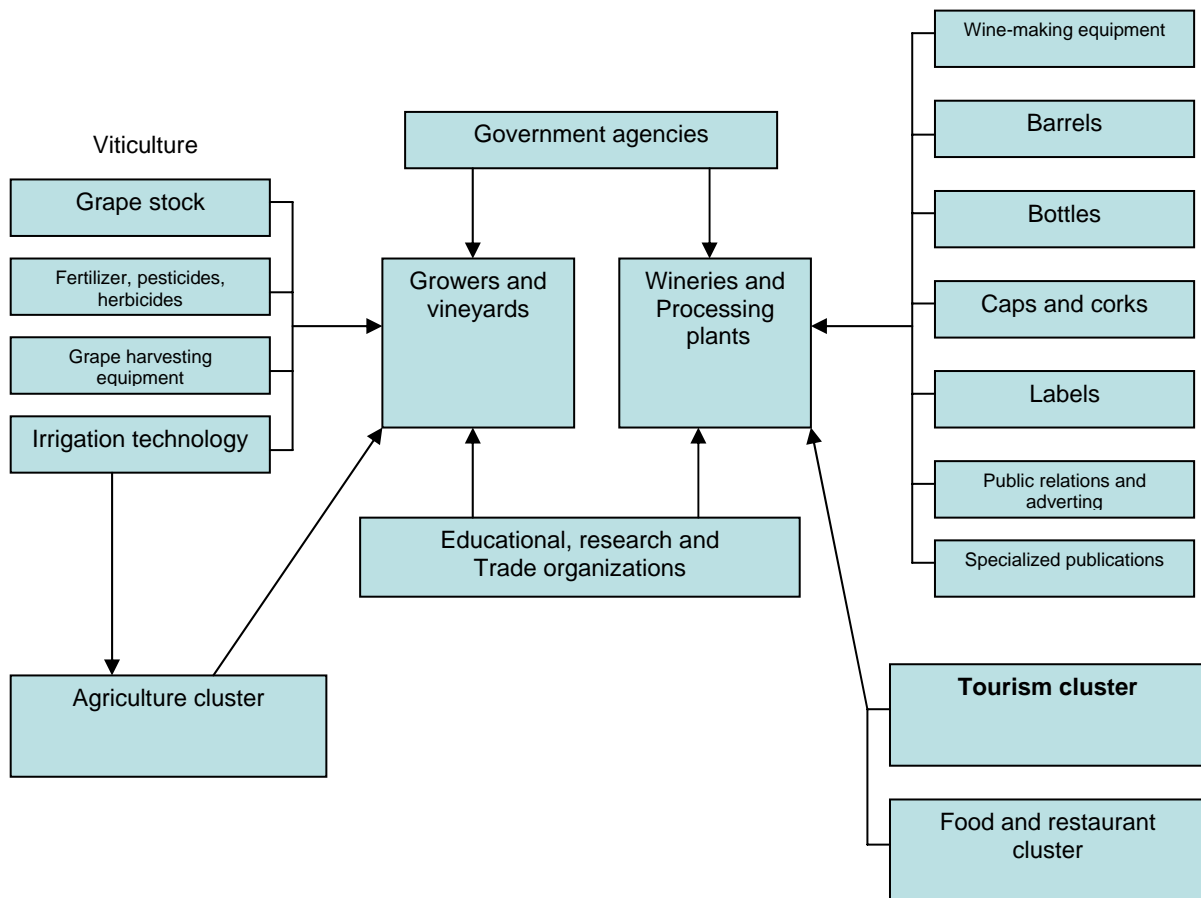
Given the above context the aim of the research is to gain a better understanding of factors aiding and inhibiting Queensland wineries and wine regions in achieving market success. The results are based on a survey of the industry with approximately 50 per cent of all wineries responding. In addition, a number of targeted interviews were undertaken with industry leaders in Queensland.

OVERVIEW OF RELATED LITERATURE

Many researchers have highlighted the benefits of clustering. According to Porter (1998, p.78) “clusters are geographic concentrations of companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition”. In Australia, as in other countries several industry clusters can be identified. James and Thomson (2003) identified diversified clusters such as Australian Tropical Foods, mineral processing, and defence to name a few. Other researchers highlighted that formal as well as informal clusters can benefit from marketing and branding, including a “geographic cluster of firms within a particular industry” such as a wine region (Merrilees, Miller and Herrington, 2007). There is evidence from New Zealand and other regions of Australia to suggest that tourism, wine-industry partnership can be mutually beneficial. According to deputy chief executive New Zealand Tourism Board – Chrys Ryan “wine tourism is helping rural regions like Marlborough and Wairarapa establish distinct identities, which are attracting visitors, both international and domestic...” (Anon, 1997)

Porter (1998) highlighted the California wine-industry as a good example of a successful wine cluster. This is illustrated in Figure 1 (with minor adaptations).

Figure 1
Wine Cluster



Source: Porter (1998, p.78)

Many of the above characteristics can be identified in the major wine growing regions of Australia, such as the Barossa (in South Australia), North Eastern Victoria and the Hunter Valley (in New South Wales). Within Queensland, the clusters are in their infancy. However, there is strength in tourism; food and restaurant as well as strong government support, with the Queensland Government appointing a minister for wine development. In addition, the Department of Tourism, Fair Trading and Wine Industry Development have formulated a comprehensive strategy to overcome the weaker elements of the cluster, including:

- Viticulture
- Wine production development
- Lack of strategic partnerships
- Promote wine tourism and
- Develop Queensland and regional branding and marketing. (Queensland Wine Industry Development Strategy, 2004)

At present wine regions within Queensland are ill defined. However there are two officially recognised regions based on the Geographic Indications (GI) – Granite Belt and South Burnett, and a further six regions promoted by Tourism Queensland:

- Darling Downs
- Gold coast and Hinterland, Scenic Rim and Brisbane
- North Burnett
- Sunshine Coast and Hinterland
- Somerset Valleys and
- Western Downs.

In order to develop the above regions the Wine Industry Development Strategy (2004) envisages:

- Scoping and costing winery road signage
- Building on existing tourism marketing programs such as the Great South East (a State wide TV program)
- Link wine tourism experiences into Destination Management Plans – encourage regional hospitality and tourism facilities to stock Queensland wine from the region.
- Develop event guides – to conduct wine related concerts, fairs and events.

Given the above discussion and the persuasive arguments presented by researchers such as Morgan, Pritchard and Pride (2004) “places currently offer the greatest untapped branding opportunities”; Kotler, Haider and Rein (1993) “a marketing approach to place development is the overriding response need to compete effectively...” the focus of this research is to identify regional branding and marketing strategies that will aid the Queensland wineries and wine regions in achieving continued success.

METHODOLOGY

Initially a mail survey was undertaken using a questionnaire consisting of multi-item scales derived primarily from the marketing and international business literature to gauge management perceptions of factors aiding and inhibiting market expansion as well as gain an overview of the Queensland wine-industry. The data was analysed on the basis of frequency counts and means using SPSS software. The results were used to develop an interview protocol to undertake a number of interviews with successful wine exporters from Queensland including the CEO and the Marketing Manager of one of the most successful wineries in Queensland as well as the president of the Wine Makers Federation of Queensland. In addition, interviews were undertaken with senior personnel from Tourism Queensland. The interviews were recorded on tape or videotape and transcribed for analysis.

The initial focus of the study was on the factors aiding and inhibiting the market expansion of the wineries. The results of the survey and the comments made by the winemakers clearly highlighted the importance of tourism to the Queensland wine industry, the subsequent interviews and the purposive selection of interviewees was based on the need to explore the link between tourism and the Queensland wine-industry.

RESULTS AND DISCUSSION

Length of time in the wine industry

The survey showed that most of the wineries had been in the industry for a relatively short time, though the Queensland wine industry has a history dating back to the 1800s. Almost 28

percent had commenced operations within the past five years, 72 percent had operated for 10 years or less (44 percent from 5 to 10 years) and, over 83 percent have been in operation for less than 20 years.

Number of employees

The Queensland wine industry consists of a very small number of “medium sized” wineries (6 percent), employing around 50 employees, and a large number of “small” wineries, (94 percent) employing fewer than 10 employees, (68 percent employ 5 or less). The medium sized wineries dominate the industry in terms of the value of exports.

Extent of penetration of Australian markets

Thirty three percent of wineries had sales throughout Australia with 17 percent targeting Queensland and adjoining states. Twenty two percent of the wineries confine their sales to their home state, while approximately 28 percent limit their market to their local region. In addition, it appears that wineries that are more developed in their internationalisation tend to have expanded to a wider range of Australian markets than wineries less interested in exporting.

More than 90 per cent of the respondents had an Internet site that was used for marketing their winery. In addition, 75 per cent used the Internet to undertake sales, potentially opening up opportunities for sales Australia wide and internationally.

Extent of overseas markets

Respondents to the survey engaged in exporting were asked to indicate the number of overseas markets they serviced, the first overseas market entered and their most recent overseas market.

The number of markets serviced ranged from 1 to 8, the average being 4. The results of the survey also indicate that on average, Queensland wineries engaged in exporting derive less than 10 percent of their revenue from international markets compared to a national average of approximately 20 percent. Given the smaller size of the Queensland wineries they do not in general have the economies of scale to be price competitive, they have found innovative ways of servicing international customers. Some of the wineries deal directly with the end user/customers for their products.

“We forward to individual overseas customers in Singapore, Japan etc. cases of wine by airfreight. We don’t export in containers, but one day hope to”

Other wineries were similarly innovative in targeting niche markets.

“There are a lot of niche markets out there that the bigger companies as well as the French and the Italians tend to bypass. I’ll give you a little example; in Japan we are doing a lot of work with the duty free shops. We have a company setup in Japan; they can order when they are overseas or when they are going through the duty free shops, they can order and we deliver ex-Japan.”

“While they do not buy a lot at cellar door because they have to carry, we can tell them buy a bottle, buy a case and we will deliver it to your door”

The above approach is especially important in tapping into the well established international tourism markets within Queensland. Wine is an authentic Australian product that has built up an excellent brand image internationally. Queensland wineries are able to ride on the reputation of ‘brand Australia’ (Wineaustralia.com, 2007).

“...in 1993 my parents had just been on a tour of Europe and decided that they would stop in the UK and just gauge the interest and on the very first day that they arrived they had eight agents wanting to meet with them. So it was quite an overwhelming response. Even though we were quite a small winery in Queensland which is not a recognised wine State I suppose in Australia, but we were Australian and that is all that they cared about... every man and his dog was trying to import Australian wine to the UK market.”

The Queensland wine-makers are customer focused. According to the CEO of one of the largest wineries in Queensland they custom make their wine to suit the Asian market, producing lighter sweeter styles of red wines that many Asian people prefer.

“... Chinese or Asians... certainly like a full-bodied red wine with actually quite a lot of residual sugar. And that style doesn’t really exist in Australia. It’s probably not to our liking, maybe it’s a climate thing, it’s a food thing, could be a spice thing, a balance thing but certainly we are finding that is what they want and we are trying to obviously give them a range of wines and when they come here and look at them and we modify, we custom make to them as what they want. And that is very important that if we have got say... a Chardonnay here, if they want Chardonnay, we would say right we would play with the acidity, we would play with the sugar and make those different levels to actually see what do they like.”

Factors perceived to enhance or inhibit market expansion

The respondents to the study were requested to indicate the importance of eleven “firm-specific” factors that enhanced their firm’s product competitiveness in the market place. These ranged from: the product price; perceived high quality of the wines; uniqueness of the wines; quality packaging; marketing skills; good labour relations; reliable suppliers of raw materials; innovative production skills; well established network of distributors; well established cellar door sales; and the extensive range of wines produced. In Table 1 items identified by 50% or more of the respondents are listed in the order of importance based on the cumulative frequency of “agree” or “strongly agree” responses to the questions.

Table 1
Firm-specific factors enhancing competitiveness

Firm-specific factors enhancing competitiveness	% ⁺
The perceived high quality of wines.	84.2
The uniqueness of our wines.	78.9
Well established cellar door sales.	77.8
Well developed marketing skills	52.6

+ = Percentage of firms agreeing or strongly agreeing with the question.

Two of the firm-specific factors important in enhancing the firm’s competitiveness appear to be the quality and the uniqueness of the wines, a finding that is consistent with other Australian studies. A comment by a respondent highlights the importance of quality.

“The Queensland wine industry has a few (wineries) pursuing technical excellence and complying fully with State and Federal regulations. Poor quality (wine) is difficult to export.”

Preliminary results also indicate the strength of Queensland wineries in well-established cellar door sales, a result of their successful integration into the tourism industry - *“most of our market is tourism”*. The level of integration is higher in Queensland than in Australia as a whole with 90 per cent of wineries having cellar door sales (national average being 73 per cent) (Tourism Australia, 2006). This is an important area that Tourism Queensland has effectively promoted in publications such as South East Queensland Country Touring Guides. The first pages within the guide are dedicated to providing an attractive pictorial summary of the wine regions. A comprehensive coverage of the regions is provided in subsequent pages, including information on associated and supporting industries within the region and their attributes. For example, within the Granite Belt - the Queensland College of Wine Tourism, multitude of restaurants using the abundant locally grown produce, lavender farms, and regions art galleries.

The responses to questions on possible inhibiting factors to market development are listed in Table 2. The majority of firms identified the need to set low prices to gain volume sales in exports markets as the major barrier. This is a possible reflection of the relatively small size of the wineries in Queensland in relation to other (Australian and international) industry participants. However, it could also be a reflection of the ability of many Queensland wineries to obtain a premium price at the cellar door.

Exporting “is cost inhibitive. It is very focused on how much they can get it for. Our main problem is because of our cost of production we cannot compete in the open market I suppose so we need to find niche markets and of course finding a niche market costs a lot more than just getting out there selling it to the bottle shops in other countries. So that has been really expensive and very time-consuming...”

Table 2
Factors inhibiting export activity

Factors perceived to inhibit export activity	%⁺
Low prices needed to gain volume sales in export markets	77.8
Legal and regulatory barriers in export markets.	73.7
Risks involved in selling abroad.	73.7
Problem in selecting a reliable foreign distributor	73.6
Unfamiliar foreign business practices	68.5
Lack of financial resources	68.4
The limited quantities of stocks for market expansion.	63.2
Exchange rate variability	52.7
Difficulty in collecting payments from foreign markets	52.7
Management's lack of knowledge in export matters	52.6

+ = Percentage of firms agreeing or strongly agreeing with the question.

Surprisingly, only 21.1 per cent of the firms agreed that there was limited government support to encourage exporting. Out of the thirteen inhibiting factors listed in the questionnaire, this was identified as the least important factor, a result that is in stark contrast to findings from other states. Not surprising given the concerted effort made by the Queensland government and government agencies such as Tourism Queensland.

According to one interviewee exporting to the US came about in an unusual way, there is a *“sister state relationship between Queensland and South Carolina and Premier Beattie only serves Queensland wines at official functions and he happened to serve the Governor of South Carolina about six years ago, or probably longer, a bottle of one of our reds and he was so thrilled with it that he wanted it in South Carolina, he wanted to know who was distributing it there.”*

CONCLUSION

Overall, the Queensland wine industry guided by the Queensland Wine Industry Development Strategy appears to have the right mix of policies for market expansion. The rapid expansion of the industry at a time when it is facing stringent competition from the established Southern states is a testimony to this. The expansion has been built around a quality product, marketed in a planned manner, focusing on niche markets and innovative entry modes, capitalizing on the strength of well-established cellar door sales, a result of successful integration with the tourism industry and effective destination marketing. The main limiting factor to market expansion appears to be the low prices that need to be set to gain volume sales. However, there is the potential to overcome this as wineries grow in size, or by focusing on niche markets at the national and international level where a premium price can be charged.

The results of this study indicate that the Queensland wineries have been innovative in identifying these niche markets that larger Australian and international players tend to overlook. An example of this is the home delivery of wine purchased while the overseas buyer was visiting Queensland.

The respondents to the survey were requested to indicate the importance of 'firm-specific' factors that enhanced their firm's product competitiveness in the market place. 'The perceived high quality of the wines' was deemed to be the most important factors enhancing market competitiveness. However, there was a significant difference between the Queensland respondents and others on the perceived quality of the wines. There was a perception that the Queensland wines were of a lesser quality than the rest of the country. In addition, the Queensland wine industry has seen itself as being at a disadvantage in terms of regional clusters: availability of skilled labour and industry training facilities; marketing skills and distribution networks. However, there is evidence suggesting that with government support there is strong development occurring within wine-tourism clusters/regions. For sustained development of the industry the strong partnership in terms of wine/tourism must be maintained. To ensure effective communication of the brand, Wine Australia has established four sub-brands: Brand Champions, Regional Heroes, Generation Next and Landmark Australia. For Queensland the focus must be on "Regional Heroes – wineries who have blazed a trail for their region's profile", in particular within the wine regions in Queensland. In addition, there is a clear need to establish a signature wines for the regions, similar to Rutherglen Muscat.

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