



InSITE 2013

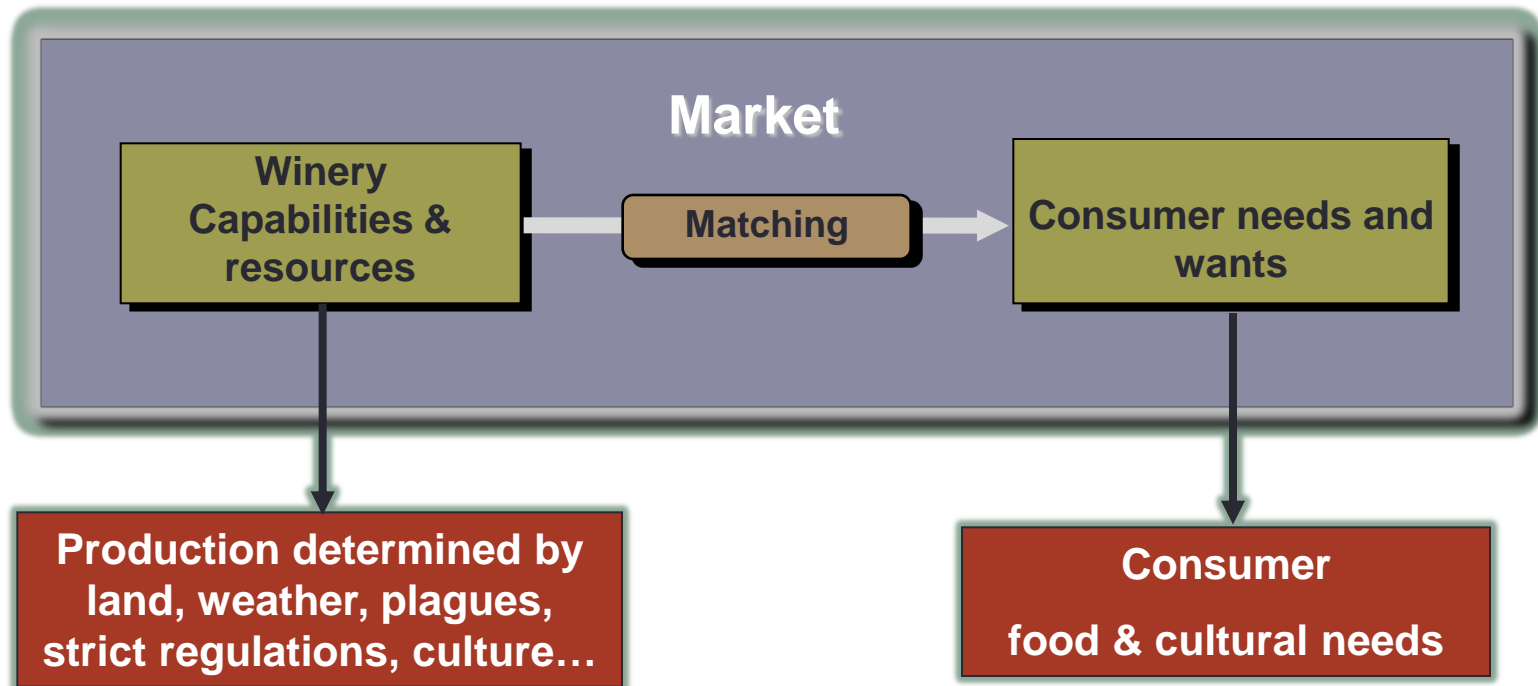
INTERNET MARKETING FOR THE WINE BUSINESS

Paulo MG Ramos, PhD

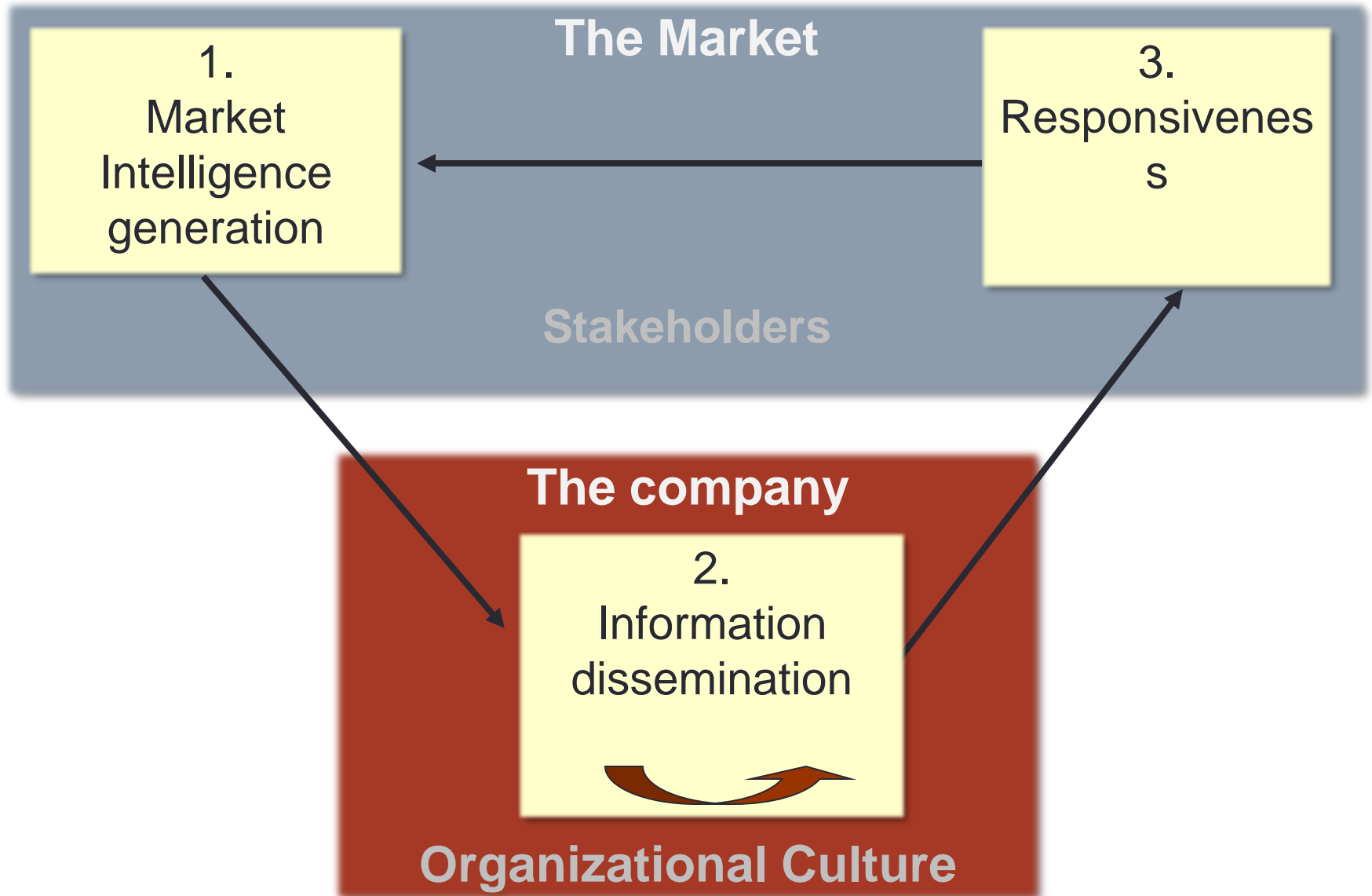
Marketing Lecturer, Consultant & Wine Producer

Wine Marketing

- Marketing as matching process

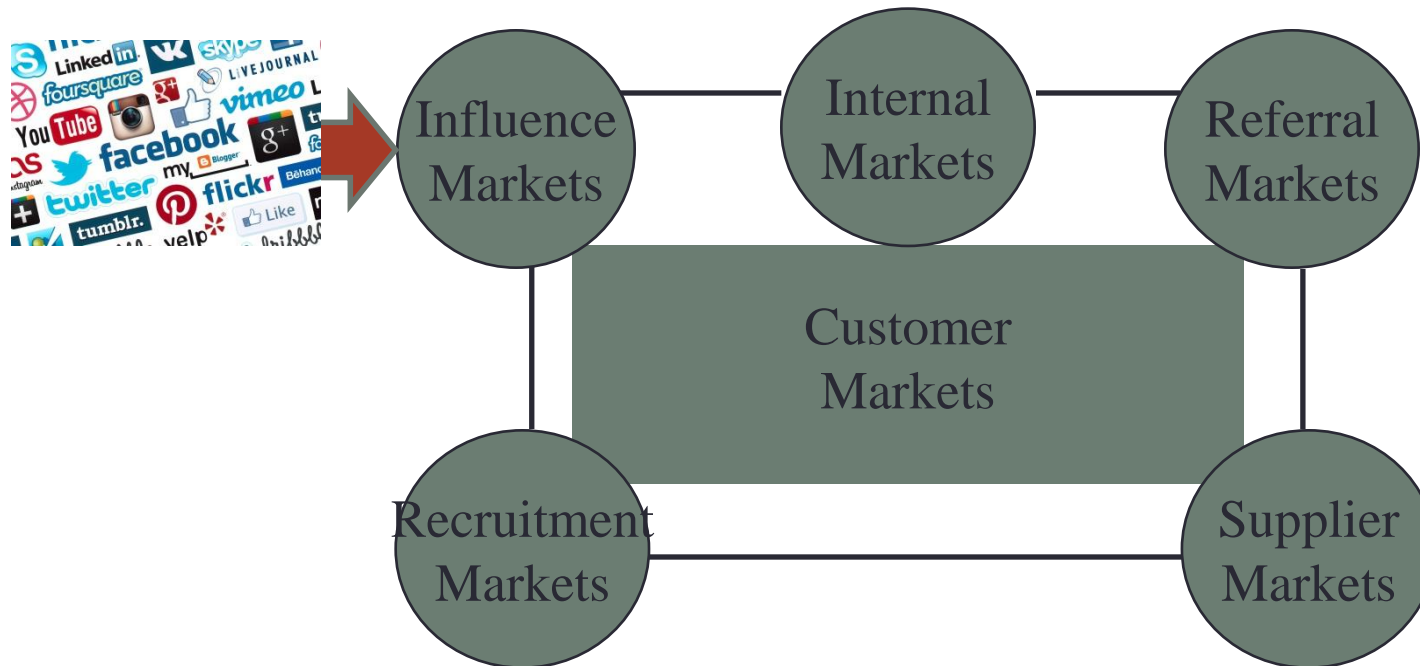


Marketing = Market Orientation



The Market from a Relationship Marketing perspective

Payne et al. (1996)



Internet Marketing



- Internet marketing is:
- *‘the process of building and maintaining customer relationships through online activities to facilitate the exchange of ideas, products and services that satisfy the goals of both parties’* (Mohammed et al. 2001).
- It’s an instrument, not a strategy in itself!

Internet Marketing

‘The Internet is a tidal wave. It will wash over nearly all industries drowning those who don’t learn to swim in its waves.’

Bill Gates



The big question

- The question that many wine producers make:
- *If wine cannot be tasted or download directly in a digital format why should we invest in the internet, online sales & social media?*



The Wine Sector and the Internet

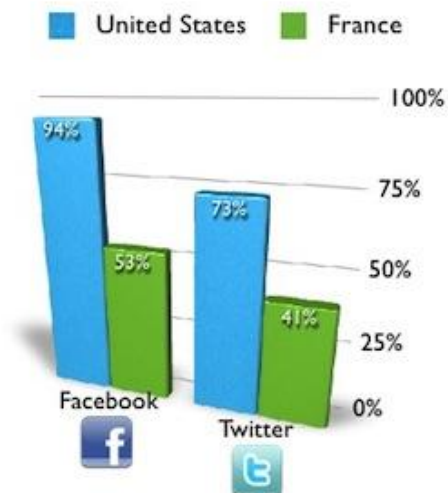
- *'The wine sector is under-utilising the potential of the Internet as part of an integrated marketing strategy and proposes that a customer-oriented computer interface is required'* (Quinton, Harridge-March, 2003).
- But the wine sector is still a production/product centric industry!



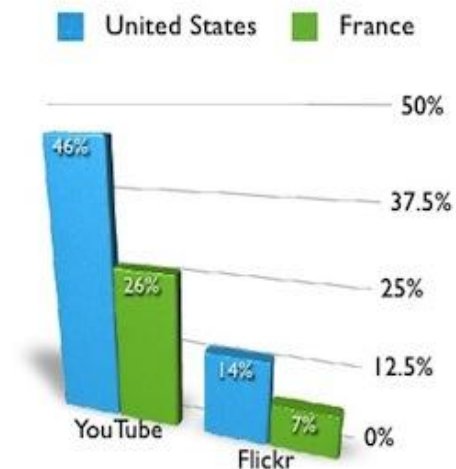
The Wine Sector and the Internet

- There's still a division between the new and the old world of wine, even in the use of the social network7media.

Wineries on Facebook and Twitter



Wineries on YouTube and Flickr



The Wine Sector and the Internet

- **The old wine world – Portugal**
- Only 25% of the wine producers declared that they had a marketing department (Ramos, 2011)
- Only 35% Say that they gather information about the market at least once a year.
- Only 40% declared they had web sites
- Only 20% were engaged in social networks

Source: Ramos et al. (2011) (147 wine producers surveyed from a total of 5.000)

The Wine Sector and the Internet

- **But even in the New World (US) there are problems:**
 - It seems that viticulture and oenology are years ahead of winery marketing on the adoption of cutting edge technology solutions.
 - Out of 6,000 wineries in the US there are only 20 dedicated ecommerce managers.
- (Mabray, P. VinTank, 2012).

The Wine Sector and the Internet



- **There's a challenge:**
- The wine business is becoming more and more globalized and competitive:
- 130,000 domestic and imported wines are introduced every year, and there are very few companies with significant market share.
- We're faced with a market that is incredibly fragmented, making it difficult to develop any kind of brand loyalty.
- (Benson, J. 2012, UC Davis Wine Executive Program)

The Wine Sector and the Internet

- SOCIAL MEDIA
- In 2013 social media is ubiquitous, and the necessity of participating in those channels is recognized by many wineries.
- However, the wine industry is very different from other marketplaces, so social media needs to be approached in a unique way in the wine sector.
- Many companies are still tackling on the best approaches while others decide not to participate.

The Wine Sector and the Internet

Barriers to Internet Marketing/Media in the wine sector

- What are the key barriers for the use of digital online marketing channels and social networks:

1. Culture
2. Lack of time
3. Performance evaluation
4. History of online sales failures



Barriers to Internet Marketing/Media in the wine sector

- **1. Culture**
- Most wine companies still appeal to tradition and are based in a strong cultural background.
- Don't forget that most wine companies are 'farmers' running mainly small/medium size companies.



Barriers to Internet Marketing/Media in the wine sector

- 1. Culture
- Tradition is still the most evoked feature in most wineries:

BARROS



QUINTA DE PAÇOS
500 years of winemaking



PURVEYOR TO HM THE QUEEN OF DENMARK'S HOUSEHOLD

WARRE'S

FOUNDED IN 1670 PORTUGAL

PORTO



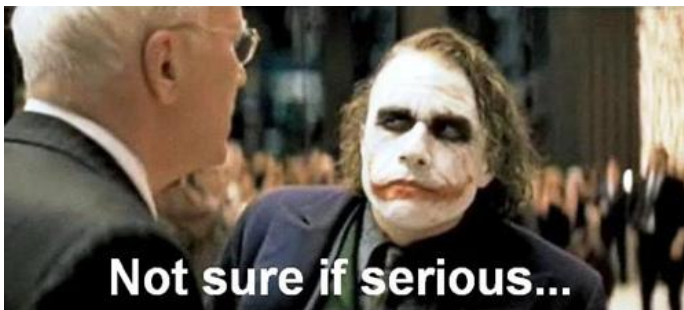
W. & J.
GRAHAM'S
ESTABLISHED 1820
PORTO



Barriers to Internet Marketing/Media in the wine sector

1. Culture

- Perceived as “not serious enough”
- Not the “right” people use the social networks
- Too much risks & difficulties in targeting and reaching the right segments



Falsifying age information and sharing passwords

% of teen internet users in each group who have done the following

	Said they were older to access a website	Shared a password with a friend or S.O.
All teen internet users	44	30
Gender		
Boys (a)	43	23
Girls (b)	46	38 (a)
Age groups		
12-13 (a)	49	17
14-17 (b)	42	36 (a)
Age by year		
12 (a)	45	13
13 (b)	54 (f)	21
14 (c)	53 (f)	29 (a)
15 (d)	47 (f)	43 (ab)
16 (e)	38	33 (a)
17 (f)	30	41 (ab)

Note: Columns marked with (a) or another letter indicates a statistically significant difference between rows. Statistical significance is determined within each column and section.

Source: The Pew Research Center's Internet & American Life Teen-Parent survey, April 19-July 14, 2011. N= 770 for teen internet users. Interviews were conducted in English and Spanish.

Barriers to Internet Marketing/Media in the wine sector

2. Lack of time:

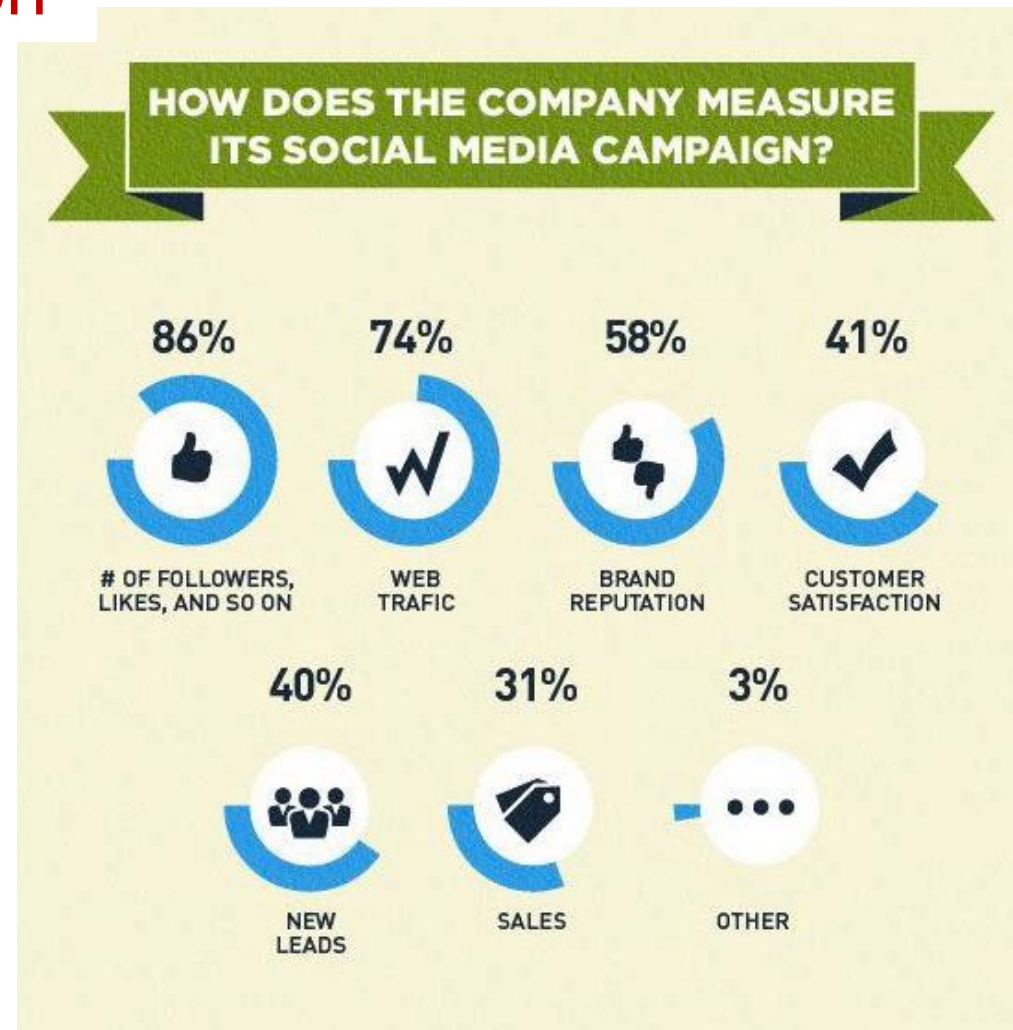
- Many wine producer complain that now with the internet and e-mail they have lesser time than before.
- Many web sites and social media are perceived as demanding too much time and constant updates



Barriers to Internet Marketing/Media in the wine sector

3. Performance evaluation

- No direct or immediate return on sales
- The internet performance indicators are difficult to understand by many producers



Barriers to Internet Marketing/Media in the wine sector

4. History of online sales failures

- Its different selling wine online that other products:
- Amazon invested \$30 million in return for a 45% equity stake in pioneer online wine marketer Wineshopper.com in 1999. But that investment evaporated as Wineshopper ceased operations within a year (now part of wine.com)

Logistics is the critical part of selling wine online, but why?



Barriers to Internet Marketing/Media in the wine sector

4. History of online sales failures



- **Logistics and Wine**

- Wine is a heavy, fragile and expensive product to ship.
- It is also only produced once per year, one harvest cannot be reproduced.
- *“wine is a product category mired by antiquated laws, complex distribution paradigms, unique product qualifications and innumerable complexities” (Mabray, P VinTank, 2012).*

The Wine Sector and the Internet

- Nonetheless the internet & has a tremendous potential for the wine sector!



Internet Marketing and Wine

- **4 REASONS WHY A WINERY SHOULD USE THE INTERNET & SOCIAL MEDIA**

- 1. Research
- 2. Communication
- 4. Awareness
- 3. Involvement

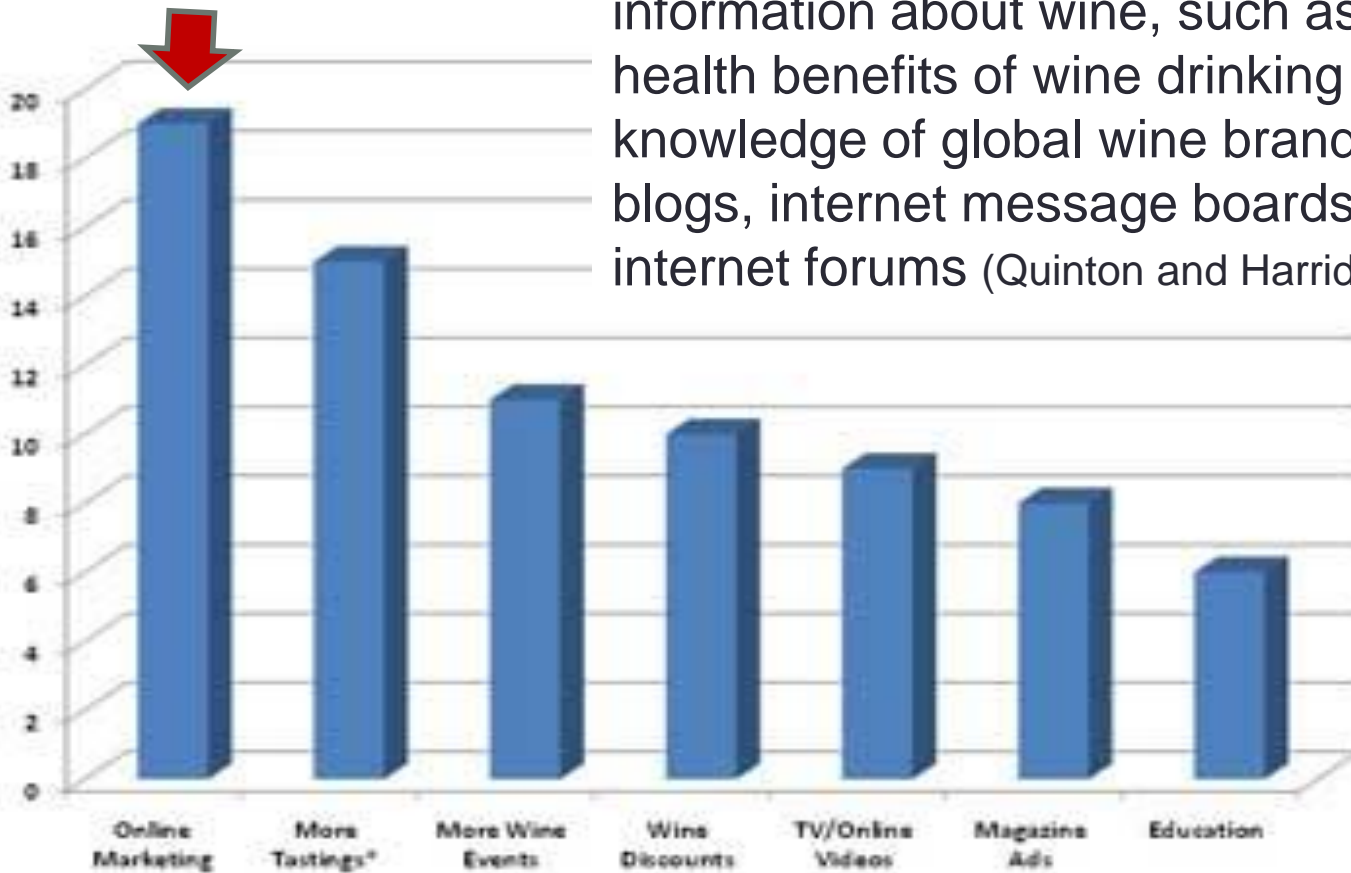


Internet Marketing and Wine

- 4 REASONS WHY A WINERY SHOULD USE THE INTERNET & SOCIAL MEDIA
- **1. Research**
- The internet is now an easy and cheap way to get information on the market and on consumers with the use of online survey's and focus group.
- But many times the sample control/accuracy can be doubtful

1. Research → 2. Communication

Exhibit 1: Millennial Recommended Wine Promotion Methods



Asian consumers obtain a variety of information about wine, such as the health benefits of wine drinking and knowledge of global wine brands through blogs, internet message boards, and internet forums (Quinton and Harridge, 2003)

* Outside of Wineries

Internet Marketing and Wine

- 4 REASONS WHY A WINERY SHOULD USE THE INTERNET & SOCIAL MEDIA
- **2. Communication**
- It allows your customers to access all the relevant information about your brand/products and to make question while at the same time you can have feedback on your actions.
- It also lets us to see what a larger number people are saying about our brands and products.
- The question here is how do we control that word-of-mouth?

Internet Marketing and Wine

- 4 REASONS WHY A WINERY SHOULD USE THE INTERNET & SOCIAL MEDIA
- **3. Awareness**
- The internet can help building the recognition of your product and brands at a very low cost and with a global impact that was impossible before.
- Beware: the metrics of brand awareness/value on the internet/social Media are not always accurate or easy to operationalize

Internet Marketing and Wine

- 4 REASONS WHY A WINERY SHOULD USE THE INTERNET & SOCIAL MEDIA
-
- **4. Involvement**
- Emphasize the emotional involvement with brand. Internet and social networks work also on a emotional level and they can help to build relational ties between the brands and the consumers.
- But be careful with the outsourced RP page managers and the automatic response CRM's!

The future of Wine in the Internet

- The structural changes in the global wine markets have created new challenges and opportunities for small wine producers.
 - *Forced to adopt an innovative marketing approach which offers enhanced consumer experience and value, many producers have implemented a combination of direct distribution, relationship marketing and wine tourism in order to develop a positive brand reputation*

(Duquesnois & Gurău, 2008)

The future of Wine in the Internet

- **ONLINE SALES**

- Despite the history of failures some companies are succeeding online with wine: both retailers and marketing agents:
- Vinfolio, Winelibrary, K&L, W.S.J Wine Club, etc. despite sub-optimal conditions (regulatory environment and compliance especially).
- But the sector is still waiting for one of the giants to emerge that would make our industry comparable to others. (Mabray, P. VinTank, 2012).

The future of Wine in the Internet

- **New trends**
- Wine buying in the future will be an interactive world of mobile apps, virtual sommeliers and tweeting winemakers. Mobile phone apps and social media are also set to become much bigger tools for helping wine drinkers to decipher which bottle to pick.
(Decanter magazine, 2013).



The future of Wine in the Internet

- **New trends:**
- More generally there's a trend to move away from drinking wine in the on-trade (Bars, pubs, restaurants) in several countries, including the UK, US, France and Portugal due to prices and regulations.
- The off-trade, which includes the internet, supermarkets, hypermarkets and specialist shops, already accounts for 60% of world wine sales and their market share is growing every year.

The future of Wine in the Internet

- **New trends:**
- New countries and new consumer with new habits are emerging: China has now biggest number of drinkers who buy 27%, of their wine via the internet, This is set to hit 47% by 2020.
- In comparison, by the same year, the UK will have 26% of wine drinkers buying online, while France is only expected to have 8%.

The future of Wine in the Internet

- **New trends:**
- There are more and more consumers that will rely on wine internet related sources (blogs, other consumers posts) and that based on that information will search for the availability of these wines online.
- The consumers will also increase their choice of the wines on the supermarkets and restaurants based on the information that they can find them on line.

