

**PROPOSITION OF A MARKETING PLAN TO EXPORT
PORTUGUESE STILL WINES TO FRANCE**

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MARKETING PLAN TO EXPORT PORTUGUESE WINES

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Abstract

The purpose of this thesis is to design a marketing plan to promote Portuguese qualitative still wines in France.

Portugal is an old and traditional winemaker. The country has started a vast plan of restructuration of its vineyards and wine production toward quality over the last decades. Portuguese wines do have nowadays very interesting price/quality ratios and are grabbing more and more medals at international wine competitions. In the meanwhile, the French consumption of wine is shifting from traditional and local-oriented habits to a more opened and diversified consumption. Despite the success of many foreign wine regions in France, and the strong links existing between France and Portugal, the Portuguese still wines still have not succeeded to reach the French market. The purpose of this thesis is to outline the strengths and the advantages of the Portuguese wine production according to the characteristics of the French wine market, in order to design a marketing plan to promote qualitative still Portuguese wines to the French customers.

Keywords

Portuguese wine exportation ; French wine market ; French imports of wine ; Wine marketing

Resumo

O objetivo desta tese é, desenvolver um plano de marketing de vinhos tranquilos portugueses de qualidade, em França.

Portugal é um país de longa tradição vinícola. Desde as últimas décadas que, as instituições nacionais têm seguido um profundo plano de reestruturação do setor, para revitalizar a sua produção em direcção à qualidade. Hoje em dia, os vinhos portugueses tranquilos começam a ganhar cada vez mais importância, juntamente com o famoso vinho do Porto. Obtêm novas quotas de mercado nos mercados internacionais, e vencem sempre mais medalhas em concursos internacionais por todo o mundo.

Simultaneamente, o consumo de vinho em França está em grande mudança, porque as novas gerações estão a deixar o consumo tradicional, quotidiano e local para um consumo mais ocasional, mas mais aberto a descobertas. Embora os recentes sucessos de várias regiões vinícolas estrangeiras em França, e as boas relações culturais, sociais e económicas entre França e Portugal, os vinhos portugueses ainda não têm conseguido atingir o mercado Francês.

O propósito deste estudo é, analisar o poder e as vantagens da produção de vinho português em relação às características do mercado de vinho em França, afim de desenvolver um plano de marketing para promover os vinhos tranquilos portugueses em França.

Palavras-chaves

Exportação de vinhos portugueses ; Mercado do vinho em França ; Importação de vinhos estrangeiros em França ; Marketing do vinho

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List of Acronyms and abbreviations

OIV – Organisation Internationale du Vin et de la Vigne

IVV – Instituto da Vinha e do Vinho

The USA – The United States of America

The UK – The United Kingdom

The “Old world” – Traditional wine producer countries such as mainly intended: France, Italy, Spain, Portugal, Germany, Austria, Greece, Hungary, Romania, Georgia.

The “New world” – New wine producer countries in comparison, many intended: the USA, Argentina, Chile, Brazil, South Africa, Australia, New-Zealand and China.

hl – One hectoliter (equivalent to 100 liters)

ha – One hectare (equivalent to 10 000 m²)

Executive summary

Portugal é um país de longa tradição vitivinícola: faz parte do “Old world” do vinho e está a produzir e exportar vinhos desde os últimos séculos. Nas últimas décadas, Portugal tem investido em estratégias de produção, para promover a qualidade e a consistência dos vinhos. O setor tem vindo a ser reestruturado, para atingir os objectivos de qualidade. Hoje em dia, Portugal tem inúmeras pequenas explorações vitivinícolas que produzem vinhos de qualidade, a partir de uma base fantástica de castas autóctonas, aproveitando condições climáticas de produção únicas no mundo. A mudança para a qualidade já está em marcha e tem vindo a ser recompensada a cada mês, nos mais famosos concursos de vinhos do mundo, onde os vinhos portugueses vencem cada vez mais e mais medalhas.

França era o primeiro mercado de vinhos no mundo até 2013. Hoje é o segundo em volume depois dos Estados- Unidos, mas ainda tem a coroa mundial do consumo per capita. França é também um dos primeiros produtores de vinhos, e o seu consumo doméstico é maioritariamente fornecido pelos vinhos nacionais. No entanto, o mercado está em grande mudança, pois as novas gerações têm uma abordagem diferente ao vinho e estão a mudar profundamente códigos de consumo. Durante a última década, vários vinhos estrangeiros têm conseguido entrar no mercado francês e surfar sobre esta nova onda. De facto, sucessivamente, vinhos italianos, espanhóis, californianos, chilenos, argentinos, australianos, neozelandeses, da África do Sul, húngaros, croatas... têm conseguido criar um caminho até os consumidores franceses.

Esta situação paradoxal levou-me a investigar o assunto. Numa primeira parte, vamos estudar a estrutura da produção de vinho em Portugal, tal como as exportações, para perceber as principais características do órgão de produção vinícola, o seu perfil, e a situação atual dos vinhos portugueses nos mercados internacionais. Na segunda parte, vamos estudar o mercado francês dos vinhos, analisando a estrutura do mercado, os perfis de consumo e a organização da distribuição. Esta parte será encerrada com uma análise do mercado dos vinhos estrangeiros em França, a sua própria distribuição, e o caso particular dos vinhos portugueses.

Este estudo cruzado de forças e vantagens dos vinhos portugueses, em relação às oportunidades do mercado francês, vai de encontro à terceira parte que desenvolve a elaboração de um plano de marketing destinado à exportação dos vinhos tranquilos portugueses de qualidade, no mercado francês.

Introduction

Portugal is an old and traditional winemaker. It is part of the so called “Old world” in terms of winemaking and it has produced and exported wines during the last centuries. In the last decades, Portugal has invested in qualitative strategies, and has restructured its national vineyards toward this direction. Today, Portugal counts countless small wineries, producing very interesting qualitative still wines, from indigenous fantastic grape varieties, benefiting from unique and profitable climatic conditions. The shift toward quality has definitely been made, and is still going on, while Portuguese wines are more and more awarded, weeks after weeks, at the most famous international wine competitions.

France has been for the last decades the first wine market in volume the world until 2013. It is today the second market, behind the United States of America (the USA) with the higher consumption rate per capita in the world. Of course, France is a very strong wine producer, and the national production mainly provides the domestic consumption. Nevertheless, the market is changing, as the new generations consume differently, and the codes of the wine consumption are strongly evolving. Alternately, foreign wines have succeeded to enter the French market: Italian, Spanish, Californian, Chilean, Argentinean, Australian, New-Zealanders, South-African, Hungarian, Croatian... have enjoyed their “round” of fame and trend at the French wine boutiques, bars, bistrots, cafés and restaurants.

France and Portugal are two countries geographically near, only separated by Spain, with traditional and structured commercial routes. Both are part of the same free-trade area, the European Union, and both maintain good political and commercial relations. France benefits from a very strong Portuguese community, spread all over the country and very well integrated, supported by an important network of cultural associations.

In 2013, France was the second customer for the Portuguese wines in volume, and the first in value. In the meanwhile, it is very difficult to find a bottle of still Portuguese wine on the shelves of the French wine distributors, while Portuguese wines are completely unknown in France and they still have not benefited from any particular interest from the professional of the sector.

This paradoxical situation has led me to investigate the topic. In a first part, we will study the structure of the Portuguese wine production and exports, in order to understand its main characteristics and how Portugal is situated on the international markets. Then is developed an analysis of the French wine market: the idea is to understand the recent changes in consumption while analyzing the structure of the market and its distribution. This second part will close with an analysis of the foreign wines market in France, as well as the Portuguese case. This cross-analysis of the Portuguese production's features and strengths, combined to the analysis of the opportunities of the French market has led to the third part which is the elaboration of an adapted marketing plan to export Portuguese qualitative still wines to France.

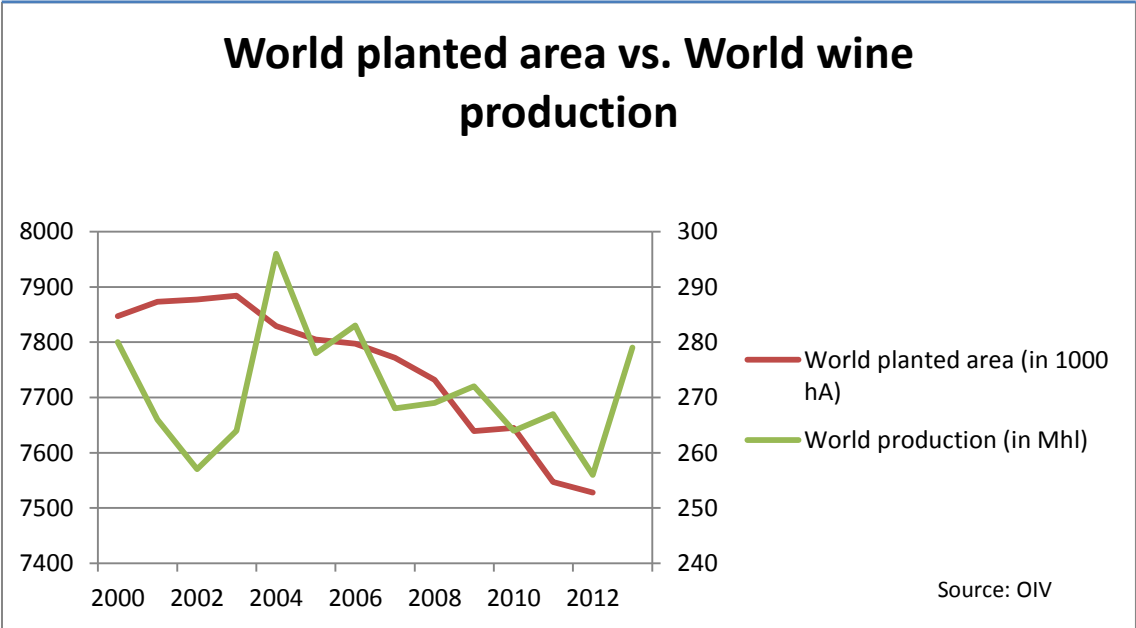
Chapter 1. Global analysis of the Portuguese wine production in the world trades

1.1 Study of the world’s wine production, consumption and trades

1.1.1 The world wine production

Before starting the analysis, we will note here, as they will be repeatedly used in the following texts, that the “old world” concept by opposition to the “new world”, in the wine language, encompasses the European traditional wine making countries such as mainly Italy, France, Spain, Germany, Portugal, Austria, Greece, Hungary, Romania and Georgia. The new world corresponds to more recent producers, coming from the USA and the Southern Hemisphere as mainly Argentina, Chile, Brazil, South Africa, Australia, New-Zealand and China.

As we can see on the graphic below, the world wine production has generally showed a diminishing trend over the last decade until 2013, with yearly ups and downs, mostly explicated by the annual changing climatic conditions. Despite a reduced planted area (-5% from 2000 to 2013), the wine production has recovered its level of 2000 in 2013 thanks to a very good harvest in many parts of the world.



Graph 1. World vine planted area vs. world wine production

Comes below the list of the main world producers in 2014:

Countries (by production rank in 2014)	Production In Mhl (2014)	Planted Area In mha (2012)	Production trend (2010-2014)	Planted area trend (2000-2012)
France	46,2	800	+4%	-12%
Italy	44,3	769	-8,7%	-15%
Spain	37	1 018	-4,2%	-17%
USA	22,5	407	+8,2%	-1%
Argentina	15,2	221	-6,2%	+10%
Australia	12,6	169	+10,5%	+21%
China	11,8	570	-9,2%	+90%
South Africa	11,4	131	+22,6%	+5%
Chile	10	205	+13,7%	+18%
Germany	9,7	102*	+40,6%	-2%*
Portugal	5,9	239	-17%	-3%
Romania	4,1	205	+24,2%	-
New-Zealand	3,2	37	+68,4%	+168%
Greece	2,9	110	0%	-4%
Brazil	2,8	91	+12%	-
Hungary	2,7	64	+58,8%	-11%
Austria	2,3	-	+35,3%	-

*Germany: Planted area in 2014, Trend from 2000 to 2014. All sources: OIV reports 2013 and 2014.

Table 1. World main wine producers

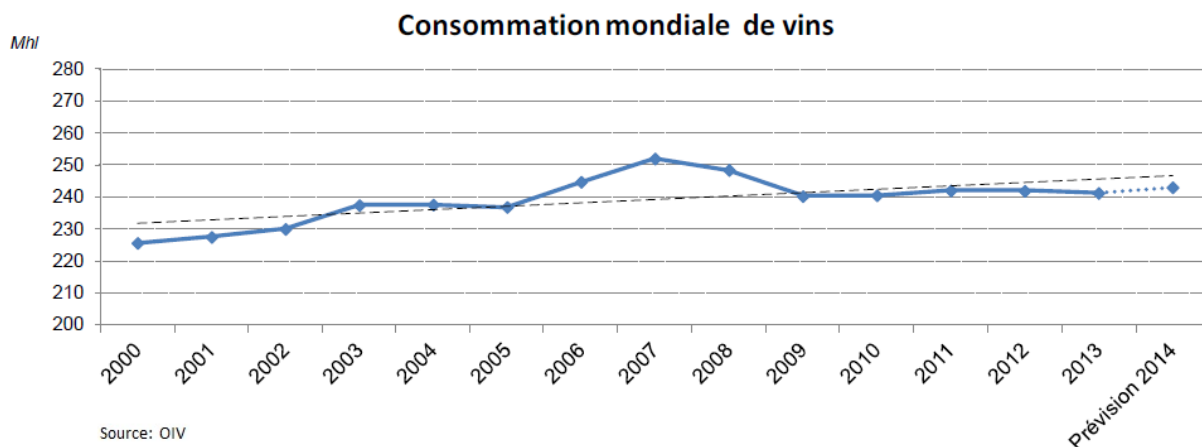
The world wine production is still led by the traditional European winemaker countries, and mainly the trio France, Italy and Spain. The production appears as concentrated as these three countries together represent 47% of the world production in 2014. Adding the USA, the 4th world producer, they produce together 56% of the world production. Looking now at an old/new world comparison, the old world produced 57% of the world wine in 2014 (France, Italy, Spain, Germany, Portugal, Romania, Greece, Hungary and Austria), against 33% for the

new world (the USA, Argentina, Australia, China, South Africa, Chile, New-Zealand and Brazil).

If the old world still has a strong advantage in terms of production, notably due to its historical culture of winemaking, strong domestic demands and technological advantages, the world's vineyard is consequently shifting to the southern hemisphere. Indeed, from 2000 to 2012, France, Italy, Spain, Germany, Portugal, Greece and Hungary have respectively lost 12%, 15%, 17%, 2%, 3%, 4% and 11% of their vine planted areas, while Argentina, Australia, China, South Africa, Chile and New-Zealand have respectively registered increases of plus 10%, 21%, 90%, 5%, 18% and 168% ! The new world is definitely gaining more and more space in the world wide's planted area, and the recent transfers of technology from the northern to the southern Hemisphere in terms of viticulture and oenology processes will definitely convert these progresses into stronger wine productions from the new world's countries in the coming decade.

1.1.2 The world wine consumption and trades

The world's wine consumption has shown a slightly upward trend in the last decade as we can see on the graphic under. The trend had been mostly rising from 2000 to 2007, from the beginning of the financial and economic crisis starting in the USA. A substantial decrease had followed the crisis until 2010. From 2010, the market appears to be restarting slowly, pulled up by new consuming regions. The sector is now facing a slow redistribution of the market places, and expects a timid but positive recovery of the global demand as Federico Castellucci, General Director of the OIV, stated in 2013: "With these data in hand, it seems that the worst is behind us. The global vitivincultural sector is once again able to deliver profitable growth, although significantly positive results will not be immediate."



Graph 2. World wine consumption

The redistribution of the global wine consumption has indeed started: the world's wine suppliers are now counting on new consuming markets with large population pools and enormous opportunities of growth, in comparison with the tight and saturated traditional European markets. The pioneer of this new Eldorado's rush had been the USA. In 2013, for the first time in the modern history, the USA overtook France as the first world wine consumer, with 29 million hectoliters consumed in 2013, against 28 million in France. The US market has been constantly growing during the last twenty years, and a +11% growth rate is expected to continue until 2018. This redistribution of the roles had been quickly followed by a new record, unexpected until the last years, as China became the first world red wine consumer in 2014, in front of France again.

During the 2007-2014 period, the red wine consumption has boomed by 175% in China to reach 155 million of cases (a case contains six bottles), while it has been decreasing by 18% in France over the same period.

In terms of trends and expectations of growth, traditional European markets present really high levels of consumption per capita compared to the southern hemisphere and the USA, but they are limited by their size. Regarding the consumption rates, they are considerably lowering in traditional wine maker western/south European countries, mainly due to an important generational shift in cultural habits about wine drinking. Other markets, mainly from the north of Europe show increasing consumption rate and represent interesting market for the near future in Europe. As we can see on the table below, there have been occurring major shifts in consumption over the last decade, intra-Europe.

Country	1975	2009	2010	Evolution 1975-2010
Italy	108*	41	40,3	-63%
France	104	47,8	46,6	-55%
Portugal	90	43,7	41,5	-54%
Spain	74	24,5	23,4	-68%
Denmark	12	31,8	31,5	+163%
Netherlands	10	20,6	17,8	+78%
UK	5	20,6	20,7	+314%

*Consumption per capita, in liters per year per person. Source: FranceAgriMer (French Ministry of Agriculture).

Table 2. Evolution of the consumption per capita in some European market

At the world-scale, all the eyes are now turned toward young and massive markets, which still present really low consumption per capita rates but tremendous opportunities for growth. The USA are definitely the most mature of these markets, with a 10 liters per capita consumption in 2014, followed by market such a Russia (7,15 liters in 2013), Japan (2,7 liters in 2012), Brazil (1,9 liters in 2013), and China (1,2 liters in 2013).

We can distinguish three types of market which will lead the world wine consumption in the coming decades. The first cluster gathers countries combining tremendous population pool and still low consumption per capita:

Country	Population (in million)	Consumption (in million liters)	Consumption per capita	Importation (in million liters)	Importation (in million \$)
Japan	127	263	2,1 L	279	1 641
China	1 400	1 680	1,2 L	374	1 555
Brazil	200	384	1,9 L	75,2	290
Nigeria	174	14,2	0,1L	59	47
India	1 252	13,5	0,01 L	11	24,6

All sources from "suddefrance-developpement.com, market analysis"

Table 3. Consumption rates of big-potential southern hemisphere's emerging markets

These countries are expected to take the lead of the wine consumption, and the world trades in the coming decades. Indeed, even if four of the six markets are producers (India, China and

Brazil), their production are not expected to be structured and strong enough to supply a fast-growing consumption. If the consumption level per capita would reach only the half of the European traditional wine markets', the world trades would be rapidly tremendously multiplied. Japan, with a low but ever-growing consumption does not produce any wine, and is therefore constraint to import all of its strong domestic consumption. Nigeria has a major Muslim population (50%), but the recent important societal changes and the apparition of a strong high-middle class have been turning the country into a new growth driver for wine traders. The consumption and the importations have been growing by more than 25% in the last three years.

The second-cluster could be composed by more mature markets, presenting, outside of Europe, very strong domestic demand for wine, led by a consequent population pool combined to a stronger consumption per capita. These countries, despite good levels of consumption, are still considered as “young” wine drinkers and expected to keep on growing in the current decades. Canada has a smaller population pool, but a strong consumption per capita, and overall, has a very strong culture of importing at good prices. For less importations in volume than Russia (606 million liters in 2013 against 696 million in Russia), it imports wine for almost twice the value of Russia (2 billion instead of 1,2 billion USD in 2013).

The USA are the first world wine consumer since 2013. Its consumption has been constantly growing during the last twenty years and is still expected to be growing faster than the world’s average, by +11% until 2018.

Country	Population (in million)	Consumption (in million liters)	Consumption per capita	Importation (in million liters)	Importation (in million \$)
Russia	144	1 050	7,4 L	696	1 227
USA	316	2 910	9 L	1 600	5 500
Canada	35	506	17,4 L	606	2 026

All sources from “suddefrance-developpement.com, market analysis”

Table 4. Consumption rates of big-potential non-European mature markets

The third cluster, gathering the European markets, can be divided in two groups: the non-producer countries (except Germany, Switzerland and Austria which are producers but large importers at the same time for their own national consumptions), and the traditional producers, grouped as France, Italy, Spain and Portugal. The first table gathers the most important European importers, such as the UK, Germany and Netherlands in volume. In value, we find again the UK and Germany at the top of the ranking, following notably by Belgium and Switzerland which import less, but at higher prices. The Nordic markets, namely Sweden, Denmark, Norway and Finland present low populations but very interesting consumption rates per capita at positive growth, and therefore they represent important markets for wine suppliers.

Country	Population (in million)	Consumption (in million liters)	Consumption per capita	Importation (in million liters)	Importation (in million \$)
UK	64	1 270	20 L	1 392	4 958
Germany	80	1 680	21 L	1 521	3 371
Belgium	11	296	26 L	428	1 387
Netherlands	17	367	22 L	1 637	1 363
Switzerland	8,1	271	33 L	184	1 266
Sweden	9,6	217	21 L	131	785
Denmark	5,6	202	36 L	200	700
Norway	5,1	81	16 L	83	440
Austria	8,5	256	31 L	82	279
Finland	5,4	54	10 L	64	250

All sources from “sudefrance-developpement.com, market analysis”

Table 5. Consumption rates of some importing European markets

The second group gathers the traditional winemaker European countries, with strong consumption rates per capita. Nevertheless, as very strong wine producers they do not account that strongly in terms of wine imports as their domestic consumption is mostly supplied by the national production.

Country	Population (in million)	Consumption (in million liters)	Consumption per capita	Importation (in million liters)	Importation (in million \$)
France	60	2 800	47 L	520	856
Italy	60	2 302	37,7 L	268	426
Spain	47	937	20 L	161	242
Portugal	10,5	470	42,5 L	155	162

All sources from “sudefrance-developpement.com, market analysis”

Table 6. Consumption rates of traditional wine maker European countries

1.2 Study of the wine production in Portugal

1.2.1 Quick overview of the viticulture and winemaking history in Portugal

Portugal can be considered as an ancient and traditional wine maker country, as the first vine plants had probably been brought by the Tartessians around 2000 BC. The introduction of wine making is attributed to the Phoenicians, who probably established the first commercialized vineyards, around the Sado and Tejo rivers, near by the current Lisbon area.

The stronger and supported development of viticulture and wine making had been carried on by the Romans, who settled down in the Southern Alentejo region, around the administrative center of Evora, before to bring their culture up to the extreme north of the country. The wine-making culture had been stopped during the Muslim regime, basically from 711 to 1137.

The great relation with England emphasized the Portuguese wine production and exports, during centuries, starting through the commerce of the famous *Bacalhau*, traded by British merchants to Portugal in return for olives, fruits, and wine.

During the English-French wars, the commerce of wine between Great-Britain and Portugal had been strongly strengthened, pushing the British merchants, established in Viana do Castelo, to go further down to Porto and the Douro Valley, where they enabled the creation of the worldwide famous fortified wine “*Vinho do Porto*”, Port wine. The exportations literally boomed: from 120 tons exported in the 1670s, 6 880 tons were exported a decade later (+5633%). Famous traders, such as Croft, Taylor and Kopke established at this period.

Few decades later, Sebastião José de Carvalho, the so called “*Marquês de Pombal*”, decided to protect the wine potential of the region, creating the “*Real Companhia das Vinhas do Alto Douro*”, and laid down the foundations of the current Institute of wines of Douro and Porto, regulating the wine production in the Douro valley. He physically delimited the area to maintain certain standards of quality and genuineness, making the Douro Valley, the third world demarcated wine region in 1756 (after Chianti in Italy in 1710 and the Hungarian Tokaj in 1730).

1.2.2 Study of the modern and current wine Production in Portugal

The last decades: a work toward quality

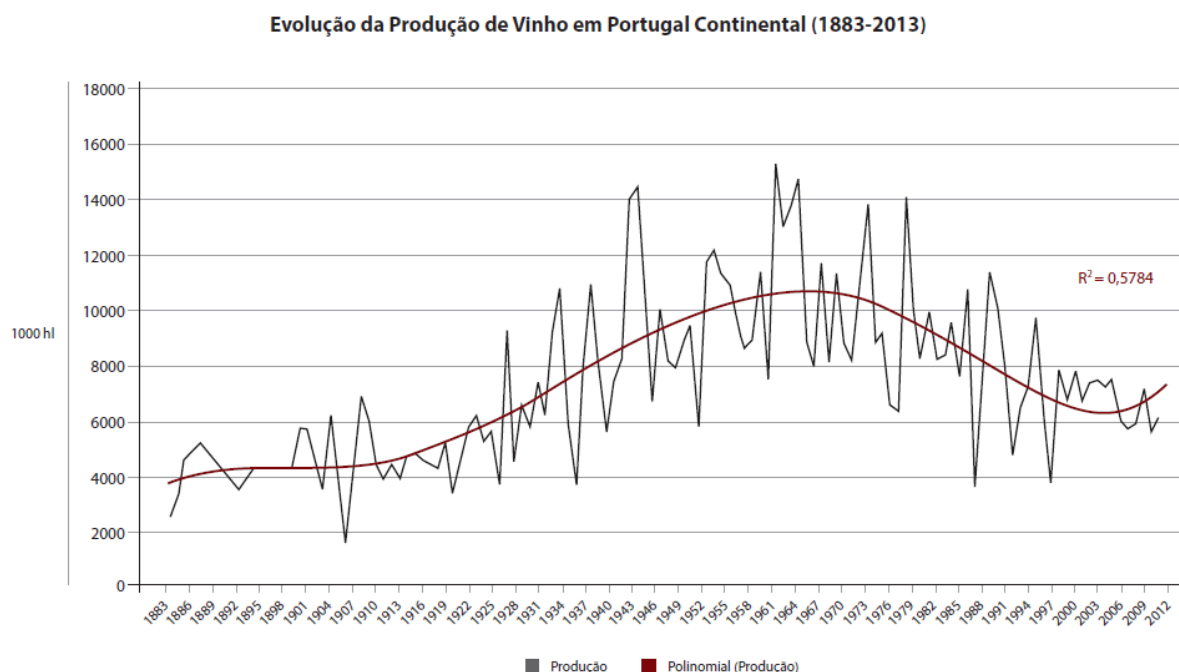
The still wine production in Portugal can be divided in four different types of product, according to their denomination: “*DOP*”, “*IGP*”, “*Wine with grape variety and year indication*” and “*Table wine*”, by decreasing order of quality and exigence. These protected denominations of origin are framed by the European Union since 1992, with the objective of standardizing and harmonizing the European wine production, in terms of certification of the production.

The denomination of origin’s system is aimed to protect a specific product by certifying its geographical origin and local know-how. As notably the soil and climatic characteristics are essential to the product composition, it is based on a partitioning of the geographical areas. The product is then considered intrinsically linked to its geographical position, characterizing its features, with concepts of expressing typicality, authenticity, uniqueness and genuineness. Thought, the designation encompasses more criterias than the sole geographical one. Indeed, to ensure the respect of the local know-how during the vine-growing and wine-making processes, regional wine commissions can set up strict rules in order to ensure keeping the traditional features of the concerned regions and sub-regions.

The denomination of origin represents then a strong competitive, and even comparative marketing advantage, as it states that a product from a certain *DOP* cannot be produced, copied, or reached in another geographical area. This marketing advantage is mainly relevant in traditional winemaking countries, such as France, Italy, Spain and Portugal, where the geographical origin of the wine is crucial for the customer purchasing process. On the other side, the new world’s countries have broken away from this system, as customers are looking for grape varieties instead of geographical origins. As an example, an American or an Australian customer would look for a “*Cabernet Sauvignon*”, or a “*Chardonnay*”, while a French customer would look for a “*Bordeaux – Saint Émilion*” or a “*Bourgogne – Chablis*” which are denominations of origin.

The implementation of the protected denomination of origin system has crowned the large plan of reconversion and restructuration of the Portuguese vineyards started in the 1970s and lately enhanced by the entry of Portugal in the European Economic Community (EEC) and

the European Union (EU) in 1986. The main objective has been is to increase the overall potential of the planted area by grubbing-up the vines situated in low-potential areas, to replant them in surfaces more adapted to qualitative wines. An important work has been carried out by national institutions, such as the *Instituto da Vinha e do Vinho* (IVV, Institute of Vine and Wine), and *ViniPortugal*, which have worked closely together in order to frame and to improve the production standards. Good practices have been settled and pushed among producers to guide and to orientate the national production toward quality. Combined with the implementation of clearer and more efficient rules, this qualitative approach has led to a diminution of the total wine production since the 1970s, working at improving the overall quality of the production.



Graph 3. Evolution of the Portuguese wine production (1883 – 2012)

This driving policy had also been aiming at adjusting the production to a reducing and changing consumption. Indeed, the consumption per capita had been diminishing from 72,5 liters per person and per year in 1970 to 65 liters in 1990 and 42 liters in 2013.¹ The consumption appears today as more diversified (white, rosés, sparkling) and qualitative, pushing the producers to innovate and to work strongly on qualitative standards. Indeed, the

¹ Source: CVR Lisboa and Alexandre Barata : Percursos e Representações sobre o Consumo Excessivo de Álcool: Um Estudo Exploratório na Grande Área de Lisboa
http://jabarata.blogspot.pt/2011/02/minha-tese-percursos-e-representacoes_15.html

shift of the production toward quality is confirmed by the nature of the production: from 2004 to 2014, the Table wine production, the lowest quality of wine, has plunged by -42% while the DOP and IGP productions have remained stable (respectively -1% and +1%).

The total production has remained controlled during the last decade, to present a planted area of about 218 677 hectares in 2014, for a total production of 5,9 million hectoliters, at -5,7% against the 2013's production (6,2 million).²

Geographically the planted area is mainly stretched on the northern half of the country, as 83% of the national vineyard is situated above the Lisboa's latitude. The vineyard appears as quite concentrated, as six regions concentrate 93% of it.

Regional strategies and new challenges

The production is also concentrated as four regions (by order the Douro Valley, Alentejo, Lisboa and Minho) account for nearly 70% of the national production. The production is mostly regionally controlled, by the implementation of regional commissions, the CVRs (Comissão Vitivinícola Regional), which set up the rules and which structure the production of their respective regions through the system of the denomination of origin.

According to their strategies and objectives, we can notice that there are mainly two streams. On one hand, the region of Lisbon considers 9 DOP regions (*Encostas de Aire, Óbidos, Alenquer, Arruda, Torres Vedras, Lourinhã, Bucelas, Carcavelos* and *Colares*) for a DOP surface representing only 4,70% of the regional vineyard's surface. It outlines the region's commitment to recognize and to market the different sub-areas, or "terroirs" existing in the region, and its willingness to value these different characteristics (of soil, landscape, winds orientation, climatic conditions, viticultural methods...). On the other hand, the Minho region recognizes only one DOP area, the famously named *Vinho Verde*, in much larger proportion, about 76% of its total surface.

We could state that the first strategy is product oriented, as being focused on the differentiation of the products based on their intrinsic features and characteristics, while the second is more market orientated, as it creates a stronger and a more understandable brand mark for the product. Indeed, by labelling and marketing all the region's DOP products under

² Source : IVV, Inventário do Potencial Vitícola, 14/07/2015

the same designation, this practice does not highlight the differences of soils, climates and different know-hows that exist in the region. On the other hand, it can definitely create a marketing advantage by the establishment of a strong and renowned “collective brand” that is simpler to market and that consumer can more easily identify, perceive, and recall of. This is especially important and efficient when looking at the export, as foreigners mostly do not know the intra-regional geographical particularities and therefore might not be able to value it.

Therefore, among these strategies and marketing streams, some regions represent a higher contribution to the national DOP surface (Douro, Minho, Alentejo) while others do have a smaller participation (mainly Beiras, Lisboa, Tejo and Setúbal).

After having been developing and implementing the restructuration plan of the vineyard toward the control of the quality, the new challenge for Portugal is now to tackle the issue of low viticultural yield. Indeed, Portugal presents very low yields per hectare, considered as one of the lowest among the European and world wine-making countries. The average returns per hectare are structurally below the Spanish ones, and usually represent half of the French and Italian ones, the third of the German ones and up to a quarter or a fifth of some southern countries such as South Africa or Brazil.³

Thus, it is important to increase the viticultural returns per hectare to raise the producer’s profitability and returns on investment. In the meanwhile, it is also very important to structure the production’s growth in order to avoid a case of wine glut, or oversupply, as it happened in 2007 in Australia. Indeed, the development of the production should be tightly accompanied by promotional and marketing efforts to ensure equilibrated and parallel sales. Indeed, a situation of structural oversupply can bring in tremendous negative commercial consequences. New-Zealand which has been particularly aware of it, has already decreased the authorized yields per hectare to avoid such a situation of oversupply and has firmly warned producers: “If you do not have a contract for each single berry of each single bunch of grapes, do not cultivate it”. Therefore, a coming challenge for the Portuguese production will definitely lie in being technologically able to increase its vitivincultural yields while maintaining its qualitative strategy and working fiercely on the international markets to avoid any oversupply

³ Source : IVV 2002, OIV 2008 and OIV 2012 statistical reports

scenario. This is especially important as Portugal already has a very mature and almost saturated domestic market which would not be able to absorb any important increases in production.

1.3 Study of the Portuguese wine exports

Over the last decade, from 2003 to 2012, the Portuguese wine exportations have known ups and downs, to finally remain stable in volume, at the same level in 2012 than it was in 2003, with almost 3,4 million hectoliters exported (for a production of 5,6 million hectoliters). While the volume exported was remaining stable, the value of the exports has strongly increased by 27%, outlining the better valorization of Portuguese wines on international markets. From 2012 to 2013, the exportations have decreased by 9,6% in volume, while they have increased by 2,4% in value. It confirms the general trend of exporting higher quality products, at better prices, concerning both bulk and bottled wine.

Nevertheless, this increase in value (+27%) has not been following the world trend (+66% on the same period) and therefore the part of Portuguese wine export in the global wine export has been diminishing (from 3,4% in 2003 to 2,8% in 2012).⁴

1.3.1 Analysis of the exports by type of products and destinations

However, it is also important to put into perspectives the volume exported according to the volume produced to judge the variations. Indeed, the volume exported has been slightly decreasing during the last decade, at a smaller rate than the production did. In reality, the part of the volume exported has been strongly increasing, from 48% of the national production in 2003 to 60% in 2012. This represents a very good figure, as the top three world exporters, Spain, Italy and France, do have smaller rates at the export (40% for Spain, 45% for Italy and 30% for France). It traduces all the efforts putting in by the Portuguese institutions and actors to maintain market shares on international markets while the production has been lowering.

The Portuguese exports are significantly pulled by the fortified wines (46% in value for 24% in volume in 2013). In terms of volume, table wine has the lead with 47% of the volume

⁴ All sources from IVV Anuário 2013, production p.44

exported for only 20% in value. Qualitative wine with a denomination of origin (DOP and IGP) accounts for 28% of the exports in volume, for 32,3% in value.⁵

From 2010 to 2013, the export trend is positive as table wines increased by 21% in volume, and wine with a denomination of origin by 15%. In value, the export of wine with a denomination of origin grew by 28% while the table wine observed a rise of 15%.⁶

The main destination for Portuguese wines remains the European Union, which accounts for 54,1% of the exports in volume and 56,7% in value, in 2013. The non-European exports have been increasing in volume over the last decade, to reach 45,9% of the total exports (volume) in 2013. It definitely represents a crucial growth leverage for the Portuguese wine exportation and will play a key role in the coming decades. Indeed, from 2010 to 2013, while the part of the European Union has decreased in the value of the exports, from 63% to 56,7%, the part of the non-EU countries has significantly increased from 37% to 43,3%. It traduces the general trend that Portugal is constrained to sell at cheaper prices in the fierce and almost saturated European markets, while it finds opportunities to raise the value of its exports in young and fast-growing markets such as the USA, Canada, Angola or Brazil.

In 2013, in volume and in value, the main destinations at the export were as follows:

Country	Part in volume	Part in value
Angola	20,8%	13%
France	16,5%	15,7%
United-Kingdom	6,7%	10,1%
Germany	6,6%	5,6%
Spain	5,9%	2,7%
Netherlands	4,9%	6,8%
Belgium	4,8%	6,5%
USA	4,7%	7,7%
Brazil	3,1%	3,9%
Canada	2,9%	5,3%

Source: IVV report 2013, exports, p.52

Table 7. Main destinations in volume and value of the Portuguese wine exports

⁵ Source : IVV Anuário 2013, exports p.48

⁶ Source : IVV Anuário 2013, exports p.48

This first table shows the main destination for Portuguese wines, and outlines the markets in which Portugal works on volume (Angola, France), and markets where the Portuguese actors manage to value their wines at better prices (United-Kingdom, Benelux, USA, Canada).

Looking now at the nature of the exportations by country, we can understand that Portugal is dealing with different types of markets, and the challenges for still wines are very different from market to market.

France for instance is the first billing client, with 15,7% part in value, for 113,731,000 euros in 2013. Paradoxically the rooms for still wines appear quite closed at the light of the nature of the exports. Indeed in 2013, the fortified wines (Porto and Madeira) represented 44,5% of the French imports in volume, for 71,2% in value. Table wine, the lowest quality, accounted for 41% of the imports in volume for only 15,1% in value. Finally, the wine with a denomination of origin accounted for only 12,7% in volume and 11,8% in value.

Most of the table wine is imported in bulks (90%) and will be partly bottled in France before to be re-exported as EU origin wine. The French imports are therefore mostly pulled in by fortified wine and table wine, which account together for 85,5% of the volume.

The second market, Angola, is already very different as the import of fortified wines is negligible (0,5% in volume for 2% in value), and primarily pulled in by table wines (76% in volume) at very cheap prices (43,8% in value). The wine with a denomination of origin occupies still a smaller market share but is much more valued, as it represents 22,7% of the imports in volume, for 48% in value.

The United Kingdom presents a profile similar to the French wine, as the imports are led in volume and value by the fortified wines (50,3% in volume for 71% in value). Table wines occupied a smaller market share (28,8% in volume for 12,8% in value), and wine with a denomination of origin is slightly more valued (18,4% in volume for 12,8% in value).

Brazil shows a profile more orientated to quality wine, as wine with a denomination of origin strongly accounts for 73,8% in volume and 76,1% in value. Fortified wines do have a small market share (8,7% in volume for 13,5% in value), and the import of table wine is limited at 16,5% in volume for 9,1% in value.

In the USA as well, quality wine is more looked for, as it represents 61,8% of the imports in volume, even if they are still less valued (for 40,2% of the value). Table wine occupies a very small part with 11,9% in volume for only 4,5% in value. Fortified wines take the lead in value (50,6%) for 24,2% in volume.

These differences in nature of the imports show the importance of understanding the countries' profile while developing, targeting and customizing strategic marketing plans. The drinking habits, codes and rules of each country and regions should be well mastered to design customized and value-added promotional strategies.

1.3.2 The promotional support of ViniPortugal and *Wines of Portugal*

The export of Portuguese wines has been supported and promoted by the IVV and ViniPortugal, notably through the creation of the national brand "Wines of Portugal". The idea behind is to increase the overall awareness and knowledge of Portuguese wines abroad, using the "Wines of Portugal" trademark as a collective brand. The objective is therefore to fill in the gap that Portugal may suffer from, in international recognition, in comparison to its wine producer's neighbors such as France, Italy and Spain.

For this, three strategic plans had been settled up over the last twenty years: the first covered the period 1997-2008, the second followed from 2009 to 2013, while the new one will run from 2015 to 2017. In this chapter, we will study the results of the efforts deployed through the last programs before to look at the starting new strategic plan and future's opportunities of growth.

From 1997 to 2008, the support and the budgets were attributed to a sole beneficiary, the national authority, the IVV, which was deploying a strategy of generic promotion with three scopes: the national Portuguese market, the European Union, and third-countries. From 2009, major changes have occurred since the support and the funding are now delivered to twelve different organs, and new axes have been developed. These twelve different organs are mostly represented by the regional wine interprofessional commissions (CVRs). They receive

budgets from the national institution and uphold their regional producers in marketing and promotion abroad.

They work in a close collaboration with producers and exporters on the field. They know better their regions, the characteristics, problematics and the challenges of the actors that they represent, hence they are more likely to be able to orientate the promotion.

The second major shift is the division of the actions in two categories: the generic promotion and the information and educational activities. This second category is intended to complete commercial and trade fairs by educational events in order to increase the awareness of Portuguese wines, which should contribute to strengthen the demand in a long run.

In the European Union, the distribution of the budget and the actions carried out had been as the following during the 2009-2013 period:

Country	Number of actions	% of the investment
Portugal	266	32,5%
United Kingdom	64	16%
Transversal markets	37	11,4%
Germany	48	9,9%
Nordic countries*	44	5,9%
France	5	2,2%
Poland	2	0,1%
Ireland	1	0,1%
Spain	1	0,1%

**including Denmark, Sweden and Finland. Source: IVV, 2013

Table 8. Distribution of the promotional events supported by ViniPortugal in Europe (2009-2013)

We can remark that the three main centers of focus in the European Union (and outside of Portugal) are the United Kingdom, Germany and the Nordic markets. The three together represent 156 actions, for 31,8% of the investment. This group of markets represented 16,5% of the Portuguese exportations in volume, and 19,7% in value in 2013.

France, the second destination in volume (16,5%), and the first in value (15,7%) accounts for only 2,2% of the promotional investments, through 5 actions a year. It shows that it is not

considered as a key future market by the national institutions, which prefer to invest in other emerging markets.

Other markets such as Poland and Spain present good return on investment: 0,1% of the investment for both, while Spain drains 5,9% of the Portuguese exports in volume and Poland 2,3%.

Concerning the coming plan, from 2015 to 2017, ViniPortugal, through Wines of Portugal, has outlined four different types of markets, by order of priority:

-The *Strategic markets*: the USA, Brazil and Angola, accounting for 43% of the budget. The priority is to support the brands already present in order to enlarge their portfolio of products and strengthen their presence on shelves, by working closely with local opinion leaders and distributors in order to gain market shares in new states.

-The *Handling markets*: Germany, Canada, Norway, the UK and Sweden account for 22% of the budget. The idea here is to strengthen the relations with the monopolies regulating the importation of alcoholic beverages (Canada, Norway and Sweden). The objective is also to develop the Wines of Portugal brand image to the specialized press and customers.

-The *Diversification markets*: China, Hong-Kong, Macau, Japan and Singapore for 15% of the budget. The priority is to implement larger channels of importation and distribution to both on-trade and off-trade channels. Is it also intended to work on the awareness of Portuguese wines among customers by improving the general knowledge of Portuguese products.

-the *Observation markets*: South Korea, Poland, Russia and Switzerland will not benefit from special marketing investments but they will remain, during this period, under a special program of observation by the information center.

Chapter 2. General study of the French wine market

2.1 General analysis of the wine consumption in France

2.1.1 A reducing and shifting general consumption over the last decades

France has always had a very strong consumption per capita. It was, until 2013, the biggest national market in the world, before the USA overcame it. According to the *Wine Institute*, France remained the first world wine consumer per capita in 2012, with 44,2 liters per year (excluding Vatican). Nevertheless, the wine consumption has been plunging over the last decade: from 130 liters per inhabitant per year in 1960, it decreased to 108 liters in 1975, 55 liters in 2000, and finally 44 liters in 2012, according to studies from *France Agrimer* and *The Wine Institute*.

The drastic decrease of the wine consumption per capita can be explained by several factors. Through a report, the French Ministry of Agriculture (*France Agrimer*) has provided few hints to help in understanding this fall. First of all, there are fewer consumers than before: the part of the non-consumers has significantly increased while the part of regular consumers has been divided by more than two. The table below shows the difference in France, from 1980 to 2000.

Type of consumers (in % of population)	1980	2000
Non-consumers	19,2%	32,8 %
Regular consumers	50,7%	23,8%

Source: *France Agrimer*

Table 9. Evolution of some consumer profiles in France (1980-2000)

The development of modern and urban behaviors has led to an important social change in the wine consumption. Nowadays, the wine is less and less considered as a “meal beverage” but is more and more consumed as a “festive” beverage by the new generations. This reflects a big change in mentalities and a significant loss in the daily consumption as wine has been losing part of its gastronomical image and representations.

The evolution of working conditions has also led to concentrate the workforce in city centers and to shorten the lunch breaks. This relative new scheme has not been favorable to wine consumption. Indeed the combination of shorten breaks, having lunch outside, in “working conditions”, at higher prices practiced by restaurants, has definitely reduced the wine consumption at lunch. According to many observers from the sector, France is losing its typical and traditional lunch meal, when friends and colleagues were taking the time to enjoy their meal and their wine. Oxford French writer Theodore Zeldin said “Companionship has been replaced by networking” and wine is more and more excluded from the tables of quick and efficient business lunches.

This social shift has been accompanied by a cultural change: the weakening of the wine culture transmission. Indeed, it appears that young populations are less and less introduced to wine education as it was a few decades ago. Michel Rolland, a French consultant-oenologist, considered as one of the most important character of the world wine sector, said: *“In France, in spite of being the cradle of the world wine production and the reference in quality, we voted the stupid Évin laws. While the USA still consider wine as a cultural product, we do not”*.

Indeed, to complete the loss of cultural image, the wine had fallen in France under the umbrella of the so called *Évin* laws in 1991. They strongly regulate and frame the promotion of alcoholic beverages to fight against alcoholism. For the opponents to the law, wine should be considered as a cultural product of first interest, and should benefit from another treatment than strong alcohols.

The wine consumption has also strongly suffered from stricter regulations on the allowed alcohol level when driving. In France the limit is now 0,5g/l in blood or 0,25mg/l of exhaled air. It is considered that each glass of wine can raise the blood alcohol level from 0,25g/l. The limit had been pulled down to 0,2 g/l for the young drivers, which does not even allow a glass of wine. This new frame of regulations has definitely changed the wine consumption with respect to the 1960s.

The generational change has brought in a new status for wine with the apparition of a new type of consumers, younger, with an urban lifestyle, for which drinking wine appears as “trendy”. The way of consuming wine differs totally from the old, home traditional consumption where wine was considered as a meal element or a food accompaniment, often drank alone or in couple, on a daily basis.

Indeed, the consumption is now more likely to happen outside, in a restaurant, a wine bar, or home for a special dinner with friends or guests. The interest is more in learning, sharing and showing off knowledge, as the wine “connoisseur” would then access to a special status. Those consumers are therefore more opened to information, they are more sensible to marketing campaigns and to labels. They are more likely to try, taste and discover wines from different regions and horizons, while the traditional consumption was mainly local-based and limited in terms of discovery and research of quality.

This new way of consuming has definitely reduced the volume of consumption: in 1980 more than half of adults were consuming wine on a daily basis while today it is only 17% of them. In the meanwhile, the part of the population which never drinks wine had doubled to 38%. Wine is slightly shifting from a very popular to an elitist product. That said, this change has opened new possibilities for new wine regions to enter the markets and to offer new types of products.

In general, the quality of the wine is expected to be higher: in other words we could say that French people drink less but better, and according to the world’s most influent specialists, the wine quality on the market has never been that consistent. This shift in consumption lets a consequent place for innovation in terms of information, communication and marketing.

2.1.2 Regional analysis of the consumption

Until 2012, France was the first world national market for wines (30 million hectoliters consumed in 2012). In 2013 (last data available), it went down to the second world rank, with 28 million hectoliters consumed, behind the USA (29 million hectoliters).

Traditionally the regions where wine is the most consumed are strong producing regions:

- The South West, notably the *Gironde*, around the Bordeaux area
- The South: the Languedoc-Roussillon region, around the area of Toulouse -Montpellier
- The South East: Marseille and the Provence-Alpes-Côte d’Azur (PACA) region including the very touristic Cannes, Nice and Monaco area

- The Rhône-Valley mostly around the Lyon-Avignon axis
 - The North-North/East area, composed by the regions of Champagne (Reims), Bourgogne (Dijon) and Alsace (Strasbourg)
 - The Loire Valley, from Saint-Etienne to Nantes
- Finally the *Centre-Auvergne* region and the *Île-de-France*, Paris big area, are two strong consumer regions among the non-producer regions.

In terms of wine drinking habits, based on the part of the population drinking at least once a week⁷, the two leading regions are the Loire-Valley, and the axis Toulouse-Montpellier (Midi-Pyrénées and Languedoc-Roussillon), with both rates above the 40%. From 38 % to 40 % follow the regions of Bordeaux-Aquitaine, PACA, Bretagne, Alsace, Poitou-Charentes and Bourgogne. From 36% to 38% are the big pools of population such as the Paris region (Île-de-France), the Rhône-Alpes Valley and the Centre-Auvergne. The Northern low-consuming regions, where beer and cider are trendier, occupy the end of the ranking with rates below the 35%.

Therefore we can outline three different types of consuming regions in France: traditional producer regions (Aquitaine, Midi-Pyrenees-Languedoc Roussillon, Rhône and Loire Valleys, Bourgogne Champagne and Alsace), big pools of population (Paris, Marseille, Lyon Toulouse, Nice) and touristic areas (Paris, Côte d'Azur, Rhône-Alpes Valley).

The consuming habits can vary according to the clusters. Indeed, among the producer regions, the drinking habits are traditional and almost institutional. The consumption rates per capita are the highest. The consumption appears as “rural”, the general knowledge of the own region is high and consumers show a strong preference for the local wines. Consumers are more likely to be loyal to few favorite wineries to which they use to buy wines. The direct sales at the wineries are more important, as people tend to get to know the producers to whom they purchase wine.

This regional-focused consumption is definitely less important in the big pool of populations such as Paris, Lyon or Marseille. First of all, except Lyon, which stands at the northern border of the Rhône-Valley, all these pools are not producing wines.

⁷ Source : Study conducted by *The Wine Institute*, relayed by the website *Bonial* in 2013

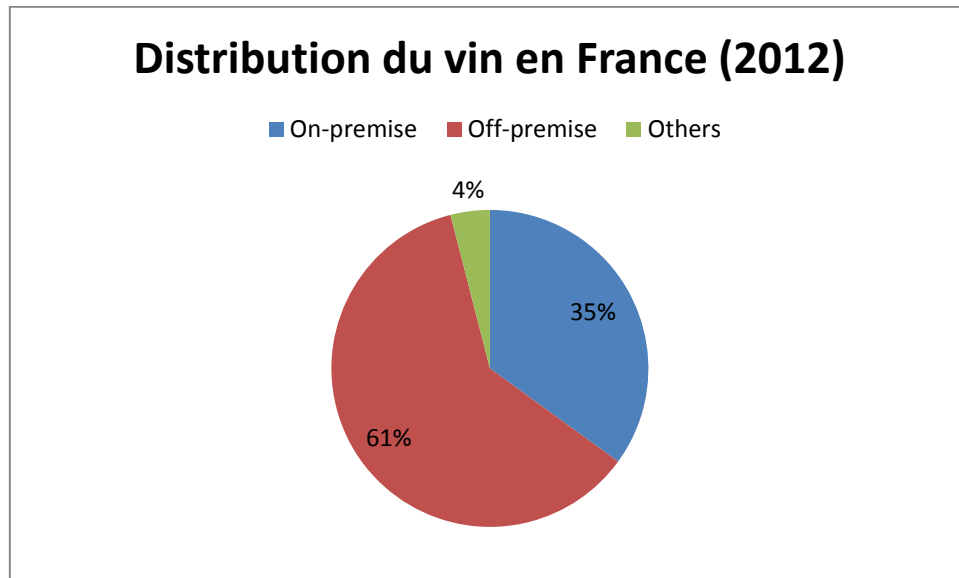
They are therefore definitely more open-minded to wine differentiation, as they have to “import” wines from the different French producing regions. This creates a different mindset which starts automatically a process of prospection, acknowledgment and study of the different wine regions.

Besides this fact, the population is usually younger, coming from all over the country and probably more open-minded to trying different wines. The urban character of the consumption and the city’s dynamism emphasize and support the openness of the wine culture. These big pools of population definitely host the major wine importer and distributor networks.

The “touristic” areas (Paris 29% of the national tourism in value, PACA and Rhône-Alpes 13% for each) are used to receive tourist from all over the world, and must project this openness and wideness through their offers, products and services. The tourism affluence definitely brings a shift in the attitudes, compared to the traditional and rural consuming regions. The customer is more aware, usually more exigent as widely open-minded and looking for nation-wide range of products and offer. Nevertheless and concerning international wines, if the tourist will be happy to see a home-wine in the shelves, he will most likely orientate its purchase toward a national French wine as it is the purpose of its presence. According to wine boutique owners, tourists coming from far away, from countries such as Canada, the USA, Brazil, Russia, China or Japan use to buy only one or two really expensive bottle, looking for the fame and prestige of the brand. Tourists come to buy French wines, and this is why we will not here study the impact of oenotourism, as it mostly concerns the sole offer of national French wines.

2.1.3 Analysis of the wine distribution channels in France

According to a study led by MarketLine in 2012, the wine distribution in France was divided as follows among the on-premise and off-premise channels:



Source: MarketLine, French market analysis (2012)

Graph 4. Wine distribution in France by channels of distribution

Off-premise

The large distribution

The large distribution massively owns the off-premise wine distribution in France, accounting for 82% of the national sales in volume.⁸ Among the national off-premise turnover, 63% of market shares come from hyper and supermarkets, while the hard discount shops account for 19% of the sales (82% in total). The specialized shops, wine boutiques, only account for 5%, while direct sales, at the cellar of the winery represent 4% of the national sales. The sales occurring through the Internet are developing but remain low, with around 1,5% of the market shares.

⁸ All sources relayed from [lenouveleconomiste.fr](http://www.lenouveleconomiste.fr), article published the 15 may 2014 by Fabien Humbert <http://www.lenouveleconomiste.fr/dossier-art-de-vivre/vin-tranquille-sa-distribution-et-ses-reseaux-22718/>

The sales in the large distribution registered a rise of 1,4% in volume in 2013 (in comparison to the precedent year) and of 10,3% in value (in comparison to the last five year's average). This strong increase has brought the market to 9,7 million hectoliters in 2013, for nearly 4 billion euros. This distribution is quite linear in terms of seasonality, but it uses to encounter special pikes, mostly for the end-of-year celebrations (Christmas and New Year's Eve) and the traditional spring and autumn wine fairs, very popular in France. These wine-fair periods can account from 10% to 20% of the annual wine turnover.

The average price in 2012 was of 4,05€ per liter, or slightly more than 3€ a bottle, a very interesting average price for such quantities. According to Lionel Manteau, director of the customer department at the wine boutique chain *Nicolas*, "the French consumption has been divided by three in the last forty years, while the budget allocated to wine has remained the same".

Therefore, and even in the large distribution, it appears that French people consumes less but value more and more what they drink. Some of the supermarket chains has understood this point, and make particular efforts to enhance their wine areas and shelves. They have notably worked on their on-line presentation and offer, developing a described wine menu and marketing monthly or weekly special offers. They also contracted sommeliers as area manager to value the purchasing accompaniment and the wine experience of their customers.

In terms of offer, the large distribution business model lies in working on high-marketed products, usually coming from large producers and large association of producers (cooperatives) in order to ensure consequent quantities and to enable large-scale margins. So they use to work with nation-wide groups, gathering many different wineries and brand. Their purchasing policies do not really match the local independent winemakers.

The wines boutiques

In wine boutiques, the objectives differ a lot from the large distribution's ones. Indeed, the customer base appears as less heterogeneous than in supermarkets, where all different layers of the social classes mix up. In general the population that goes to wine boutiques is mostly composed by men, from a certain age and experience, benefiting from a higher purchasing power and with a stronger wine culture and knowledge.

Nevertheless, the customer base of wine boutiques is also consequently influenced by its location and will mostly drain the local population around.

Wine boutiques' business model definitely differs from the large distribution's one, instead of working on low margins at tremendous scales, through nation-wide products, they usually invest on their prospection and knowledge of the wine culture to deliver precise and customized products to its client. Wine boutiques are usually led and managed by wine lovers, or wine connoisseurs, who are able to seek for their customer's needs, understand them and to find the products that would fit in. They therefore value the purchasing experience and accompaniment, working on a more selected offer at lower volumes but higher margins. More and more, wine boutiques go toward specialization in the trendy biological and biodynamic segments, in order to diversify and differentiate their offer from the classic competition. It also exist chains or franchises of wine boutiques, such as notably Nicolas, leading the sector with a network of 480 shops, accounting for 10% of all wine boutique's turnover in France.

Direct sales

A common practice in France is to purchase wine directly at the cellar of wineries. This distribution channel is the third most important among the off-premise distribution. This business is mainly addressed to wine lovers, who prefer to personally know the producers to whom they buy wine, and to get to know the place, the vineyards, the cellar etc... They are looking for a much more global experience than just buying a bottle. They are usually very loyal customers, and they tend to like building relationships with producers, as the old traditional way in France. The customer base is mostly regional or local population, but there are also more and more people travelling to meet a producer and to purchase wine directly at the cellar: it is called oenotourism. This branch of the sector is always more appealing and wineries are now investing a lot in this area in order to improve at the maximum the customer experience at the winery. Many wineries, especially in the most famous regions, propose now fully-integrated experiences such as hotel resort, gastronomic and wine experiences, tours, visits, spa etc... to attract foreign tourists.

The Internet and the auction sales

Two other small distribution channels are the Internet and the auction sales. The auction sales represent a very small part of the market, but it is exploring a niche market: the one of the “Grands crus” and the rarest bottles. A lot of wine lovers, the best specialist of wines are dealing ancient and rare bottles on this market. Good prices for value are usual but a concern remains in the good state of the wine, as the bottles are used to pass from hands to hands.

The Internet remains a very small market share as well (1,5%), but it is still starting, in a traditional sector that requires time to evolve. It will probably develop quickly. The main bottlenecks to this business remain the delays, the shipping costs, the lack of physical presence and explanations, even if websites are now developing on-line live chats with wine experts to deliver advices and guidance to customers.

On-premise

The on-premise distribution channel in France is divided in two sections: the *RAT* (for *Restauration avec service à Table*) including restaurants, hotels-restaurants, *cafés-restaurants* and *brasseries*, and the *Hors-RAT*, including fast food and cafeterias, hotels without restaurant and bars. They both represent 180 600 establishments in 2014⁹, 108 700 for the RAT cluster and 71 900 for the Hors-RAT’s one.

The restaurants’ turnover in 2014 was of 43,6 billion euros, the hotel’s without restauration of 18 billion euros and the cafés, bars and night clubs of 5,7 billion euros.

According to the same study, the wine supply represented 18% of the restaurant’s budget in 2013, composed at 11,5% by still wines, and 6,3% for the effervescent and Champagne wines. It represents the second expenditures source after the fresh products (26,5%). On the other side, it accounts (still in 2013) for 21% of the restaurant’s turnover, representing interesting added-values. This turnover is mainly supported by still wines (84%), Champagne wines (10%) and effervescent wines (6%).

⁹ Source : France Agrimer, *Grande étude nationale cafés, hôtels, restaurants 2014*

Their supply is generally processed by direct suppliers (producers, cooperatives, agents and wine negociants) to whom 70% of restaurants said they purchase their wine, along with wholesalers (37% of the restaurants), the Cash & Carry channel (34%) and the distributing wine boutiques (25%). In average, they tend to have four different types of suppliers.

In terms of offer and origin of the offer, the market tends to be well equilibrated and very competitive. Three regions take the lead in terms of presence: by order Bordeaux, Provence and the Rhône Valley have at least one reference on the menu of 70% of the national restaurants. This lead in presence is balanced by the number of references, which equilibrate the offer/demand ratio. Indeed, only Bordeaux remains at the first place of the number of reference's ranking (8,1 references in average) and strengthen its very strong marketing position. In the meanwhile, regions with a high presence tend to have less references in number (Provence 3,4 references) and regions less represented tend to have more references (Bourgogne 7,8 references, foreign wines 7,4, Languedoc-Roussillon 7,2).

The "bio" sector is rising and will definitely play a key role in the coming decades. In 2014, already 46% of the restaurants had at least one reference of a bio wine on their wine list (against 37% in 2011). And the restaurants betting on bio wines usually trust the niche as in average, they have at least five different references on the wine list.

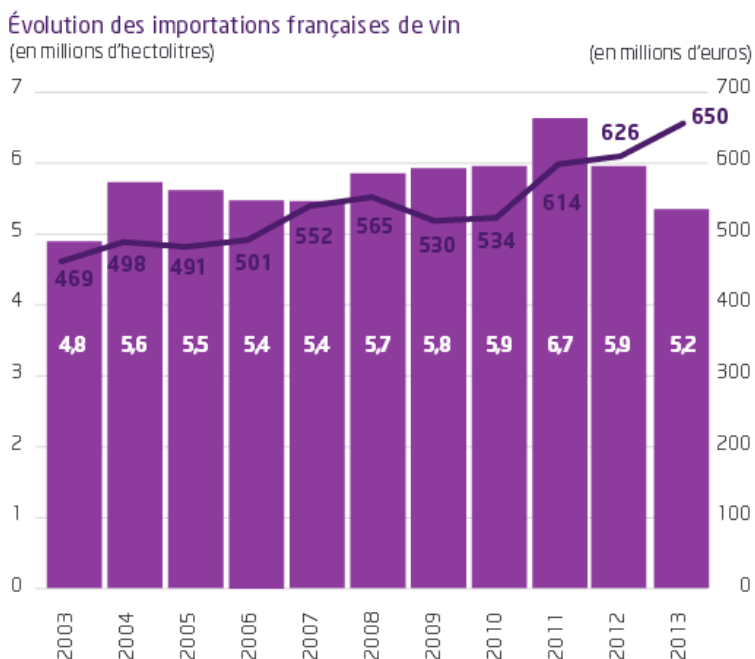
Concerning the type of wine, among still wines, the red wines still strongly lead the market with the half of the turnover (50%), then white and rosés wines equally shared the other half in 2014. Looking at the recipients, the wine bottle also still has the lead, with 43% of the sales in 2014, ahead the pitcher (24%) and the glass of wine (20%). The glass of wine is now a common offer, as in 2014, 96% of the restaurants were offering at least one reference of glass of wine to their customers, against 89% in 2010.

In terms of seasonality, red wine are the most linear in consumption, as the repartition of the sales among the four seasons only varies from 24% to 27% all along the year. White wines are also well equilibrated, with only a pike in summer which accounts for 31% of its annual sales, and the rest is equally divided among the three remaining seasons (23% each). The rosé is the most season-affected consumption as 71% of the sales occur in the spring-summer period (with a 48% pike in summer), for only 11% in winter.

Concerning the “off-meal” wine consumption, in other words, the consumption of wine outside of the meal, only 47% of the *RAT* distribution says to offer wine spontaneously to its customers. Among them, 77% say offering it at the after-work moment, as an “aperitif”, a very trendy and common French habit. Indeed, the glass of wine, accompanied with some “tapas” like olives, fries, is very traditional in France, and it definitely constitutes a segment, for adapted wines such as smooth and light reds, fresh dry or sweet whites and fruity rosés.

2.2 Analysis of the foreign wines market in France

2.2.1 The French importations of foreign wines



As we can see on the graphic below, the French importations of wine have been linearly growing from 2003 to 2011 to reach the highest volume imported in 2011.

Then it has been decreasing until 2013, which has been a year of pretty low importations, at the lowest level since 2003.

If the importations have been decreasing in volume since 2011, they have kept on growing in value, at an even higher rate than the years before. Indeed, reaching 650 million euros in 2013, at +3,8% in value from 2012, it represents the higher amount of the decade, and the highest increase in between two consecutive years. Considering a strongly diminished volume in comparison to 2012 (-11,8%) it means that the importations had been much more valued.

Indeed, the liter of imported wine was valued at 0,90€ in 2010, 0,91€ in 2011, 1,06 € in 2012, and finally 1,25€ in 2013 what represents an increase of 18% of the liter price.

In 2013, in volume, the French import of wine are structured as follow in the table:

Type of wine	Still AOP wine	Still IGP wine	Still without denomination	Sparkling wine	Fortified wine
Market share in volume	12%	4%	74%	4%	6%

Source: France Agrimer, « Rapport du bilan commerce extérieur 2013 »

Table 10. Structure of French wine imports by type of products, in volume

We can quickly notice that the still wines without a particular denomination of origin definitely lead the import of French wine, most of this wine, if not all, is imported in bulk. This is the core business of the French importations (74%).

An important part of this type of wine is however not destined to the national consumption but will be bottled, labelled in France and re-exported. In 2014, France kept on going this way, and imported a quarter of the Spanish exportations in volume! The average price of the Spanish wine exports, which half is bulk wine, went historically down to 40 cents a liter.

An area manager from a Spanish winery explains the business: “It is often more economic for France to export wine in bulk from Spain and then label it, rather than growing the grapes and making the wine themselves. [...] Both France and Italy have a much better international presence, they have more experience in marketing their products and have been exporting for much longer than Spanish producers”.

It is therefore important here to rightly understand the strong wine import from France in volume: they need to be analyzed in nature, as they hide a business of import-export, in such a way that an important part of the imported wine will not be distributed on the French national market. The part of the imported wine that will be available to French customers will therefore be at least 24%, gathering the wine with a denomination of origin (AOP and IGP), the sparkling and fortified wines. Then, part of the bulk imported wine will be bottled and distributed in France, through the large distribution, as EU-origin wine, the rest will be re-exported to international markets.

The analysis in value shows another profile, and outlines that the wines with a denomination of origin are more valued:

Type of wine	Still AOP wine	Still IGP wine	Still without denomination	Sparkling wine	Fortified wine
Market share in value	34%	5%	41%	8%	12%

Source: France Agrimer, « Rapport du bilan commerce extérieur 2013 »

Table 11. Structure of French wine imports by type of products, in value

The AOP wines' market shares, in value, are almost tripling in comparison to their volume and reach 34% of the total value. The sparkling and fortified wines are doubling, from 4% and 6% to 8% and 12%. The still wine without denomination of origin is still the first source of imports in value, with 41% of the total, but it represents a consequent decrease in comparison to its volume market share (74%).

The "rosé case"

The consumption of rosé wine, traditionally strong in France (France is the first world consumer of rosé wines), is still consequently increasing, and has even boomed over the last years. The rise had been very strong: 9 million hectoliters were consumed in France in 2013, what represents 37% of the world consumption! France is also the first world producer (7 million hectoliters produced in 2013, almost a third of the world production) but the unexpected boom has turned the country in a situation of undersupply, with a domestic demand much higher than the national production. Therefore, in spite of being the first world producer of this type of wine, France has turned to be the first world importer, with 22% of the global imports of rosés wine.¹⁰ There is therefore a niche market to dig in that direction for foreign wine producers and exporters, and especially now, as the rosés wine market and production are still not competitive as the red's one.

¹⁰ All sources from France Agrimer, relayed by *Le Figaro* (17/04/2015, Victoria Masson) <http://www.lefigaro.fr/consos/2015/04/17/05007-20150417ARTFIG00172-les-francais-aiment-tellement-boire-du-rose-qu-ils-doivent-en-importer.php>

2.2.2 Analysis of the foreign wine distribution in France

Off-premise distribution

In 2014, the large distribution's wine turnover was of 4 billion euros, for 9,7 million hectoliters sold at an average price of 4,12 € a liter. Foreign wines accounted for 4% of this market in volume, and 2,5% in value. It represents a turnover of 99 million euros, for 424 thousands hectoliters sold at an average price of 2,33€ a liter. The average price of a foreign wine sold in a supermarket was therefore 43,5% smaller than the total average.

Compared to the previous year (2013), foreign wine sales decreased by 1% in volume and increased by 2% in value. Compared to the previous three years, they decreased by 7% in volume and increased by 2,2% in value. It confirms the general trend that French costumers consumes less but better, and therefore distributors are looking for supplying less quantity but at better prices.

In terms of origin, the Spanish wines strongly dominate the presence on the shelves, with 71% market shares in volume, for 69% in value. Despite their low presence, the Portuguese wines, accounting for 3% both in volume and in value registered the highest growth rate, at +10% in volume and +10,4% in value in comparison to 2013, at stable prices (5,2€ per liter).

On-premise distribution

In terms of offer, foreign wines are at the fourteenth position of the ranking (by region) with at least one reference in 24% of the restaurants in 2014. They show a constant presence over the last four years (in between 25% and 24% during the period), and an interesting increasing rate since 2008 (plus six points from 2008).

Foreign wines are much better ranked looking at the average number of references the restaurants have on their wine list: from the fourteenth rank in terms of presence in restaurants, they pass to the third rank! Indeed, with in average 7,4 references in 2014 (against 5,1 and 5,2 in 2012 and 2013), foreign wines are only overpassed by Bordeaux (8,1 references) and the Bourgogne region (7,8). It is then ranked ahead strong regions such as the Rhône-Valley, the Languedoc-Roussillon, Alsace, Provence, Beaujolais, and Loire.

In terms of market shares, the foreign wines occupy the tenth rank, with 4,8% of the national turnover, in front of single regions such as the Beaujolais.

The price structure of the foreign wines in restaurants is interesting and shows potential to qualitative and high-end wines:

Price range	< 15€	15-20€	20-25€	25-35€	35-50€	> 50€
Market shares	16%	25%	5%	18%	23%	13%

Source: France Agrimer, « Grande étude nationale cafés, hôtels, restaurants, 2014 »

Table 12. Foreign wine price distribution in restaurants in France in 2014

The two most represented price ranges are the 15-20€ and the 35-50€ ones, which together almost account for half of the sales. We can notice that 54% of the foreign wines is sold at more than 25€ a bottle in restaurants and 13% above the 50€, which shows positive signs as the market is open to recognize and to accept high-qualitative foreign wines.

Among still wines, the foreign wines are more present on the red wine market (12% of restaurants do have at least one reference on their wine list), follows then the dry white wines (8%), rosés wines (7%) and sweet white wines (7%). They also benefit from a good presence on the “*Vins doux naturels*” segment (liquor/fortified wines such as Port and Madeira wines), with a presence in 12% of the restaurants as for the red still wines.

Foreign wines are also present on the glass of wine offer of 12% of the restaurants.

2.3 PORTER 5 forces analysis of the wine market in France

Bargaining power of suppliers

The suppliers of a winery can be various and operating in very different areas of activity. The main ones concerning the viticultural activity are the following: plant nurseries, truck constructors, and protection product or agrochemicals providers. Regarding the winemaking part, the main suppliers are the producers of oenological products and tools who build mainly the specialized tools and tanks adapted to winemaking, bottles, labels and corks, cooperages, and chemical product providers.

All these areas are covered by several actors in France which is one of the leading markets in the world for oenological products. The important number of the actors for each activity, both in France and abroad (especially from Italy in Europe) creates a good equilibrium in the market. The competition is fierce in between the providers to contract new wineries and to gain new market shares. The very high number of vineyards and wineries in France adjusts the equilibrium: there is no supplier or buyer disequilibrium in negotiating. In another business model from the classic “all integrated” wineries from the viticulture to the winemaking, more and more wineries buy now grapes from grape producers and vinify them. Some wineries also buy finished wine in bulk, bottle it, label it and sell it back on the market as bottled wine. In this specific business, the grape producers use to be slightly disadvantaged by the increasing power of the buying wineries. They tend to lower and to lower their purchasing prices, putting pressure on the grape producers who sometimes give up and sell their vineyards to the wineries. It mainly depends on the location of the vineyards: in the most reputed areas, the grape growers will not have issues to sell their grapes while in areas not able to produce any type of denominated wines, it will be much harder to sell the grapes at good prices. Regarding the finished wine business in bulk, the competition is strong and the market is quite equilibrated as it is a very old and even ancient business, which started with the famous implementation of the wine negociants, “courtiers” in French, in the area of Bordeaux back in few centuries ago.

To conclude, wineries’ suppliers can come from very different areas but there is no special disequilibrium in commercial negotiations to highlight in this business.

Bargaining power of buyers

The bargaining power of buyers appears as moderated to moderately strong. The main buyers, such as the large distribution’s actors, supermarkets and hypermarkets, which account for 45% of the wine purchase in France do have a strong power over suppliers due to the concentration of their purchases through nation and region-wide centralized purchasing centers. Their model of large ordering, in order to foster economies of scale and margins definitely lower the bargaining power of the producers desiring entering this distribution channel.

The huge number of wine producers in France and abroad, desiring to enter in the large distribution circle does not help the position of suppliers during the negotiations. However, wine producers and suppliers will benefit from a stronger position when dealing directly with

the on-premise distribution actors, for smaller amount of goods. The strong potential of product differentiation can consequently help wine producers to establish themselves as a modern, innovative and desired brand. It can therefore enable them to strengthen their leverages in negotiations. The distribution network counts many actors, and is considered as easy in terms of access, this diversity and strong rivalry of distributors gives the possibility for wine suppliers to benefit from the competition to obtain better conditions. The switching cost is difficult to assess among the wine products. Indeed, a distributor will, in most cases, not lose any special benefits from shifting from a wine producer to another. However, final customers can be very loyal to wine region, sub-regions and producers or brands, therefore if a distributor can easily technically switch a producer to another one, it might lose a part of its client base.

Threat of new entrants

The new entrants can be considered as two different actors: the establishment of a new wine producer or supplier based in France, or the entrance of a foreign wine producer or supplier by exporting. In the first case, the system delivering the rights of new plantation has been strictly controlled and regulated until now, but will be considerably changed and opened from the entrance in vigor of a new European-scale system as of the 1st January 2016. Indeed, from this date, new rights of plantation will be freely delivered to claimers, through a totally renewed system of application. This way of entering the market appears as smoother than coming from outside.

First of all, a national-based winery will benefit from the fame of its region, or sub-regions to ensure an existing regional customer base. Secondly the access to the wine distribution will be smoother and the contact much easier as the physical presence, and the lack of language barriers will help a lot.

We have to differentiate here two different types of market and of business strategies to assess the difficulties or easiness to enter the market. Indeed, in the case of a high-end wine production, it is possible for the producers to aim selling at premium prices, entering the market at smaller scale, dealing in direct with the on-premise distribution and the off-premise specialized distribution (wine boutiques), to benefit from good margins and to recoup the investments. The strength of the French market is to make possible this strategy and business project, as French people does spend a lot of money for premium wines. In the case of aiming

mass-market wines, at lower prices but higher scale of production, the entrance can be strongly threatened by the presence of huge groups, already benefiting from their networks of distributors and large-scale economies. Therefore, the threat of new entrants is more likely to be stronger for the premium wine market than for the mass low-end market.

Threat of substitute products

If France remains the first world consumer per capita, with a very strong wine culture and wine consumption for many different purposes and situations, we have seen that the French consumption has been considerably lowering in the last decades. Wine has partially lost its status of “meal element” and bottles of wine are more and more replaced by juices or soft drinks on tables. The emergence of quick lunches and business lunches is also threatening the consumption of wine on-premise as more and more customers will opt for a “lighter” beverage such as a beer, a juice or a soft drink. The generational change has brought in a new generation which does not have the same wine culture than its predecessors.

Young people might not have the same habit of wine drinking, and their palates are more looking for sweetness, that they will find more easily in soft drinks and juices. At night, this new generation will in most of the cases favors spirits, strong alcohols and cocktails over the wine consumption which can appear as less trendy and less “fun”. The switching costs are quite inexistent from wine to other beverages. More, beer, soft drinks and juices are in most occasions cheaper than wine. Hence, the threat of substitute products can be considered as quite important. This is reflected by the strong willingness of the wine institutions in France to invest in the education of the new generations toward wine. The objective is to increase the general wine culture, knowledge and interest among the young populations to rejuvenate the decreasing demand.

Competitive rivalry within the industry

The wine market in France is fairly and strongly fragmented by the number of actors. The industry is very competitive and purchasers benefit from a wide range of products and prices to build their purchasing strategies and business models. The very low switching costs from a producer to another enhance the rivalry and the need of being competitive for the wine suppliers. The recent strong development of regions such as notably the “Languedoc-Roussillon” in terms of quality and quantity increases the national general competition.

Similarly, the emergence of pushy marketing campaigns from the new world producers, their innovative strategies and good price quality ratios intensify the market rivalry that can be assessed as strong.

To conclude, the French wine market is still very strong and attractive but probably as a key turn in its history. Indeed we saw that the consumption had been strongly lowering in quantities but at higher prices: this market for qualitative wine is enhancing the fierce competition running in the market among both French-based wineries and foreign ones. Wine has a special status in France, it is still considered as a meal element, and it is part of the French food culture. With this status, wine does not have a real threat of substitute product: no beverage can have the same meaning and the same gastronomic features for now. However the harder and harder laws on alcohol and the change in the generations have brought consequent changes in consumption. The competition is therefore fierce to adapt the offer to the new codes of consumption. The market is very free and liberal, the barriers to new entrants are not prohibitive, not for the French-based wineries neither for the foreign-based ones as the taxes on imported wine are very low in France. The various number of suppliers, regarding all the relevant areas of the production gives a good hand for a French-based winery. France is culturally a country of wine and therefore the supply of oenological products and tools have always been following and supporting the technological development of the wineries. Their large presence provides a quick and equilibrated supply. The easiness for the wine producers to distribute and sell their wines is hard to assess as it mostly depends on the region, sub-regions and the winery's fame on the markets. Wine is a product highly influenced by fame and codes so while producers from unknown areas would find huge difficulties to market their wines, distributors compete to buy wines coming from the neighbor's famous denomination. This system creates a kind of comparative advantage that substantively modifies the negotiation's dynamics. In few words, the market is free, liberal, competitive, and not difficult to enter as there will be more and more places for innovations and fresh products fitting the new demand.

2.4 SWOT Analysis of the wine market in France for foreign wines

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> ✓ Very strong demand per capita (1st world consumer) ✓ Presence of a mass-market distribution at very low margins ✓ Presence of a strong specialized distribution ✓ Large population of wine enthusiasts and wine connoisseurs ✓ Very diversified consumption in terms of product ✓ Nation-wide distribution coverage ✓ Strong gastronomic culture 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> ✓ Strong local-orientated consumption ✓ Low demand for foreign wine ✓ Still lack of distribution channels specialized for foreign wines ✓ Lack of communication and marketing toward foreign wines ✓ French pride for its national wine
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> ✓ Emergence of a new generation of consumers ✓ More rooms for marketing messages, communication, innovation ✓ Development of the Internet and the social media for supporting marketing campaigns ✓ Mind-opening in terms of wine culture ✓ More and more French has lived and worked outside of France <ul style="list-style-type: none"> ✓ Emergence of new strong wine importers ✓ Development of the foreign wine knowledge and demand 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> ✓ Long-term lowering domestic consumption ✓ General context of favoring the “Made in France” products ✓ Strengthened lobby from the French wine producers ✓ Possible compensation of the lowering demand by protectionism ✓ Eventual increase of the excise duties of wine importation

2.5 The Portuguese wine market in France

The imports of Portuguese wines in France show a paradoxical situation: while France is the second customer of Portuguese wine in volume, and the first in value, it is very difficult to find a Portuguese still wine on the shelves of any type of retail place (large distribution, wine boutiques, restaurants, wine bars etc...). It is therefore important to analyze the nature of the imports to understand the objectives and business models behind the French strategy.

In 2013, France imported 505 700 hectoliters of Portuguese wine (among 5,2 million hectoliters imported), for a bill of 113,7 million euros (among 650 million euros imported).

Looking at the Portuguese exports, after the Angola, France was strongly the second customer in volume, by gathering 16,5% of the Portuguese wine export, a figure more than twice higher than the third customer's one (The United Kingdom with 6,7%). This volume has nevertheless been constantly decreasing over the last years (19,3% in 2010, 18,8% in 2011, 18% in 2012).

In value, France overcomes Angola to be the first customer, accounting for 15,7% of the Portuguese export's turnover. This value has also been lowering in the last recent years (18% in 2010, 16,8% in 2011, 16,3% in 2012).

By nature, the imports of Portuguese wine in France in 2013 were led in volume by the famous fortified Port wine (43,4% of the imports) and the low-quality table wine (41%). They both account for 85,5% of the imports if we add the fortified wines from Madeira (1,1%).

The rest is mainly composed by qualitative wine with a denomination of origin: the highest quality DOP wines account for 9,6% and the IGP for 3,1% of the purchases.

The difference of prices of these products modifies the structure in value: the fortified wines definitely take the lead with 69,2% of the turnover for the sole Port wine. Madeira wines account for more 2%. Table wine plunged to only 15% of the turnover, and qualitative wines remain stable, accounting for 11,8% of the imported value (DOP + IGP).

This quick analysis enables us to understand why very few bottles of Portuguese still wines are available in France. Indeed, the qualitative bottled wines import only accounts for 12,7% of the total imports in volume, and 11,8% in value. It represents only 63 900 hectoliters while the French imports of DOP and IGP wines account for 832 000 hectoliters in 2013, it then represents 7,7% of the amount.

The value of these imports was of 13,4 million € still in 2013, what represents 5,3% of the French imports of still qualitative wine (DOP + IGP) the same year (253,5 million € market). Therefore, the price at the liter for the imported Portuguese still qualitative wine was established at 2,10 euros, against 3,05 euros for the average price of the French imports of the same type of product.

The promotion of Portuguese wines abroad is supported by the national institution ViniPortugal notably through the establishment and the promotion of the collective brand Wines of Portugal, as seen in the analysis of the Portuguese wine exports (1.3.2).

The last promotional plan in vigor had occurred from 2009 to 2013. During this period, 469 promotional actions were organized in Portugal and abroad to promote Portuguese wines and help the producers and exporters to reach foreign markets. Out of these 469 events spread over five years, only five events had been organized in France, toward the French market. It had represented only 2,2% of the global investments. According to Jorge Monteiro, the president of ViniPortugal, France is already a great importer of Portuguese wines and the objective is not to increase the exports to France. The idea is to benefit from the good relationships with France to improve the general quality of Portuguese wines exported to France.¹¹ The main event supported by ViniPortugal is the annual huge wine fair Vinexpo, which takes place every year in the beginning of June in Bordeaux. It gathers all the main world wine producers, importers and distributors as an annual highpoint meeting for wine professionals. Nevertheless, if it is important to be present at such an event, alone it might be difficult for Portuguese producers to stand up and spread their message over the French wine networks. Indeed, as some Portuguese producers claim, they do not feel to fit in this general strategy and would prefer to be supported in more specialized events. As an important Portuguese winery's export director told me: "Vinexpo does not really fit in our needs and strategy, as it is the case for most Portuguese producers. We are generally small producers and our value proposition is lost in such big events. At Vinexpo, tourists for all over the world come to take pictures of the most famous wineries from Bordeaux, they are not interested in us".

¹¹ Source : bomdia.eu , "ViniPortugal sensibiliza o mercado francês para os vinhos portugueses" (21/10/2013) <http://bomdia.eu/viniportugal-sensibiliza-o-mercado-frances-para-os-vinhos-portugueses/>

Portugal still struggles to find its own image and positioning, as it struggles to both compete on high-end segments, against the world-famous top French, Italian or Spanish wines, and on low-end mass production against the new world large wineries.

Therefore, if Portuguese still fine wines want to penetrate the French network of wine distributors to improve the quality of its exports, it probably needs to develop a more complex strategy, less generic and more adapted to the local market profiles and habits.

Based on the analysis of Portuguese wines' characteristics and strengths, communication and promotion should be closely developed together to enhance the general knowledge and education of Portuguese wines, enabling the opening of the French wine market's doors.

It is in this niche market that we will assess here the potential and strengths of the Portuguese wine production in order to design a marketing strategy to match and penetrate better the French consuming market.

Chapter 3. Modelling a marketing plan to promote Portuguese wines in France

3.1 General analysis and presentation of the business opportunity

France and Portugal are two countries historically linked, with good economic and diplomatic relations. Following successive waves of Portuguese emigrations in France all along the twentieth century, there is a considerable community of Portuguese people in France, estimated around 400 000 persons, the biggest one in Europe. Paris is considered as the second biggest city of Portugal because of its large concentration of Portuguese people. The associative network of the Portuguese community is large and very well integrated to the French society. Portuguese people do have maintained a strong culture while they have discretely and perfectly succeeded in fitting in the French society. In the other way, Portugal has become more and more famous and trendy in France over the last years. Many articles, documentaries and reportages on television are regularly bringing to light all the richness and the beauty of the Portuguese land. This sudden new attraction for Portugal has been considerably enhanced by the apparition of the new fiscal status of “non-regular resident”, allowing a tax reduction from 54% to 20%. This recent fiscal advantage has brought in a wave of French retired people, to the extent that in 2015, Portugal, considered as “the new California” in France, was the first destination for French retired, with 20% of the intention to go, in front of Spain (16%) and Morocco (13%). According to the French chamber of commerce in Portugal, 4 000 French retired people settled down in Portugal in 2014, and 6 000 to 20 000 thousands are expected in 2015. This recent strong attraction for Portugal has a lot of repercussions on the image and the general idea of Portugal in France.

Portugal is a traditional strong wine producer. We have seen that in the last decades, the production has been considerably pushed forward by all the national institutions and producing organs, to increase in quantity first and then in quality. All this work had been rewarded by the implementation of the denomination of origin system, a real quality guarantee, at the European and global scales. Portuguese wines are therefore more and more considered as qualitative wines, and gaining market shares in international markets.

This qualitative shift is regularly outlined by international wine competitions, where Portuguese wines won 3535 medals in 2014! 2015 has started on the same elevated basis, with great successes such as obtaining 331 medals at the 20th edition of the “Concours Mondial de Bruxelles” with 12 “Great Gold” medals (in front of Spain, Chile and South Africa) or the 95d medals they got at the “Sommelier Wine Awards 2015” in the UK.

France is considered as the first world wine producer in volume and in value and has established its reputation and fame over the last decades. It is also the first world wine consumer per capita, what makes it the second most important wine market in the world in 2014. If the consequent French wine consumption is mainly supplied by national producers, the wine culture in France and its base of wine lovers has created a market for new, original and different international wines. France is also an important world wine importer, as it imported 5,2 million hectoliters in 2013, for 650 million euros. Among it, the imports of Portuguese wine represented 505 700 hectoliters the same year (almost 10% of the imports) for a bill of 113,5 million euros (17,5% of the imports in value). It turns France as the second client of Portuguese wines in volume (after Angola), and the first in value. In the meanwhile, it is hard in France to find a bottle of qualitative Portuguese wine on the shelves of any kind of distributors. Looking at the nature of the French imports of Portuguese wine, it confirms this fact: the qualitative still wine only represent 12,7% of the import in volume (11,8% in value) while the lowest quality “Table wine” accounts for more than 41% of the imports. This structure of the imports can be dangerous for the message sent to French customer and the general perception of Portuguese wine in France, as Portuguese wine might be associated to low-quality and cheap wine imported in bulks. Portuguese qualitative producers and wine suppliers complain that France remains a much closed market for international wines, and struggle to enter the market of the qualitative still wines, while it has been a decade that wines from Italy, Spain, California, Chile, Argentina, South Africa, Australia and New-Zealand has succeeded in reaching distributor’s shelves.

The idea of this thesis is therefore to analyze the characteristics and strengths both of the Portuguese wine production and the French consuming market to design an adapted marketing plan to export Portuguese qualitative still wines to France.

3.2 Cross-analysis of Portuguese wine production and the French wine market

3.2.1 SWOT Analysis of the Portuguese wine production for the French market

Strengths	Weaknesses
<ul style="list-style-type: none"> ✓ Wine production history ✓ Very interesting price/quality ratio <ul style="list-style-type: none"> ✓ Ability to age ✓ Indigenous grape varieties ✓ Production know-how ✓ Particular combinations of climate and soils ✓ Considerable diversity in the wine regions <ul style="list-style-type: none"> ✓ Presence of the Atlantic coast ✓ Strong link wine – gastronomy ✓ Very strong demand per capita in France (1st world consumer) ✓ Large population of wine enthusiasts and wine connoisseurs ✓ French interest and curiosity about wine, tradition of buying and keeping the wines ✓ Presence of a strong Portuguese community as potential customer ✓ Presence of a considerable Lusophone culture to support the communication (associations, events..) ✓ Common trade routes from Portugal to France (easy and cheap transports) 	<ul style="list-style-type: none"> ✓ Low agricultural yields ✓ Lack of technology in some regions ✓ Small average size of the wineries ✓ Considerable lack of image outside of Portugal <ul style="list-style-type: none"> ✓ Lack of communication and marketing support ✓ General lack of a pro-active commercial behavior from the actors of the sector ✓ The domestic demand is focused on low-end wines <ul style="list-style-type: none"> ✓ Language barriers ✓ Strong local-orientated consumption ✓ Low demand for foreign wine ✓ Still lack of distribution channels specialized for foreign wines <ul style="list-style-type: none"> ✓ Lack of communication and marketing toward foreign wines ✓ French pride for its national wine ✓ No real distribution channel designed for Portuguese wines

<p style="text-align: center;">Opportunities</p>	<p style="text-align: center;">Threats</p>
<ul style="list-style-type: none"> ✓ Portuguese production's general shift toward quality ✓ Gaining more and more awards in international wine competitions ✓ Creation of the collective brand "Wines of Portugal" ✓ Current strong support and development of the internationalization of the wines ✓ World's recognition of the quality of Portuguese wines ✓ Restart of the world's economies and of the wine global trades ✓ Developing a positive and qualitative image of Portuguese still wines ✓ Strong recent trend for Portugal as a tourism destination ✓ Development of cheap flights to Portugal ✓ Recent development of the interest in France for the Portuguese gastronomy ✓ Emergence of a new generation of consumers in France ✓ More rooms for marketing messages, communication, innovation ✓ Development of the Internet and the social media for supporting marketing campaigns ✓ Mind opening in terms of the wine culture 	<ul style="list-style-type: none"> ✓ International misunderstanding of the positioning of Portuguese wines ✓ The use of local grape varieties might make the products' perception harder on international markets ✓ The country's economic situation might lower domestic budget for wines ✓ Increasing international competition from the new world <ul style="list-style-type: none"> ✓ Lack of development of the Portuguese gastronomy abroad to support the wine sales ✓ The recent crisis might have affected the Portugal's image in France ✓ Not succeeding in spreading the right image of Portuguese wines <ul style="list-style-type: none"> ✓ Long-term lowering domestic consumption in France ✓ General context of favoring the "Made in France" products ✓ Strengthened lobby of French the wine producers <ul style="list-style-type: none"> ✓ Possible compensation of the lowering demand by protectionism ✓ Eventual increase of the excise duties of wine importation

<ul style="list-style-type: none"> ✓ More and more French has lived and worked outside of France ✓ Emergence of new strong wine importers ✓ Development of the foreign wine knowledge, demand and knowledge ✓ Rooms for new, original and different products in the wine market 	
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The Portuguese wine production benefits from some local, native and intrinsic advantages, which the country should use as a strong comparative advantage against its competitors.

-Regional unique natural conditions and favorable characteristics to viticulture: Portugal benefits from a set of regions with very interesting combinations of soils and climatic conditions toward wine-making. Indeed the presence of the Atlantic coast creates very interesting sub-regions and microclimates favorable to vine growing. The light and crispy *Vinho Verde* region is the best example to this genuineness brought in by the nature. All along the coast, regions such as *Bairrada*, *Colares* in the Lisbon area and the Peninsula of Setúbal benefit from very particular climatic conditions to elaborate unique and qualitative wines. The proximity of the ocean brings in a good natural acidity, very important in the elaboration of white wines, accompanied by touch of iodine, salinity which can procure to the wines the precious and much sought-after “mineral” profile.

The minerality can also be found in the granitic and acid soils of the *Dão*'s mountains, which gathers the highest vineyards of the country, protected by the winds from various chains of mountains, such as the *Serra de Estrela*. The *Douro* Valley remains a cradle for the confection of highest quality wines, such as the world famous Port wines. The southern *Alentejo* region is more and more awarded in international competitions, benefiting from great sunning and dryness conditions to produce fruity and easy-to-drink wines, in the trend of the new world production.

-The patrimony of indigenous and local grape varieties gives endless sources of possibilities for Portuguese winemakers to create unique and high-potential still wines. It is considered

that Portugal has three times more indigenous grape varieties than Italy, and six times more than France and Spain. At the size of the country, it outlines an impressive diversity and richness. The wine-specialist American journalist Paul White stated that “There is no other region in the world which has more unknown grape varieties than the Portuguese region of *Dão* [...] The *Dão* region is the Noah’s Ark of the grape varieties”.¹² Indeed, the potential is huge. In terms of white grape varieties, *Alvarinho* and *Loureiro*, from the *Vinho Verde* region show great aromatic and structural features, presenting aromatic profiles similar to the world-demanded *Riesling* and *Gewürztraminer*, they would gain a lot from being more famous overseas. Portugal has also a white grape variety that has one of the best natural acidity profiles in the world: *Arinto*. It is the king-grape variety of the DOP *Bucelas*, where it makes fantastic crispy whites. The *Dão*’s original *Encruzado* is one of the rarest grape varieties in the world able to reach mineral aromas, with empyreumatic and kerosen-petroleed touches. The Alentejo’s *Antão Vaz*, the Douro’s fine *Malvasia*, *Rabigato* and *Viosinho* easily continue this list of fantastic grape varieties. In terms of red, the national king-grape variety is the delicate, well-structured and aromatic *Touriga Nacional*, which leads the qualitative production of the Douro’s Valley, alongside with the local *Touriga Franca*, *Tinta Barroca* and *Tinta Roriz*. More to the south and trapped against the ocean in the Bairrada region, *Baga* is a difficult grape variety to grow but it can produce vintage productions, able to improve in bottles for decades. It is compared to the world-famous Italian *Nebbiolo*, in terms of structure and profile. The national *Castelão* expresses at best all its potential in the sandy areas of the Peninsula de Setúbal to produce pure and fruity bodied reds.

The patrimony of grape varieties is huge, and very high-qualitative national grape varieties do exist in Portugal. They would gain a lot to be more famous in the international lights of the markets. It supplies Portugal with a great and wide base to work on qualitative and innovative wine. It can definitely make the difference besides the world-wide planted French varieties such as Cabernet Sauvignon, Merlot, Sauvignon Blanc, Chardonnay and Syrah, which are standardized and homogenized by mass-scale productions all over the world.

-The good price/quality ratio: Portugal do have regions with very favorable conditions toward vine growth and wine making, at the level of the best French, Spanish and Italian regions. In the meanwhile, their discrete fame, the low cost of land and labor force in Portugal make the

¹² IVV website, “Castas portuguesas têm futuro promissor” (25/07/2013)
<http://www.ivv.min-agricultura.pt/np4/5872.html>

production costs much lower than in other qualitative regions. The profile of the domestic demand, looking for cheap wines, pushes also the producer to diminish their price, and therefor to supply natural very interesting wines at low prices. By instance, Portugal do produce very consistent and well vinified bottled wines that can reach retailing prices on the shelves at less than 2, 50 €. This is quite impossible to find in its neighbor's markets, especially in France and Italy where the productions are much more valuated for the same quality ranges.

-Thanks to the richness of its soils, climate conditions and grape varieties, the Portuguese wine production is able to produce a wide range of different profiles of wine. This flexibility provides great tools for Portuguese producers to produce wines with various different gastronomic profiles. If Portugal still misses a strong gastronomic culture abroad, as France, Italy and Spain are using to export their wines, Portuguese wines are very versatile and can fit a lot of different gastronomic profiles. This is definitely an advantage and a strength that should be enhanced, worked and promoted by the Portuguese institutions to support the exports.

France is country whom wine market is considered as one of the toughest to enter, as it is at the same time considered at the world best wine producer. If it is true that France has a very strong domestic production and that most of the wine is nationally and regionally consumed, the wine culture in France is very strong, and it has created a strong segment of wine lovers, wine connoisseurs among its customer.

These wine knowers are curious, they spend an important budget for wines, and they do not hesitate in tasting new products. They are always in the search for new profiles, new aromas, new flavors, always ready to discover and to learn about wine regions, grape varieties and winemaking features. The apparition of this customer segment, mainly urban and concentrated in medium to big cities, an important network of specialized shops, or wine boutiques, and wine bars are digging this niche market of emphasizing the wine culture. The idea is to uphold the wine tasting experience, the knowledge about the wine world under all its aspects. Blind tastings, wine and food pairings, workshops, tasting games, presentations of regions, grape varieties etc... Each establishment has its own ideas and innovations to create a dynamic and recreational wine tasting experience. These places and shops have been quickly looking outside of the French barriers, and overseas, to find new aromas and flavors, to open

the senses and the minds of their customers. Little by little, over the last decades, wines from Italy, Spain and Germany have quickly joined their shelves and wine list. Have then mainly followed California, Chile, Argentina, and Australia as new horizons of discoveries. South Africa and New-Zealand were the next, aside with wines from Eastern Europe and the Caucasian area such as Croatia, Slovakia, Hungary, Romania, Greece, Georgia and Lebanon. The strong Arabic community in France has also brought in an important market share for the Moroccan wines, highly appreciated along the Arabic gastronomy, very spread in France. In big cities, trends for foreign wines had been following each other, as it occurred trends for Californian wines, for Chilean wines, for Australian wines etc... Therefore, there is a place for the foreign wine in France. It represents a niche market but an existing market. The data about wine importation in France should be studied twice before to be used for making a statement. Indeed, in 2013 the French drank 28 million hectoliters of wine, and imported 5,2 million hectoliters. It could mean that 18,6% of the wine consumed in France comes from importations. First we are here talking about qualitative bottled still wine, which shows different figures, and secondly, as seen before, an important part of the French imports of wine will not be consumed in France but re-exported.

3.2.3 Analysis and conclusions: where are the opportunities

Therefore it seems to the foreign winemakers that the French market is closed to foreign wines, in reality, it is not. Passions and trends about foreign wines do occur, and they represent the willingness and the commitment, from the French, of the endless search for quality for difference and for new horizons of wine's aromas, tastes and flavors.

This market exists, and most of the worldwide famous winemaker regions have already succeeded in entering the shelves of the French specialized distributors. Today, tomorrow, this year, this decade, it might be the turn and the chance to Portuguese wine to flood the wine glasses of restaurants, cafés, brasseries, wine bars and wine boutiques of Paris. If some people doubt about the relevance of foreign wine's market in France in volume, it definitely represents a "vitrine", a world-opened showcase for the brand. Indeed, succeeding in entering the French distribution, and especially some French targeted restaurants, or gastronomic leaders of opinions will be spread by the specialized press and can have considerable broad and positive consequences for the brand's marketing power and commercial potential.

Hence, it is important to understand the strengths and the special potential and advantages of the Portuguese wines to design a perfectly adapted and value-added marketing strategy to fit the features and opportunities of the French wine market.

As seen, and after many interesting and vast discussions with Portuguese wine specialists, producers, marketing managers, commercial directors, export directors, directors of institutions and CVRs, exporters, traders... I think that Portugal should find its own marketing way, and creates its own positioning based on its strengths. Portugal should not try to copy French, Italian or Spanish strategies. Portugal should neither try to follow the marketing strategy of the new world' producers. Portugal should create its own path, its own way, and definitely assume the quality of its production. Portugal should push the diversity of its wines, and their richness at many regards. If French people mainly drinks French wines, they also recognize the wine qualities, they value a good wine, and they are ready to spend money for the wines they value. There are definitely entries in the fortress of the French wine market, and we will develop in the coming chapter a strategy to bring the Portuguese qualitative still wines until the last distributor's shelves.

3.3 Development of the marketing plan

The plan to perform this business objective is mainly a marketing plan, as the target is literally to market existing products. The structure followed to set up this plan and to outline the marketing proposition is an altered version of a classic marketing mix. Successively and by order, the proposition will be design through the following steps: the product positioning and the “collective brand” image of the Portuguese wines, the distribution strategy, the pricing and finally the description of the promotional plan. In the end, a paragraph will be kept to develop an idea proposition of shifting the wine supply from product development to value-added service development.

3.3.1 Mission, vision and values

Mission: “Creating a sustainable business bridge to link qualitative Portuguese still wine producers to the French wine consumers”.

Vision: “Becoming the reference in terms of importing, marketing, and distributing Portuguese wines in France”.

Values: Respect, Authenticity, Transparency, Quality, Openness and Innovation

3.3.2 Marketing mix

Product and Positioning

Product definition, categories and legal terms

The product intended to be marketed here, the one which will be at the center of the marketing strategy and value proposition, is a qualitative Portuguese still wine. In terms of product, it is a still wine, red, white or rosé, with a denomination of origin, guarantee of a certain typicality and quality. The denomination can either be DOP or IGP, though less restrictive and exigent. We mainly intend here marketing classic bottled of 0,75 liters, or bigger containers for special occasions (such as notably the Magnum size (1,5 liters)).

Legally the wine must contain an alcoholic strength of at least 8,5% vol (it can be lowered to 7% vol in exceptional conditions), and at maximum 15% (except exceptional conditions again).

A dry wine must contain less than 4 grams of residual sugars per liter (4g/l), a semi-dry less than 12 g/l, a semi-sweet less than 45 g/l and a wine is classified as “sweet” if its concentration in residual sugars exceeds the 45 g/l.

A still wine must contain less than 4 g/l of carbon dioxide at 20°celsius.

We are hence here talking about a Portuguese red, white or rosé still wine, from dry to sweet, with a denomination of origin, bottled in a 0,75 liters classic wine bottle.

Product selection

The products should be very carefully picked up and selected to fit in the message and the positioning targeted. Indeed, the objective is to break with the image of cheap and “Table wine” that Portuguese wines may suffer from in France, due to the imports of very low-end products during the last years and decades. The idea is therefore to select products with a real oenological interest: a wine with organoleptic characteristics able to surprise the customer, and able to let its footprints in wine adept’s minds and memories. Therefore, the wine can come from any particular region, it has to gather the following features:

- ✓ The wine should be well-balanced, structured and equilibrated, to assure and ease the taster about its general quality and potential.
- ✓ The wine should be picked-up at its right age: each wine as its own ageing cycle, the wine should be selected either at its optimum age to show its full capacities or slightly before to highlight its ageing potential.
- ✓ The wine should have a typicality, it should show something intrinsically linked to its inner character: the wine should be authentic and genuine, in the respect of its *terroir*. It is here that the work of the winemaker is key and will make the difference. Alongside, the role of the CVRs and their denomination of origin system is equally crucial to ensure the respect of the local features and know-how.

It is also here that enter into the game the natural landscapes of Portugal and the wide base of qualitative grape varieties available. They both represent strong and competitive advantages that the wine producers (and marketers) should use and magnify to reach producing and marketing surprising, new and unforgettable wine experiences.

Regarding this fact I will here try to develop it a little more at the light of the feedbacks received and the observations made during the Portuguese wine tastings I organized in France over the last year. I organized three tastings for particulars and two commercial tastings for professionals. The tastings for particulars were composed by ten wines and ten participants for each event. The participants were chosen from wine beginner to wine specialists.

Each wine was given an evaluation, a wine comment and a retailing price. Regarding the commercial tastings for professionals, the first one was organized in November 2014, in Montbeliard (North-East of France), in collaboration with a wine boutique and distributor “*Le cellier des princes*”, at the occasion of the Montbeliard’s Christmas market (second bigger Christmas market in France, 150 commercial stands for around 400 000 visitants each year). The Portuguese wine tasting was supported by the Tourism Office of Montbeliard and relayed by the local press and national radios such as *France Bleu* and *Chérie FM*. The wine tasting consisted in offering the occasion to taste qualitative still Portuguese wines to the professionals and particulars of the region. It was organized a Saturday afternoon, inside the wine boutique, two white and two red wines were available to taste and to purchase, at the retailing prices of the wine shop. The tasting was a true success as the feedbacks were really good, most of the people was surprised by the quality of the wines and were not expected such profiles. The 144 imported bottled were sold in the afternoon, and two gastronomic restaurants purchased wines for their own wine offer. One in particular, *Le Saint Martin*, has a Michelin star and the sommelier himself ordered the wines. He then lately told me that they were successful at the restaurant. He mainly outlined the great combination of the *Vinho Verde*, served at the glass to go along with their mussels offer as appetizer.

The second one was a Portuguese wine tasting destined to the wine professionals based in Bordeaux (wine boutiques, restaurants, wine bars, brasseries, sommeliers among 190 establishments invited). It was organized in the Museum of wine of Bordeaux-Gradignan, in June 2015. Despite the fact that very few professionals came to the event, it enabled me to obtain interesting feedbacks from highly competent wine tasters and sommeliers, as well as interesting contacts for eventual opportunities of business.

Regarding the base of grape varieties, the patrimony of Portugal enables the producers to play on the two product strategies led by the old and the new world. The old world markets regions, sub-regions, sub-areas and *terroirs*. France markets its “*Grand cru classé*” from Bordeaux, Alsace and Burgundy, it markets a *Hermitage*, a *Côte-Rotie* or a *Châteauneuf-du-Pape* in the Rhône-Valley, which are denominations of origins (DOP). They all represent a certain quality of wine as the strict rules of the denominations presuppose consistent productions over the years. Then it is almost not the wine itself that is marketed, but its denomination of origin. The wines mostly come from blend of grape varieties (assembling of different grape varieties, “*assemblage*” in French, “*lotes*” in Portuguese), and the recipes are kept as secrets by oenologists.

On the other side of the world, the new world producers decided to break away with all this secrets and complicated products, unreadable and difficultly understandable for a random customer. They decided to make it easier, with clear and colorful labels, indicating the wine profile, the type of consumption and the grape varietal. They decided to break-away with the complicated blending system and started to produce mono-varietal wines. The idea behind is to enable the customer to understand easily what he drinks and to memorize it more easily. The strategy is well represented by the Australian leading wine supplier “Yellow tails”, the labels are the simplest, with a logo, a grape variety (or a combination of two) and a color. The customer will then memorize and recalls that the “yellow” is the Riesling, the semi-dry citric white. The “blue” is the Sauvignon-blanc, the fresh and tropical white. The “red” is the Cabernet-Sauvignon and etc... It enables the customer to associate a wine experience to a wine profile, to a grape variety, a brand and a label color. This simplification of the wine product and marketing is criticized among the traditional European wine producers, but is very well welcomed by the new generations of customers, and the strategy commercially clearly pays off.

Portugal thankfully from its historic Port winemaking process has a strong tradition of blending. Portugal is part of the old world in terms of wine production, along with France, Spain, Italy etc... Hence Portuguese producers master the art of blending, and are able to compete with the best European wineries on this segment. Port wines are an example of extremely well mastered blending, as some Port wines, all from blends, can age and improve for several decades. Especially the red wines, from regions such as the *Douro* Valley, the *Dão* and the *Alentejo* are traditionally regions of blends, where winemakers make the magic

happen to highlight all the wine's blend potentialities. This blending art is enhanced by the fantastic range of qualitative grape varieties that producers can manipulate. It provides them endless sources of possible combinations to influence the wine profiles. Portugal has also a strong tradition of denomination of origin as the Douro Valley was the third demarcated wine area of the world, in 1756.

On the other side, the high quality of the indigenous grape varieties enable producers to produce strong and interesting mono-varietal wines, in a southern, or new-world style. Portugal wines could actually gain a lot of reputation and prestige if it would success to bring mono-varietal wines to the top of the distributor's shelves. Indeed, in terms of quality, the Portuguese grape varieties have absolutely nothing to envy to the world-planted French ones. The idea would therefore to, along the classic and traditional blends, market mono-varietal wines under their grape variety's name, to create and enhance an international fame around it. In white, grape varieties such as *Alvarinho*, *Arinto*, *Loureiro*, *Encruzado* or *Viosinho* have the potential to fill the gap. In red it would be more difficult due to the strong blending tradition but *Touriga Nacional*, and *Baga*, to some extent, seem to be the best placed to stand alone. As said, besides the classic production of blends, Portuguese suppliers could try making the buzz, and breaking away from the classic and traditional productions, by launching and marketing truly grape-varietal orientated wines. In terms of production, this strategy could be supported by very low interventions in viticulture, low viticultural yields to emphasize the grape's concentration, intrinsic profile and quality. Regarding the wine-making process, the use of respectful technology, indigenous yeast and inox fermentation would definitely outline the grape's profile, features and character, to make a different and authentic product.

-The smaller and qualitative wineries are usually based on more difficult and qualitative soils, which lower the yields per hectare but increase consequently the wine's quality, and enable providing to the wine a certain character and typicality. These wineries usually produce at smaller scales, but rely on quality, taste, reputation and higher-margins to recoup investments.

Distribution

In our strategy, the idea is to outline and to market the quality, the diversity and the richness of the Portuguese production in terms of regions, sub-regions, soils, climates, grape varieties and vitivinicultural methods. As developed the targeted Portuguese wineries to market in France produce original and genuine products at smaller scales, targeting customers with a certain interest in wines.

As the value proposition is to highlight the intrinsic features of the products, a specialized and customized accompaniment of the purchase is definitely needed. The concept is not to sell a sole bottle of wine, but also a knowledge, a learning experience. Therefore, a bottle of Portuguese wines, standing alone on a large distributor's shelf, surrounded by hundreds of local wines will have very few chances to attract the interest of the customers if there is no information or explanation about the wine coming along.

As Portuguese wine represents a new product for the French customers, it is important that the wine can be explained, and advised, by a professional, to the customers.

Therefore, the targeted distribution channels should gather two critical variables: the distributor should place wines at the center of its offer; it should have a certain interest into wines, and the abilities to talk about it to a customer. The distributor should be interested into wines and able to transfer its passion to its customer base, it should be able to get to know any kind of wines and to pitch it back to a customer. The second key variable is the customer base: the customer base of the distributor should be people with a certain interest or openness to wines. The customer should be opened to the distributor's speech, information, advices and prescriptions, and able to value it into its purchasing process.

Therefore, the targeted distribution channels are the one which gathers these two crucial and key components. In other words, the distribution will be done through the specialized one.

In terms of off-premise distribution, the wine boutiques, and chains of wine boutiques, such as Nicolas (430 shops), Intercaves (160 shops), Cavavin (123 shops), V&B (89 shops), Repaire de Bacchus (38 shops), Vinomania... Regarding the on-premise specialized distribution the channels are wine bars, restaurants and hotel-restaurants.

Pricing

Pricing strategies are difficult to read in the wine industry. Indeed, a lot of factors matter in the construction of the price of a wine, and some of them are neither tangible nor easily measurable, as they call to abstract and subjective matters.

First of all, going as simple as possible, all wineries have basically the same production costs: important fixed costs (land price, winery facilities, technological equipment, annual employees) and per-unit costs (seasonal workers, bottles, labels, corks). The structure of the costs then mostly depends on the wineries' strategies. To keep it simple, there are mainly two streams:

-The large wineries are usually using big spaces of fertile and not-qualitative lands to produce at high yields, ensuring lowered production costs. The key is in the large amount of production, economies of scale and quality controls adapted to ensure respecting the legal regulations on quality. Wines' profiles are not challenged to their optimum, the idea is to produce large-scale easy-drinkable wines adapted for the mass-distribution and the mass-consumption.

-The smaller and qualitative wineries are usually based on more difficult and qualitative soils, which lower the yields per hectare but increase consequently the wine's quality, and enable providing to the wine a certain character and typicality. These wineries usually produce at smaller scales, at higher costs per unit, but rely on quality, taste, reputation and higher-margins to recoup investments.

The first model aims the low-end price points of the market: from less than one euro to 3,50 €. They would usually directly deal with the large distribution, which is able to rapidly distribute such quantities at mass-scale and lowest prices. The second model aims segments at higher price-points, from 3,50€ – 4,50€ to above the 20 euros and more. The distribution is more diversified and selected: if some of them can be distributed in supermarkets, the main target is the wine boutiques, specialized shops, direct sales, wine bars and restaurants.

Therefore the different cost structure wineries' strategies give a first raw understanding of the market price tables. We will not go further in this analysis, but it becomes more difficult when subjective matters enter in the people's perception of wine quality: fame of the region, of the locality, reputation of the brand, of the producer, grape varieties, color, taste, aroma, shape of the bottle, color and design of the label etc... The scarcity and fame of some producers and localities (sub-regions) acquired during decades enable them to market their products at prices "out of the scale", at several hundreds of euros a bottle. Is the difference in price justified by the real difference in quality ? How to measure and quantify it ?

These questions are really difficult to answer, and blind tastings continue to highlight the fuzzy constructions of wine prices, by breaking the presupposed gaps between "common" and "top" wines.

In our strategy, we are aiming a special segment of connoisseur-customers through a specialized and selected distribution. These customers are wine enthusiast and wine lovers, looking for new, fresh, original and surprising wines, they are willing to pay higher prices to discover a wine they do not know. Then the quality of the wine, according to their tastes and expectations will define or not a next purchase. When setting the price of the bottles, it is important to have in mind these two factors: they should be accessible for a discovery and in case of success, the price should not be inhibitor for a next purchase. Indeed French wine connoisseurs are used to buy one bottle "to see" the wine and if they feel an ability to age, they would be likely to buy three bottles, or a case of six, to store them into their personal cellar. Until now, most of the international wines on the French market (except some rare Spanish, Italian and Californian red wines) are young and ready to drink, they are designed for a massive and direct consumption, such as all the monovarietal wines from the new world. Portuguese wines, which can show great structures and abilities to age, combined to very affordable prices, could definitely fit in this purchasing behavior.

Therefore, the wines are not targeted to be distributed at lower prices by the large distribution. The targeted retailing prices are from 5€ to 15,50€. Indeed, the targeted customers are used to spend from 8€ to 15€ for a bottle of wine. Under the 5€-6€, they might think that the wine's quality is low. The 5€-8€ segment enables to enlarge the public for a discovery, the 8€-15,50€ corresponds to higher wine connoisseurs which are looking for being surprised by the wine. From 5€ to 13€ the wine is more likely to be purchased after the discovery, in higher

quantities. From 13€ it is already more difficult to persuade customers to purchase the wine in more quantities to keep it. Indeed, after several talks with wine boutique's owners, they stand most of people do buy a foreign wine from 11€-13€ to more, but even if they like it at the first tasting, they would then come back to a more known wine, usually from the region or from reputed denominations of origin, to buy a case. Therefore the segment more likely to succeed in penetrating long-term sales is probably the 5€ - 11€ segment in terms of price points. Moreover, these retail prices would be easily multiplied by two to constitute the retailing prices at restaurants. A bottle of wine whose price would be from 10€ to 22€ euros in France is definitely in the most accessible segment as wine bottles usually start around 16€.

Promotion

The promotion is key in this project because there is a huge need of delivering information to customers as the product is not known yet. Indeed, we are in the situation of a market creation. Therefore, the communication and the promotion are crucial to create the path to the product.

As seen before the idea is not only to sell a wine, is to sell a whole experience, a knowledge to share, a frame of information which will carry the product with interest until the customers. The communication is at the scale, and the ambitions of the project: it is not a massive communication plan destined to a large distribution, but a selected and specialized one. The objectives are to support the marketing process of the product, and to accompany the distributor's job, bringing the product closer to the final customers.

The main objective of the promotional plan is clear: it is to bring the product to the final customers. Today, customers do not have the possibility to taste Portuguese still wines and therefore to get to know about the product. It results that the product is not known and therefore there is no demand for Portuguese still wines in France. This nonexistent demand explains the general lack of importation and distribution structures for the Portuguese wines. It also explains the timidity from the distributors to invest on Portuguese wines as they know they will struggle to sell them, to market them to a nonexistent customer base. It is why the promotional plan is key in bringing the product in the best conditions to the final customers, to create an interest, a curiosity, a demand. This nascent demand will then play a critical role

in involving local distributors. The promotional plan is therefore aimed to create a local demand by showing the product and delivering information, in order to get leverages over the local distributors.

The promotional plan has two scopes: a local scale to get closer to the local customers and the local demand, supported by a national scale, wider and more generalist in the message. The objective of the local promotion is to understand the local characteristics of the region: its customer base, its wine demand, its wine habits and the structure of the distribution (local implantation of the wine sellers and distributors). The aim is to collect information while showing the portfolio of products, analyze the feedbacks, and work closely with the local distributors to refine the offer. The nationwide promotion is different, more generalist and less customized.

The focus here is to develop a collective image of the Portuguese wines as a generic “brand”. The objective is to increase the general awareness of the Portuguese wines, their characteristics, grape varieties and regions.

Locally the plan is to work with local actors and distributors. The main vector of communication is by the organization of events. Indeed, many different types of tastings can be designed and organized at wine bars, wine boutiques and restaurants to bring together customers and Portuguese wines. The focus is to enlighten the characteristics of the Portuguese wines. Many different kinds of tastings can be thought in order to present the wines under different angles: tastings by grape varieties, by regions, by winemaking processes, blind tastings, mini-competitions with other foreign wines, tastings versus French wines etc... The objective is to draw and to surprise the customers, they should leave the place with an interest and a curiosity about the potential of the Portuguese vineyards.

Tastings destined to customers are important to create the awareness, the demand, and to obtain feedbacks. It is also very important to organize the same tastings for the professionals of the sector (wine bars, wine boutiques, restaurants) as they will be the first leverage for involving local distributors. Wine-food pairing tastings can be really important to draw their interest.

At the same time the plan is also to use the local Portuguese community to link the wines to events already existent. Indeed, the Portuguese community is very strong and well spread in France, organized by more than a thousand of local associations.

These associations are regularly organizing small to big events, and we can take advantage of these events to link the wines to the Portuguese culture: gastronomy, music, dance, literature etc...

Just for example, in the region of Bordeaux, exists the codfish festival, “Le Festival de la Morue” during three days in June, for twenty years, focused on the Portuguese culture (gastronomy, music and dance) , which gathers more than 80,000 persons and 50 restaurants of the region. Still in Bordeaux, the association “O sol de Portugal” (“*The sun of Portugal*”), organize events all the year, and notably the “Portugal d’Avril” , which gathers cultural events all along the month of April. The idea behind it is not to sell directly to the Portuguese community, whom market is called the *mercado das saudades*. It is more to organize this network of events to link the wine to the representation of the Portuguese culture in France, and to use them as vector of communications, to touch larger populations.

Portugal as a country and as a culture is more and more trendy in France, and it represents a great occasion to introduce the wines with more ease. The apparition of the festival *Folisboa*, for the first time this year, at *Le Grand Rex*, in Paris witnesses this current general popularity of Portugal in France.

These events should enable to touch more people and to bring little by little more and more people to the specialized events organized on-site, at restaurants, wine bars and wine boutiques.

It is also important to work with catering college and formation of sommeliers and oenologists to bring Portuguese wines in professionals’ minds since the beginning of their formation. Indeed at catering colleges, young people are used to study the Spanish wines, the Italian wines, but they do not study the Portuguese wines. They would be, in their professional lives, much more opened to Portuguese wines if they had been previously sensitized to them and if they already have knowledge about it.

At the national scale, the main objective is to broadcast information about the characteristics of the Portuguese vineyards to increase the general awareness. As said, the grape varieties, regions, winemaking processes and main denominations of origin should be enlightened to become references and key words in the customer’s minds. The main channel of information is the specialized press. The specialized press is nation-wide in France and well followed by the customers. Wine is not a very easy product to understand and to enter in, and therefore most of the wine enthusiasts listen to critics and opinion leaders. Wine customers are very opened to information and advices for purchasing.

The specialized press is therefore a very interesting place to use in order to have access to critics and opinion leaders to enlighten the wines.

The second key channel at the national scale is through the Internet. Specialized websites and blogs are very interesting to provide the wines with a showcase opened to the whole nation. They are more and more looked and used by customers to make their purchasing choices. They give easy to access, quick and mostly accurate information to compare and choose the wines. A good referencing and good ratings on these websites and blogs can have very consequent positive consequences for the wines. Social networks also represent sites of exchange of information, and it is important to be present there, to regularly animate a page with information, events, learnings etc... It is also a place to retain the audience by delivering a constant flow of innovations and novelties.

Chapter 4. General conclusion

The objective of this project was to formulate a proposition of a marketing plan to promote the Portuguese still wines in France. The first work has consisted in analyzing the structure and the characteristics of the Portuguese wine production. The aim was to understand the general framework in which the national production stands, and in what direction the wine production is going to in Portugal. I tried to find out and to outline the strengths of the Portuguese still wines, in order to support the elaboration of a marketing plan, and to strengthen the marketing message. It was also very important to put into perspectives these findings with the characteristics and features of the French market. For that part, it was relevant to get insights of the French wine culture, and to understand how and why the wine consumption has changed that fast in France over the recent decades. I therefore studied in a second part the characteristics of the French wine market: the shift in consumption, as well as the structure of the wine distribution. The foreign wine market in France was also studied with a special paragraph for the Portuguese case.

All these analyses have enabled to outline what is key while starting the marketing plan: to identify the opportunities of a market on one hand and to find out the strength of the product, according to the market's opportunities on the other hand, in order to design all the marketing plan around this crossed-analysis.

The findings were the following: there is a market for foreign wines in France. This market can be considered as a niche market, and is not adapted to a mass-marketing strategy. The volumes traded are lower, but they tend to concern qualitative wines at medium to higher prices. Fewer actors and distributors are interested in foreign wines, but the interested ones are looking for several references at the same time.

The market is still very young and few infrastructures and networks of distribution are yet settled up. This lack of development traduces the reluctance from large distributors to invest on foreign wines, as these wines are usually not known by the populations and therefore their demand is low. However, even if they rarely have the occasion to taste foreign wines, French consumers are used to drink wine, and they are used to identify and to value qualitative wines. During the wine tastings I organized in France for particulars and professional, I found a strong interest about the wines only once they were tasted: people uses to want what they know about. The key of the business idea is therefore to overtake the distribution by going directly to the final customers. Playing on Portuguese wines' strengths, communicating about

the Portuguese regions, landscapes, particular favorable climatic conditions, their fantastic base of different grape varieties, their winemaking deep history and so on, the objective is to engage the final customers. For this, regional-focused promotional plan should be designed, involving the local restaurants, wine bars, wine clubs, wine boutiques and the Portuguese community to raise the local awareness and knowledge about Portuguese wines. The idea is to link Portuguese wines with: the Portuguese culture, with gastronomy, with quality and newness.

Once this work is locally done, it should enable us to find out strong leverages in order to deal with a local distributor and to start a partnership to distribute and promote the wine in the region. The multiplication of these regional-centered approaches will be nationally supported by communication plan involving the specialized press and sommeliers, to give a broader and national support to these actions. In my opinion, the cornerstone of the promotional plan will be to play and to bet on the strengths of the Portuguese wines: their difference, their quality, their genuineness, their consistence, gastronomic features and their price/quality ratios.

Well marketed, well thought to be well distributed with the support of the Portuguese culture in France, there is no reason for not having a Portuguese wine trend coming to France in the coming years.

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