

The wine distribution systems over the world: an explorative survey

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Jel Classification: Q13, Q17

1. Introduction

Over the past two decades, the world wine market has been affected by a rapid process of globalization. The volume of export as a percentage of world wine production experienced an increase from 15% to 32% between 1988-90 and 2009, despite a much slower increase in world consumption. Indeed, the growth of wine trade was determined during the '90 of the past century by the increase of wine consumption in North Europe and in North America, compensating the decrease of consumption in Mediterranean Countries, and by the growth of exports of the so called New World Wine Producers. Recently, the international trade has been boosted by the increasing demand in countries which up to a recent past were marginally involved in wine import, mainly located in Asia; production is increasing in some importing countries (China, India, Brazil) and in some countries with a large potential (Ukraine). Therefore, the scenario of wine international market is characterized by deep changes in the geography of production, consumption and trade (Banks, Overton, 2010; Anderson, Nelgen, 2011; Mariani *et al.*, 2011). As a matter

Abstract

The purpose of this paper is to show the diversity in the areas of consumption and purchase channels, to highlight the dynamics of evolution still in progress in order to understand the wine distribution systems; it also tries to provide a useful interpretation for the orientation of commercial promotion and development in the various countries of wine destination. The work is divided as follows: firstly, we provide summary notes on wine distribution system, through a complete picture of access points to wine consumption, both for off-trade and on-trade channels, in addition to the role of distribution intermediaries. The research is illustrated, with indication of the methodology used and the analysis of the data collected. Finally, based on the results of the research, we raise some brief remarks on the work carried out and provide some indications that stem from our analysis.

Keywords: wine market, distribution system, wine trade channels.

Résumé

L'objectif de ce travail est d'attirer l'attention sur les différences au niveau de la consommation et des canaux d'achat du vin et de décrire la dynamique de l'évolution en cours pour mieux comprendre les systèmes actuels de distribution de ce produit. En plus, nous essaierons d'avancer une interprétation utile pour orienter la promotion commerciale et le développement du marché du vin dans les différents pays. Dans un premier temps, nous allons présenter des notes de synthèse sur le système de distribution du vin, en donnant un aperçu global des points d'accès à la consommation du vin, pour les circuits *off-trade* et *on-trade*, et en mettant en évidence le rôle des intermédiaires de la distribution. Nous allons également préciser la méthodologie utilisée et présenter l'analyse effectuée sur les données collectées. Enfin, sur la base des résultats de cette étude, nous allons faire des considérations sur le travail réalisé et fournir des indications sur les enjeux majeurs analysés.

Mots-clés: marché du vin, système de distribution, canaux de distribution du vin.

of fact, "the past decade has seen a slight reversal in the long-term decline in wine's share of global alcohol consumption, and in the more recent decline in the world's total volume of wine consumed (....) and exporters have a widening range of countries to look to for market growth" (Anderson, Nelgen, 2011).

The changes in the geography of consumption are offering therefore new opportunities for wine producers but their exploit requires the capability to adapt the commercial strategies to market condition which are country specific (Rabobank, 2003; Mora, 2006 and 2010; Hanin *et al.*, 2010). In each country there is a specific distribution of consumption between at home (off-trade) and out of home (on-trade), the purchase of

wine can occur in different kinds of outlets and on-trade consumption can occur in different places. Moreover, retailers and actors of the Ho.re.ca system are supplied by one or more intermediaries, whose characteristics may be very different country by country. Actually, the distribution systems over the world may show very different patterns, also sometimes for the existence of regulation on wine trade. Continuously all actors have to adapt to respond to the wine demand evolution in terms of quality mix and to major trends in food consumption and purchase; the intermediaries have to develop new skills. Changes in on-trade consumption involve the different types of services (new types of restaurants, etc.) and how the wine is served; in off-trade consumption, changes involve the distribution of wine flows among different type of retailers.

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In the scientific and professional literature there do not exist studies offering a systematic comparison of the wine distribution systems covering most wine consuming countries, despite the availability of some country reports published by public or private agencies.

The purpose of this paper is therefore to offer a contribution to a better understanding of the diversity among country patterns in terms of wine distribution, focusing on two aspects which are quite important in shaping the organization of the distribution in a specific market, the role of on-trade and off-trade consumption and the role of large retailer in supplying off-trade consumption. The paper offers a quantitative description of the current situation and some indications concerning evolution trends. Such information should be useful to plan more detailed research in the complex area of distribution and, in the business context, to understand the basic features of the different market to better orient the commercial policies in the various countries of wine destination.

The issue of the place of consumption is analyzed considering the relative weight in quantity of on-trade and off-trade consumption in each market. The issue of the place of purchase for off-trade consumption at home.

The work is divided as follows. Firstly, paragraph 2 introduces a theoretical framework about wine distribution: we provide summary notes on intermediaries which operate in the distribution channels, drawing a picture of the variety of access points to wine consumption, both for off-trade and on-trade. Secondly, paragraph 3 contains materials, method, the presentation of results and their discussion. Finally, paragraph 4 gives the conclusions: brief considerations synthesis on the work carried out and, moving from the limitations of the research, the opportunities for further development.

2. Theoretical framework: wine distribution, marketing channels and place of consumption or purchase

2.1. The intermediaries

The intermediate wine distribution, i.e. the segment of wine supply chain in charge of wine transfer to wineries and bottlers to actors delivering wine to consumers, may assume very different forms of organization. Out of the simplest case of direct sale from the winery to the client, possibly through the Internet, the distribution involves more actors which form specific marketing channels.

According to the terminology proposed by Baritoux *et al.* (2006) and Hall & Mitchell (2008), the actors of marketing channels belong to two categories: *market makers* and *matchmakers*. They differ for the way goods' ownership flows in the intermediation process and for the way the actor is compensated. Market makers' reward comes from the bid-ask spread.

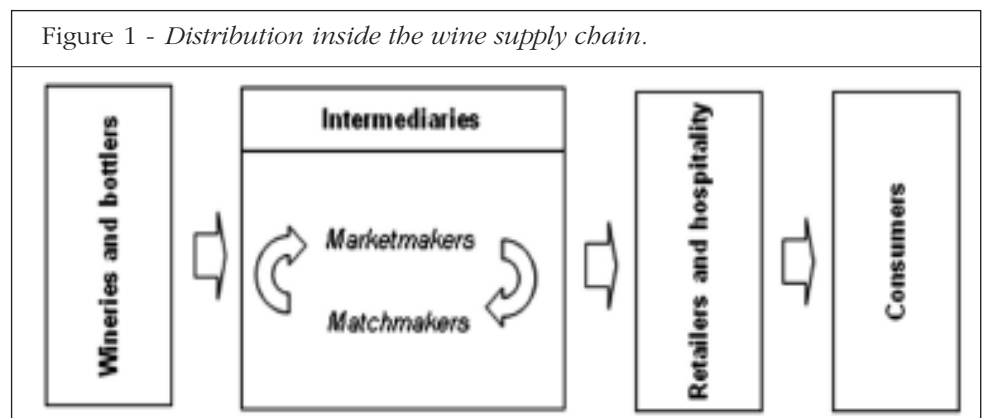
Matchmakers do not participate in the ownership flow, matching buyers and sellers and helping them to transact; their reward comes from a revenue-sharing commission. Market makers and matchmakers may act at different points of the marketing channel and perform different roles, according to the country or the type of wine distributed (Fig. 1).

The actors belonging to the market makers category are wholesaler, distributors and importers or exporters. The difference between wholesaler and distributors is in some cases subtle; the direct translation of these terms may correspond to different meanings. In general, a wholesaler acquires one or more products from producer or importer and resell such products together with many others, without any exclusivity agreement. A distributor, instead, purchases the products of a winery and sells them inside his operation area being the only seller of that winery and performs specific promotion activities to sustain the winery's brand. Importers and exporters are market makers specialized in international trade which may operate as distributors too. Anyway, this is not possible in the USA where the law imposes that the functions of importer, distributor and retailer are performed by different enterprises (Three Layer System). In some countries where a state monopoly is active for wine trade (Canada, Sweden, Norway, Finland, Turkey), the monopolist acts as unique importer and distributor.

The actors belonging to the matchmakers category are agents and brokers. Agents are commissioned to buy or sell wine on behalf of a winery (winery agent) or of a commercial enterprise (buyer agent). Brokers do not conclude any transaction in the name of one party; they are in many cases specialized (fine wine brokers, auction brokers, brokers specialized in relationship with large retailers or state monopolies).

The operative dimension of market makers and matchmakers can be very different and as in production there are some large companies or agencies and a large number of small or niche actors (Lapsey, Moulton, 2001; Gaeta, Pomarici, 2001; Hall, Mitchell, 2008).

The transfer of wine to the actors involved in services for on-trade and off-trade consumption is not operated by distribution systems which are different for the structures of the marketing channel. Indeed, while the marketing channel "might look similar on the face of it, there are in effect two



major systems (albeit with many variants within the systems): one based on volume and logistics and the other based on specialized niches and relationships” (Hall and Mitchell, 2008). Both the market for less expensive wines and the market for expensive wines may be supplied by longer or shorter marketing channels, where market makers and matchmakers operate, but with different specialization and marketing styles (Fig. 2). In the volume supply chain, intermediaries have to negotiate with a rather limited number of clients, but the reduced price of wine asks for an extremely high efficiency. In the specialist value chain, intermediaries have to develop a very wide network of relations which include a rich number of clients as wine stores, quality restaurants and hotels, wine bars, and an also rich number of testimonials as journalists in life style magazines, wine critics and trend setters.

2.2. Ho.re.ca.

A key issue for the role of restaurants in wine marketing is how they source their wine. This means understanding distribution and supply systems in different national and regional jurisdictions as well as restaurant perception of customer preferences. The Ho.re.ca. channel, where the consumption takes place outside the home, is characterized by places where the consumers satisfy their needs for experimentation, variety and offer innovative and higher value (hotels, cafés, restaurants, catering, and wine-bars). The Ho.re.ca. channel, with its dynamism, represents a significant outlet for the industry and, at the same time, a major vehicle of communication for the market. The suppliers of this market are the wholesalers, most of whose wines transit through the restoration market, where it is possible to maximize their image and to satisfy the primary

function of wine, which is to accompany food (Hall and Mitchell, 2008). The attention to restaurants and more generally to the wine-food relationship, represents an important incentive to improve the image of the wine industries and to develop innovation through the supply chains (Regazzoni, 2010). For hotels, as in restaurants, purchasing centers for local places of the same region are appearing to enable better interaction with interlocutors and merchants.

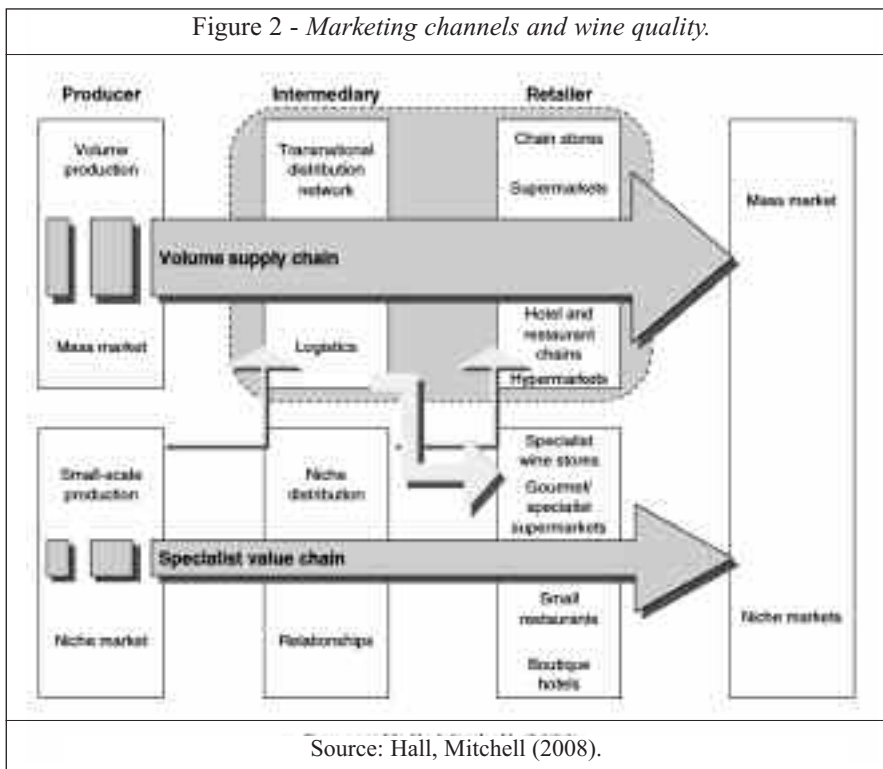
Nowadays, the wine bar is an alternative to traditional pubs, being closer to the typologies of French bistros. Today, youth find a better placement in this trade channel, which the wine industries observe with greater interest. On the contrary, the off-trade consumption passes through supermarkets, discount stores, traditional retail and specialized stores (bottle stores, vintners and wine cellars). Wine cellars are points of reference for all wine lovers, organized in order to secure the sale of their traditional products. Today, wine cellars include a more selective range of products in order to satisfy customers and bring them towards new forms of consumption, such as wine by the glass (Soressi, 2011). Women and young people prefer this channel, relying on advice by wine cellar experts on safe purchasing, food combination, a good quality/price balance and building a wine relationship, not only in terms of curiosity, but knowledge as well (Flamini, 2011). The increase in the Ho.re.ca. channel has determined a large scale distribution growth, a system of centralized trade, with stores located throughout the country or region, characterized by a system of purchasing and a centralized policy (Rocchelli, 2011).

2.3. Retail

The sale of wine on the shelves of retail has increased in time (Rabobank International, 2003), becoming today, the expression of a client who wants to evolve, to learn, to alternate his purchases, to save, but, also, to taste a quality product being an opportunity for supermarkets, discount stores, outlets, hypermarkets, in addition to offer convenience, large selection, service and professionalism. These chains, grouped under few signs of distribution, are the main places of wine purchasing (Rabobank International, 2003).

The importance of large scale distribution among marketing channels has given the possibility to identify the product through signals of quality, since it excludes the presence of intermediaries who interact with customers at the time of selection. The selection of wines has improved the visibility of the product through the private label, the placement on the shelf, and promotional offers (Bernetti *et al.*, 2006). Today, families consider retail a reference point for their quality purchases. In many supermarkets and hypermarkets, part of the shelf is reserved to high range wines, products available, in the past, in the

Figure 2 - Marketing channels and wine quality.



specialized retail and wine cellars, but are now available in modern distribution (Soressi, 2011).

The phenomenon of large scale distribution associated with the increase of trade consumption (F.M.I., 2007), the desire of customers to exchange opinions with wine cellars, the presence of new typologies of retailers (such as outlets, discount stores, cash & carry), have determined the development and the use of new technologies for selling wine, to be able to achieve greater security and reliability. A useful thread to maintain good relations with customers is the conducting of virtual business relationships through the use of the Internet, without the need for physical contact between seller and consumer and in a total absence of defined spaces (Reardon, Gulati, 2008). The creation of dedicated and specialized websites have established the ability to sell wine online, as well as extensive information services on the complex world of wine. These web sites perform different functions: the need of detailed information on outstanding wine or specific vintages (for experts and connoisseurs); the need to provide basic education about wine and its consumption (amateurs); the need for occasional consumers to find a method of purchase in order to be able to avoid discomfort by direct contact with traditional channels. Direct selling is an additional alternative of consumption, especially for the contact with customers, and is preferred for marketing of bulk wine. Its success is guaranteed by the allocation of a place dedicated to the welcoming, presentation, wine tasting and sale of the products.

The world of retail has revolutionized the product on the shelves (Bernetti *et al.*, 2006): from connoisseurs and admirers who buy from wine cellars and vintners, new consumers who intend to approach the sector and who are more and more interested in the characteristics of the product (certification and producer), to occasional users who prefer retail for daily purchases, focusing on well-defined places where consumers can have greater choice and easy access (Deloitte, 2009). Production and distribution try to gain consumers through new distribution channels: the ways in which the product reaches the consumer, differently from the past and from country to country, are characterized by intermediaries interceding between producer and final customer. There are cases in which the producer sells directly to consumers through a direct channel (producer-consumer); in other situations, however, the indirect channel is configured through the presence of different intermediaries.

The indirect channels may be short or long. New typologies of retailers (restaurants, wine bars, bottle stores, outlets, discount stores, shopping centers), characterize the short channel (producer - retailer - consumer), whereas in the long indirect channels (manufacturer - wholesaler- retailer - consumer) the typologies of intermediaries prevail, known as retailers who join the first level of contact, wholesalers of two distinct typologies: packaged wine sellers and commercial operators who buy loose wine to resell it under its own label. The final objective of this distribution channel is to deliver value to the product and to build a relationship with consumers, in other words,

those who buy in order to cover the depersonalization of modern retail shelf (obviously we must remember sometimes national laws regulating distribution dynamics in different ways).

3. The survey about distribution and consumption data analysis

3.1. Materials and method: considerations on reference database

Our research has presented many difficulties, mainly due to an absence of traditional and official statistics. Of course, the reason is closely related to the nature of the survey, which involved an area of great importance, nevertheless neglected in studies of wine consumption trends and in the role of the distributive structures in this context. To have greater clarification on wine consumption, we have created a database from different sources in order to find an answer to distribution in different countries and in particular the weight of mass distribution.

To overcome these problems, a Marketing Intelligence Operation was necessary, which includes different steps: collecting available public and private reports to extract data and useful information for the purposes of this paper; assembling single parts to create a uniform testing, to provide the necessary tools to make any observations and assessments of the considered case and, finally, continuous monitoring and verification of information.

Obviously, this type of analysis requires consequent progressive updates and verification of the consistency of available data. In fact, the consideration of all material obtained, not only through official sources (table 1), but often, also through individual contacts with specialized researchers in this field, has allowed the creation of a personal database, which has guaranteed the development of significant results, to which attention is drawn below.

The database was created so that, at any time, it is possible to identify specific sources of individual original data used for this study. A particular observation, dating back to 2009, concerns the data used; in this case, we have considered only the volume data because the value data is too variable and gives only a general indication of consumer spending. Our database has been constructed so that each value found can be traced back to specific original source. In this survey, we

Table 1 – *List of sources used for database.*

Rabobank Group
OIV (International Organization of Vine and Wine)
USDA (United State Department of Agriculture)
ICEX (Instituto de Comercio Exterior)
WFA (Winemaker's Federation of Australia)
ICE (Istituto Commercio Estero)
MEDIOBANCA (Ufficio Studi)
ISMEA (Istituto di Servizi per il Mercato Agricolo Alimentare)
ONIVINS (Etablissement National des Produits de l'Agriculture et de la Mer)
New Zeland Trade & Enterprise
California Wine Export Program
AWBC (Australian Wine and Brandy Corporation)
EUROMONITOR INTERNATIONAL (Wine in Europe)

have considered the most representative countries in wine consumption, grouped according to an affinity criterion of individual market characteristics. The following groups of countries are:

- Old World countries of wine (France, Germany, Italy, Spain, Portugal);
- New World countries of wine (Australia, Chile, USA, New Zealand, Canada);
- Northern European countries (UK, Belgium, Denmark, Sweden, Netherlands);
- Eastern European countries (Poland, Russian Federation, Bulgaria, Ukraine, Czech Republic);
- Eastern Asia and emerging countries (Japan, India, China).

3.2. Description and discussion: data analysis

3.2.1. Weight and dynamic of off- and on-trade channel

Considering the set of countries (graph 1), we have a comprehensive view of our analysis. We can observe that the percentage weight of off-trade consumption on total volume considered is between 25% and 95%, but in the on-trade consumption the oscillation is about 10% and 75%. However, contrary to the width of the gap denoted by two reference areas, the off-trade channel presents a clear homogeneity, since only a few countries deviate more from medium value rather high (just over 70%), as well as a reverse situation occurring in the on-trade channel (where the average for most countries is approximately 30%).

More specifically, considering the Old World wine countries (Table 2a), we can see how the off-trade channel appears the most important, with a gap, between two channels, that is about 82% in Germany and 58% in Spain; Italy and France have the same balance. The only exception is in Portugal, where the on-trade is twenty percent higher than off-trade. The situation is really homogeneous in the New world countries (Table 2b), especially in the off-trade channel with an average of about 85%. In the Northern European countries (Table 2c) the situation is very similar, extremely compact and solid: about 85% in Netherlands and 70% in Sweden, with a

strong tendency in the off-trade channel. In the Eastern European countries (Table 2d), there is a clear variability, despite the preference of off-trade consumption. In fact, the off-trade is predominant (between 90% and 80%) in Poland, Russia and Bulgaria, but the on-trade channel is really competitive in Czech Republic and Ukraine, with values higher than 40%. Finally, in the Eastern Asian and emerging countries (Table 2e), we can observe an opposite trend compared to the previous groups of countries: in fact, the on-trade channel prevails, except in Japan where there

Table 2 - On-trade and off-trade in percentage for groups of countries.

	Country	On-trade (%)	Off-trade (%)
a)	<i>Germany</i>	18%	82%
	<i>France</i>	30%	70%
	<i>Italy</i>	30%	70%
	<i>Spain</i>	42%	58%
	<i>Portugal</i>	60%	40%
b)	<i>Australia</i>	20%	80%
	<i>Chile</i>	21%	79%
	<i>USA</i>	21%	79%
	<i>N. Zealand</i>	25%	75%
	<i>Canada</i>	15%	85%
c)	<i>Netherlands</i>	15%	85%
	<i>UK</i>	21%	79%
	<i>Belgium</i>	25%	75%
	<i>Denmark</i>	25%	75%
	<i>Sweden</i>	26%	74%
d)	<i>Poland</i>	5%	95%
	<i>Russian Fed.</i>	10%	90%
	<i>Bulgaria</i>	20%	80%
	<i>Czech Rep.</i>	40%	60%
	<i>Ukraine</i>	42%	58%
e)	<i>Japan</i>	50%	50%
	<i>India</i>	28%	72%
	<i>China</i>	47%	53%

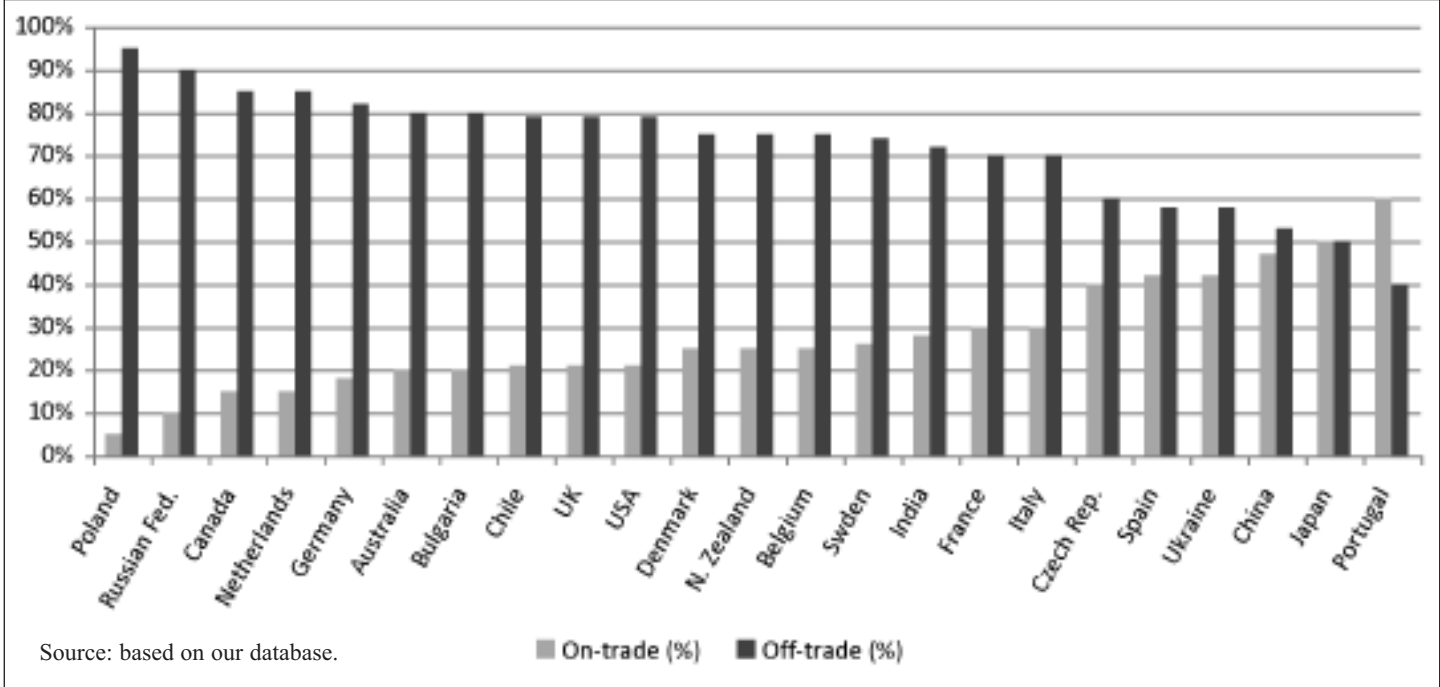
Source: based on our database.

Table 3 - The weight of retail on off-trade consumption in percentage for groups of countries.

	Country	Retail/Off-trade (%)
a)	<i>France</i>	80%
	<i>Italy</i>	80%
	<i>Germany</i>	80%
	<i>Portugal</i>	70%
	<i>Spain</i>	60%
b)	<i>USA</i>	45%
	<i>N. Zealand</i>	5%
	<i>Australia</i>	0,3%
c)	<i>Netherlands</i>	90%
	<i>Belgium</i>	80%
	<i>Denmark</i>	75%
	<i>UK</i>	70%
d)	<i>Russian Fed.</i>	90%
	<i>Czech Rep.</i>	75%
	<i>Poland</i>	50%
	<i>Bulgaria</i>	40%
	<i>Ukraine</i>	30%
e)	<i>China</i>	70%
	<i>India</i>	63%
	<i>Japan</i>	60%

Source: based on our database.

Graph 1 - On-trade & Off-trade: weight percentage of total consumption volumes by countries.



is a perfect equilibrium between the two channels. More specifically, this supremacy is evident both in India, where the on-trade is higher than thirty percent compared to the off-trade channel, and in China, where the difference is about fifty percentage points.

Particularly interesting in this analysis is an inter-temporal comparison to understand any changes in trends related to the preferences of buyers. From data related to the first decade of the millennium (graph 2a), we can note how in Italy, a country where, traditionally, the consumption takes place mainly through off-trade, the off-trade channel has decreased by more than ten percentage points, in less than ten years, indicating some changes in the wine buying habits. A similar situation, even though more contained, is visible in France and even less in the United Kingdom, where there is a clear stability in these values, whereas in the other countries there is a clear increase. Only in Germany we can note the opposed situation.

Instead, if we consider some countries of the new world or emerging markets (graph 2b) the trend about the last five years shows the growth (although small) of off-trade channel, except in China (where the situation is relatively stable).

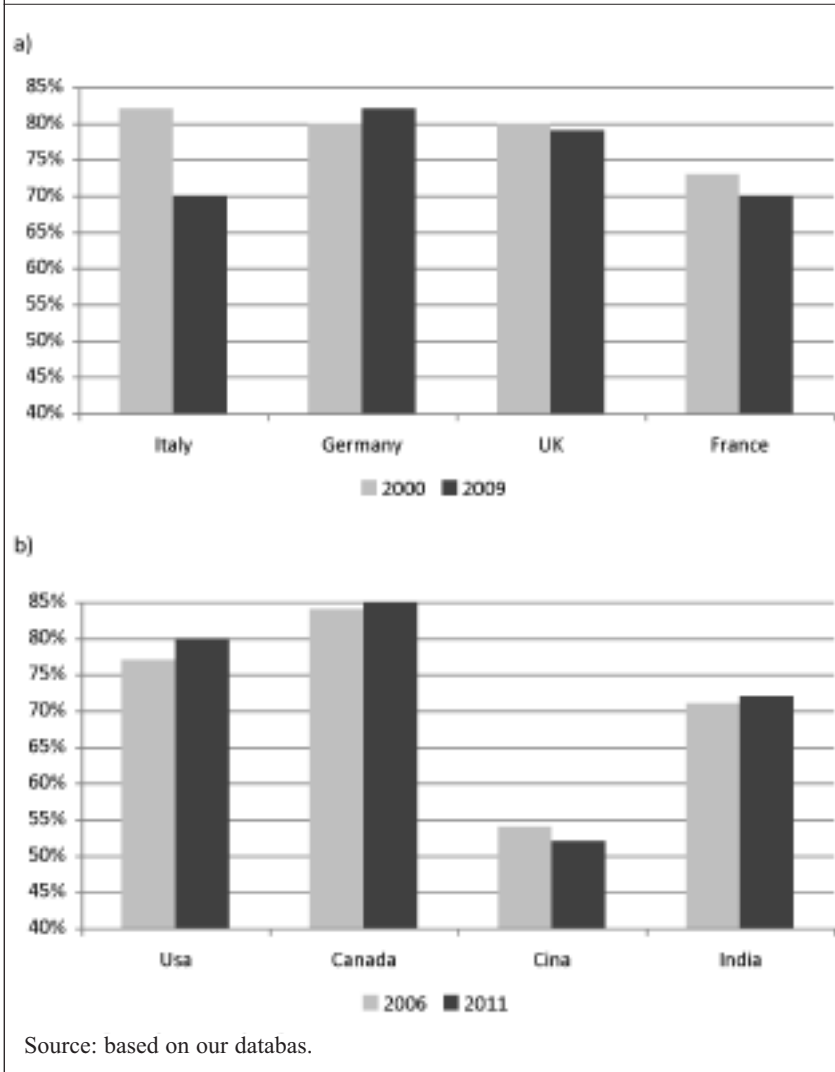
3.2.2. Weight and dynamics of the mass distribution within the off-trade channel

It is very important to analyze the role of large-scale distribution in relation to the sales volume of off-trade channel (graph 3), to understand the weight in relation to other actors. Within each group of countries studied there is a certain variability (table 3), more or less pronounced depending on the case, whereas the general values of Russia (for the size of this market) and Netherlands stand out where the off-trade consumption is covered almost entirely by large-scale retail

(90%). Opposite cases, but just as significant, are those of New Zealand (just under 5%) and Australia (0.3%), particularly for local regulatory reasons (such as the prohibition of alcohol sales in retail trade). Except for these latter cases, the preponderance of the role of large-scale distribution is obvious and substantial in all considered countries in this study.

Considering the individual groups, the greater variability in weight of off-trade consumption of large-scale retail is occupied in Northern Europe (between 70% in UK and the Netherlands 90%) and in Eastern Europe (with a gap between 30% in Ukraine and 90% Russian Federation). In the group of New World countries, only the United States achieve 45% (notwithstanding the prohibition of alcohol sales in supermarkets in many states).

The Asian countries considered, however, have a better balance: Japan and India are about 60%, while China is almost 70%. Finally, the Old World wine countries, such as Spain and Portugal, have lower levels (60% and 70% respectively), but are still very important, while Germany, France and Italy have a value of about 80%. Considering an inter-temporal comparison for the major countries (graph 4), in less than ten years, we have seen how the weight of the distribution of off-trade channel has rather grown in the main countries. We have had a particular situation in Italy: contrary to what someone might commonly think, from 2000 to 2009 there has been an increase from 33% to 80%. This situation is particularly significant because it provides a good indication of how the weight attributed to mass retailers in satisfying domestic consumption of wine in this country has changed in a relatively short period: in fact, it has passed from a mere marginal role of distribution to one of major importance. This means that most likely as a consequence of the phenomena of interna-

Graph 2 - *Off trade consumption: examples of inter-temporal comparison.*

tionalization and globalization of consumption and buying habits, small wine cellars and retail stores, traditionally the main actors of the wine sector, have increasingly been replaced by large distribution, with all its positive (wider range, competitive prices, etc) and negative aspects (less contact with specialists, no possibility of tasting, etc).

3.2.3. The possible mechanisms driving the change

The international comparison carried out in the previous paragraph shows a very complex picture. Considering the distribution of consumption between on- and off-trade, the dominance of consumption at home is evident, but it is not possible to recognise a unique change trend. Considering the role of different retailers in wine sale it is quite evident that there are many different situations concerning the role of large retailers.

Analysing the changes in the distribution of consumption between at home and in the hospitality, it is possible to observe cases of relative increase of consumption in the hospitality and cases of relative decrease; therefore the evolu-

tion of consumption habits is driven by factors which are country/area specific.

The reasons of changes are quite clear in the larger consuming countries, as France and Italy. Here wine consumption is declining and the relative increase of consumption in the hospitality probably depends on a decrease of consumption at home, linked with the reduction of daily consumption, higher than the decrease of consumption in the restaurants, as the role of wine on social occasions is still very important.

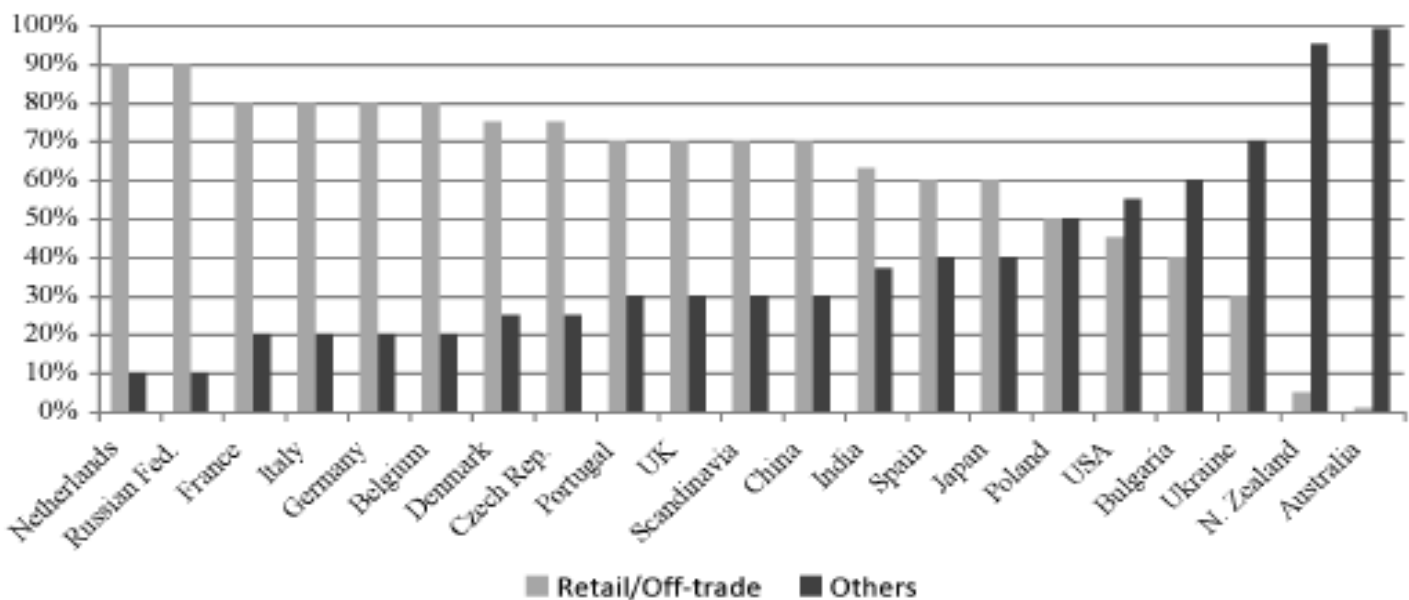
In the countries where wine consumption is increasing, it is possible to observe cases of increase of the share of wine consumed at home (USA, Germany, Canada and India) and countries where such share is decreasing (UK and China). In the larger market (in India wine consumption is still very occasional and, therefore, it is hard to identify processes of change) the increase of share of wine consumed at home can be explained by the improved availability of wine in the retail combined with a increased competence of consumers. Such elements should encourage consumers to become autonomous in the selection of wine and, therefore, to enlarge at home consumption during standard meals or social occasions. Some market research focused on the US market has outlined that such process has been fostered by the recent financial crisis (Nielsen, 2008). The reasons why China follows a different path (the share of at home consumption is anyway low) can be due to a new situation: there, wine is a new product and, moreover, it is more a status symbol than a style symbol; in such situation on one hand the availability of wine in the retail could be relatively poor and on the other hand the social value of wine

pushes for consumption in restaurants.

More difficult to understand is the case of UK. Such country should follow the same evolution path of other countries where wine is already well known and quite commonly used. The available information does not explain if the increase of the share of wine consumed in the hospitality depends on a comparatively less efficient wine sale system in the retail or on a peculiar social role or use of wine.

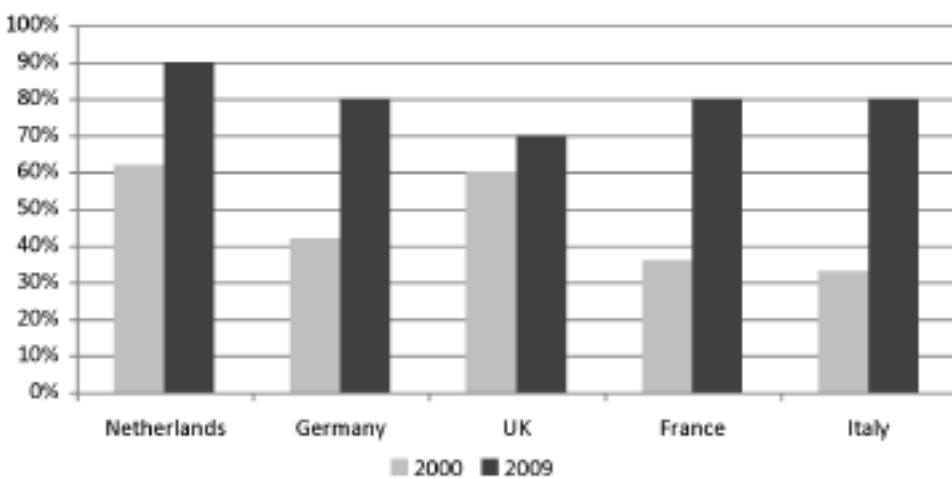
The increasing role of large retailers in wine sale is connected with the enlargement of the share of such retailers in the whole grocery business, as already noted in the paragraph 2.3. Besides this general reason, it is possible to observe that the increase of wine sale through supermarket shelves is pushed by the specific efforts of retailers managers to improve wine supply which are determining, where successfully applied, a positive reaction by consumers. Wine is one among the most profitable goods and the increasing availability of good wine in supermarket has a positive effect on sale of other goods (Palese, 2011). The F.M.I. wine study reveals that several years of food store Infoscan data have shown

Graph 3 - The weight of retail on off-trade consumption (%).



Source: based on our database.

Graph 4 - The weight of retail on off-trade consumption (%): examples of intertemporal comparison.



Source: based on our database and Rabobank.

4. Conclusions: marketing implications and insight for further research

The competitive landscape of the wine market is driven by four forces: the evolution of demand, the growth of power distribution, the emergence of the importance of the brand and the growth of competition. Such forces began to operate during the '80s (Rabobank, 2003) and are still active. The development of demand led consumers to ask for quality in terms of absolute value (obvious price/quality ratio), diversification of sensory experiences, very important elements of individuality and recognition of

products: they have passed in manufacturing companies, triggering stringent processes selection of supply. New consumers' needs were then averaged by very complex distribution system, largely internationalized, where the large-scale distribution has expanded its role and power in the sale of basic and commercial premium wines. Indeed, the combination of demand and distribution has led to a structural change in the wine market, which has been transformed from highly agricultural nature led by supply to food industry characterized by high levels of competition and professionalism. The supply adjustment to the quality standards (required by the market) calls for investment in research and experimentation (wine, wine making, management) but the key issue is the identification of products and

that consumers tend to buy a more expensive basket of goods for shopping trip when they shop for wine at food stores, producing an incremental sale (about \$20), beyond the cost of the wine purchased (basket effect) (F.M.I., 2012). The wine category managers are therefore improving the range, combining wines with producer label with wines with private label and making wines available in large containers (3 or 5 litres cask (Bag in Box)) offering high value for affordable prices. Actually the presence of wine in the supermarket shelves make the access to wine easier and the F.M.I. wine study calculate that the removal of constraint to sale of wine in food store in the US should allow an increase of wine sales in United States by 6%.

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firms. The marketing strategy has therefore to include branding strategy, too. Finally, the enlargement of the geography of production and the consequent multiplication of clever supplier boosts the competition among companies and among regions.

In such complex scenario, wine producers have to adapt and effectively to answer to changes. Considering the two issues addressed in this paper, the distribution of consumption among on trade and off trade and the share of large retailers on the wine sale for off trade, what comes out from the research has some relevant marketing implications.

The large scale distribution is becoming the key channel for wine distribution in almost all countries where there are no legal constraints to the sale of wine in such outlet. Such phenomenon can play a selective role in terms of size of wine producers as large retailers tend to exclude too small supplier. However, the dimensional limit does not seem to be the most severe, because large retailers do not like to become dependent on a few suppliers and tend to have a quite large range of products. The most severe selection is the capacity of the wine producers to sustain a business to business relation with a very high standard of professionalism and open to the promotional activities and the range of development policies typical of large retailers. Actually, basic and commercial premium wines can be efficiently sold by large supermarket chains; however, large supermarket chains can impose severe conditions on suppliers in terms of price discounts, contributions to promotions, just in time deliveries, high referencing costs, production for own-label sales. To meet these demands, to reduce negotiating power imbalance and to develop satisfactory relationships with large retailers, wine producers are obliged to raise their efficiency and flexibility and, if too small, to set up horizontal partnerships or merge to become bigger in size so as to take advantage from economies of scale and scope. In other cases, and sometimes simultaneously, exporters and distributors have to cooperate closely in long-run vertical arrangements to make the supply chain more efficient and to maximize customer service. This could be done by integrating business functions and introducing new information technologies at the different stages of the value chain, enabling the implementation of total quality and traceability systems, as well as of initiatives like EDI (Electronic Data Interchange) and ECR (Efficient Consumer Response). In short, it is necessary to allow that wineries are fully integrated in the advanced models of supply chain management (Håkansson and Persson, 2004; ASDA, 2008).

Selling in the large scale distribution requires also to be active in the promotion of own products inside the point of sale, to be realised with many tools, including leaflet and positioning of products, to compensate the low customer/service staff interaction (Brodie and Hollebeek, 2009; Hollebeek, 2010). But, besides such specific and basic elements, the new frontier for producer is to be able to become a part in what is currently defined as shopper marketing: i.e. the planning and execution of all marketing ac-

tivities that influence a shopper along (and beyond) the entire path-to-purchase, from the point at which the motivation to shop first emerges through purchase, consumption, repurchase, and recommendation (Shankar *et al.*, 2011). Such marketing approach pursues an effective alliance among producers, retailers and shoppers to identify new win-win-win solutions among such three subjects.

The share of wine sold through Ho.re.ca. system is decreasing in most countries, even if wine consumption has increased in specific countries (such as France, Italy): but this increase is relative, because the on-trade consumption is actually decreasing in absolute terms. Such picture imposes to producers to rethink the marketing strategy toward the Ho.re.ca. system, trying to understand the kind of actions that can be undertaken to improve the quality of wine supply in such system, and, actually, some recent contribution reveals the possibility to push the wine sale in restaurants (Hildebrand, 2012). The wine sale in the hospitality is a very difficult task and also in traditionally wine consuming countries there are quite few places where the wine supply is optimised. Therefore, it exists the possibility for producers to improve their position in the Ho.re.ca. system, organising events in the restaurants or wine bars or assisting hospitality managers in the improvement of wine service (Gultek *et al.*, 2006; Corsi *et al.*, 2012). Such assistance can be directed to the education of service personnel, in the set up of wine list and in providing equipment to improve and make more flexible wine supply (wine serving equipment for the by the glass service; cellar refrigerating systems, bottle microchiller cooling unit, etc.). The alliance that is possible to realise between producer and restaurant or wine bar can be profitable for the producers not only for the increase of sale in the wine bar or restaurant itself but also for a promotion effects useful also to improve sales for domestic consumption.

Finally, it is possible to observe that the paper reveals a situation characterized by important changes, any study on wine distribution must be continuously reviewed, updated and its sources verified. Aside from possible error in data, situations and scenarios often change quickly, as previously observed. This is due to the fact that many phenomena, like those analyzed in this study, are not easily predictable, and this in turn, implies the possibility of different considerations on the values. As noted, the role of large-scale distribution (retail) in domestic wine consumption channel is very dynamic, highly diversified among countries and groups of homogeneous countries object of our research and also the performance of Ho.re.ca. system is evolving, with different paths in the various areas involved in wine consumption. Of course, beside the monitoring of trend in the structure of wine distribution it would important to carry out consistent investigation to explain the mechanism underling the change, confirming or modifying the hypothesis that can empirically come out from the experience of the market, and to give marketing insight to producers to take advantage from the changes.

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