

The Strategies Implemented on the Wine Market

Gabriela IGNAT

University of Agricultural Sciences and Veterinary Medicine of Iasi, 3 Mihail Sadoveanu Alley, Iasi,
Romania: gabitu03@yahoo.fr

Abstract: One of the most representative products, a true "ambassador" of Iasi county is, in our view, wine. After having joined the European Union, Romania – and consequently Romanian wine, especially the one obtained in our county – is given a series of development opportunities, from investments, free circulation of goods and the integration in the European system of copyrighting, branding and names of controlled origin. These opportunities are primarily based on product quality, rigor of producers and particularly on the creativity of strategies for turning into account, which should leave their mark much more powerfully. In this area of the country, Iasi county, special attention should be given to this sector of activity that would engage in effectively developing the area and would create a national "brand" and a favorable image abroad, effects reflected in the promotion of rural tourism and handicraft products, on both national and international levels. The SWOT matrix analysis and the Porter Diamond analysis were performed in order to diagnose this sector.

Keywords: business, strategy, price, customer, brand, publicity

INTRODUCTION

At present, the wine sector in Iassy is positioned as a supplier, practicing low costs and prices and producing traditional wines for the traditional, unsophisticated consumers. The sector is caught in this trap of low cost - reduced value because of a lack of funding that would noticeably improve quality and productivity on every link of the value chain. The price is the only part of the marketing mix bringing income (the other elements representing costs) and also the most flexible, because unlike products and distribution channels, can be Quickly changed. Therefore, we believe that the strategies for turning into account may be focused on price strategies.

MATERIALS AND METHODS

On the market of Iassy, the price decision can be taken through a strategic approach that tries to take into account the general objectives of companies, the economic situation and last but not least, the characteristics of the consumers. These opportunities are primarily based on product quality, rigor of producers and particularly on the creativity of strategies for turning into account, which should leave their mark much more powerfully.

RESULTS AND DISCUSSION

In Iasi County, wine has the potential to become an important sector in a short period of time and represents a good chance for a increase in the level of employment, including suppliers, small family businesses specialized in this field, vine cultivators, processors, bottlers, retailers and exporters. The SWOT analysis provides initial clues on the problems

faced by the sector, as well as its opportunities. Strengths include weather condition and soil type, both favorable to cultivating vine, cheap labor, having as background a long tradition in cultivating vine and producing wine, as well as a tradition of domestic consumption of wines, the existence of unique vine sorts, strategic placement as far as the access to the international market is concerned.

Weaknesses include the lack of long-term strategies, poor access to financial resources, weak implementation of quality standards and low investment in modern processing, the wines produced outside of SC Cotnari are associated with cheap wine, poor quality export markets; old vines, slow paced replanting, low investment in modern processing capabilities; large proportion of hybrid wines in total production. There are major opportunities which may encourage the growth of this sector in the following years. Wine consumption is increasing on the domestic and international markets. Over 70% of wine is sold in bulk and there are opportunities to add value by increasing the sales of bottled wine in other counties and even export by creating a brand and improve the quality of this bottled wine. Opportunities: the consumption of quality wine is increasing; Iasi County does not have a strong reputation in various areas of the world yet; good relation to tourism, potential for the promotion of domestic varieties. The risks of this sector include the increased competition associated with EU accession and the inability to meet current standards and the conditions imposed by the community market. Poor quality and lack of application of standards can have a negative impact on the perception of wines produced in Iasi.

The Porter Diamond analysis is a strategic tool for analyzing the competitiveness of firms. This analysis shows the 4 determinants of competitiveness in the context of the wine producing sector in Iassy: current competitiveness is weak. One of the propellers of competitiveness is closely linked to the sophisticated and demanding consumers who send strong signals to the sector, requiring constant innovation and improvement. In our view, consumers in Iassy do not offer such signals and are not very demanding in terms of cost consciousness and traditional taste which activates the decision of consumption; the strategies used by companies in Iassy are unsophisticated. Wine producers compete especially in terms of price with similar products of the competitors, the weak link in the related sectors and the ones supporting this sector is that with banks and funding institutions that are not willing to grant credits for agriculture and who have not developed financial packages for the production of wine and, therefore, it is difficult for farmers to renew their vineyards. We therefore suggest that the sector be connected with the "Ion Ionescu de la Brad" University of Iasi and with the goal of quality improvement.

The situation of basic factors influencing vine cultivation is a fairly good one, as the soil and climate are excellent. Problems arise at the level of selecting the various types of vine without taking into consideration the sophisticated market analyses and studies of effectiveness and productivity. The Iassy wine role on the market is at present one of low-cost wine distributor for traditional and less sophisticated consumers. This sector is trapped in this low cost – low value situation because of the lack of financing which would significantly improve both the quality and productivity in each stage of wine production. The promotion of Iassy wines implies the creation of certified brands and quality standards through well-documented options related to target markets, positioning, packaging and distribution channels, and also through the participation in exhibitions, wine tasting, promotion of high quality wines.

A program for the improvement of grape quality and modernizing processing machinery is also needed, and the grant and credit funding access should be enriched and made more accessible, through the usage of guarantee funds for the ownership of the land.

Co-financing access is also to be taken into consideration, from the ones interested in joint venture enterprises, with foreign partners that could provide technology, market access and key input.

The price is the only element of a mix of income-bringing marketing strategies and also a flexible one, as it can be rapidly modified, unlike product or distribution channels. Therefore, we believe that selling strategies can be based on price strategies. The prices of wine and wine products can be established so as to support the retailers. In order to attract consumers to a certain type of wine or to increase the number of customers, the company may resort to temporary reduction in prices, or maybe with a certain price range to increase sales of other types of wines. Pricing strategies used for the recovery of winemaking are difficult to apply because the products are sold mostly on local and regional markets. On the Iassy market, the price decision can be taken through a strategic approach that tries to take account the general objectives of companies, the economic situations and last but not least, the characteristics of the consumers. The objectives of strategies on the market price of Iassy are as follows:

A. Maximizing of current profit. In general, any company is struggling to achieve a profit, which is the main objective of the existence of the wine-producing unit. In this case, the goal is to estimate the demand and costs in order to practice several levels of price and try to choose what price would lead to maximum profit. The weak point of this strategy would be increased interest towards the outcome of the current financial year and not long-term performance.

B. Survival - a unit that aims to survive can practice a low price, hoping that through such strategies the wine demand will grow. In this case, profits do not constitute an objective. All efforts should be directed to help cover the cost, expenses and a variable part of the fixed costs. It is a strategy that can be adopted only in the short term.

C. Maximize market share .It is considered that the company with the largest market share uses the lower costs and high profit in the long term. In order to attain the position of leader, the company can set prices as low.

D. Market dominance through product quality .Dominance on the wine market can be achieved through product quality and therefore one can practice a high price to cover costs and reflect their quality.

E. Analysis of price – demand relation for a wine producing company, price may strongly influence the demand level. The higher the price, the lower the demand. For example, as price increases, the wine sold in bulk to a manufacturer will lead to a decreased demand. Not the same happens to high-quality wines sold by a renowned manufacturer. Price increases may signal improving quality among loyal clients, and therefore, the sales volume may increase. And in this case, if prices increase above a certain income, demand starts to fall. Therefore, each wine producing company must seek to determine what changes in behavior regarding the price their buyers have, when they lay down plans for marketing.

These can be: the price sensitivity of buyers is small when the wine is of quality and product company with a reputation; as consumers have lower incomes, they also have an increased sensitivity to the price; consumers consider that a high price is a fair price for rare wines, for collectors.

We can say that the change in price of a range of quality wine lead to a relatively small decrease in demand. In the case of table wine, the price increase leads to a strong demand decrease. When the level of demand varies very little at a low change of price, we consider the request at inflexible. Assortment of wine. In the other case, there is a flexible demand. For the leading business, it was demonstrated that it held a strong position on the market, that its

products are of high quality and cannot be easily replaced, and that it is based on a broad category of consumers who appreciate the name, quality and for whom price would not be an impediment. Occasional consumers gave up buying this wine, the reason being the high price compared with their purchase possibilities. For table wines, the second manufacturer has not adopted an appropriate strategy, since it is not based on quality products, but on products that can be quickly replaced with other products of companies that employ lower prices. In general, for wine products, keeping prices at a set level that is monitored by the manufacturer is particularly difficult. An important role in the promotion of sales is the duration of the promotional period. If the period is too short, a lot of potential customers who cannot make purchases during that period will miss it. In what the sales budget is concerned; two methods can be used to calculate it. One may choose the desired promotional activities and calculate the total cost later, but generally, wine selling firms allot a certain percentage of the total budget for promotional purposes. For centuries, wine has enjoyed a privileged role in many cultures. Given that advertising has gradually become a "tool", in wine publicity ads continue to be very similar to those made for other products. The image of a brand is not only the knowledge and opinion on the quality and usefulness of a product but also appreciation, feelings and emotions associated with it. These emotional responses to a brand are key elements in the case of wine, where qualities can be found only through a promotion of the product and communication prior to the acquisition and tasting. Therefore, wine producers should learn to develop strategies for promotion, following the example of other industries, but without losing their authenticity. In the wine industry, the authenticity of the image is the key to success. Fairness, honesty and originality are the attributes linked to major brands. Rejection of the market and maintaining quality during the process of marketing are also often brand attributes of authenticity. It plays a very important role in the success of the product. Authenticity is one of the foundations of appreciation in the market and an important aspect in promoting wines. Attributes that define the authenticity of the brand in the wine industry would be:

- Heritage, tradition and origin: they are associated with a certain level of trust, adding value to the mark; Consistency of style, with slight variations in the level of quality, this being the essence of authenticity; Keeping quality: a commitment to the preservation and improvement of the quality is appreciated by the consumer in the case of "premium"; Adherence to an area: the combination of trade with place, geographical area, expressing the uniqueness and sincerity, two very important attributes for premium wines; Production method: knowledge of the production process offers useful consumer information, helping the latter to have confidence in the authenticity of wine.

CONCLUSIONS

A factor contributing to the increased use of public relations as a marketing tool is their reduced cost. Sponsorship may be less expensive than advertising. An ever growing contribution is made by sponsorships of cultural, sports or scientific activities. Creativity in advertising is defined by a set of attributes: novelty, meaning and emotional content. Advertising can be made by a spokesman for "created" or by a celebrity. The first of these would be more effective if it is his aim to differentiate a brand from another or to outline its specific personality. One of the best ways to reinforce loyalties and authenticity of a brand of wine is by creating a club in which customers could experience the quality of wine. It also helps reduce the costs of marketing, because "keeping an older customer costs five times less than

attracting a new one". Wine club members will receive letters about the emergence of a new product, promotional offers, and free samples and will be invited to special events.

REFERENCES

1. Bernadet, S.P., (2000). *Precis de marketing*. Ed. Nathan Paris..
2. Dubois, P.L. and Jolibert (1998). *A Le marketing*. Ed. Economica, Paris,.
3. Ignat, Gabriela (2006), *Teza de doctorat*.