

## **International expansion, market maintenance strategy used by French Winemaking Industry**

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**Abstract:** *Starting from the theoretical concepts that define the maintenance strategies for the international market, this paper presents the results of a quantitative research survey conducted among Romanian consumers of wine. What is aimed at is to know their attitudes and opinions referring to wine imports in order to identify a strategy for the entrance on the Romanian market of the French wine producer Louis Latour, which is imposed by the need to maintain sales in the context of demand shrinking on the home market. The conclusion of the quantitative research conducted on a sample of 402 people from all country regions reveals the opportunity of entering the Romanian market by using indirect export as a way of entering the market.*

**Key-words:** *wine market, quantitative research, winemaker, export, consumption*

### **1. Introduction**

The economic strategy represents the assembly of economic goals that the management of a company intends to achieve, the objectives set on the basis of studies, scientific research, forecasts; actions which need to be taken at different time intervals and the way in which resources are allocated in order to maintain the competitiveness and the future development of the company.

An organization's ability to integrate its environmental forces, to concatenate its internal resources and integrate the pressure from investors and stake holders in order to succeed in creating value at the end of each business cycle is crucial to its success and sustainability (Drumea, 2004).

Clients want to have confidence in the company's ability to provide the required quality and to maintain this quality. To earn this trust, the company must be able to demonstrate that it has implemented an effective quality management system (Neacşu, 2015).

In a tense and unstable economic environment companies secure their existence and success through the adoption of appropriate strategies (Băltescu, 2010).

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Depending on the dynamics of the market, on the dimensions and on its specific traits several types of strategies can be adopted:

1. Growth strategies - adopted by the companies that are expanding, which develop their production and sales, influencing the consumer's demand.
2. Maintenance strategies – are applied if the company operates in a saturated market or the availability of resources is limited.
3. Shrinking strategies - used when the market is in decline or the company changes profile, orienting itself towards other markets or products. This type of strategy expresses the survival of the company for a limited period and it does not reflect the spirit of the marketing, but, it is, in extreme situations, a temporary solution.

The choice of the strategic alternative in order to maintain sales volume depends on the position that the company holds in the market, each aiming in fact to get a placement as advantageous as possible to their competitors. Thus, the company can adopt one of the following strategic orientations:

- The expansion of the market by attracting new consumer segments, the discovery and promotion of new uses for products, the intensification of the use of the same products;
- The protection of the market share either by innovation or by strengthening measures (product diversification, the creation of new brands, the improvement of the quality / price ratio etc.) or by the adoption of a confrontational strategy with the competitors in the major areas of the marketing activity (promotion, prices etc.);  
- the increase of the market share, by using all available means, by taking into consideration the risks and the probable effectiveness of such strategies.

## **2. Wine market in Europe**

The world wine production is dominated by Italy, France and Spain, as together they produce 48% of the total world wine production, the three European winemakers representing, at the same time, two-thirds of the world wine export, both in terms of value and of volume.

Each of these three countries has its own model of production. These coexisting models rely on complementary 'product positions' clearly identifiable in their export structures.

The positioning of the French market is based on the creation of value. The quality report (the relationship between the export value and volume) is two times higher than Italy and, respectively, five times higher than in Spain. Italy has an intermediate position, on the increase by comparison to the qualitative model. Italy's growth in terms of quality is similar to that of France (240% for Italy, compared to 250% for France, between 2001 and 2014) in conformity with the declining trend of

production. However, the vineyard area in Spain remains, on the average, by 35% higher than in the neighboring countries.

As for the position of France as the leader in world wine consumption (43.8 liters of wine / year / person in 2013) it begins to change, joining the downward trend that manifests in Europe where there is a decrease by 17,000 hectoliters of the wine consumption between 2003 and 2013. The production of French wine is in decline as a consequence of the climatic conditions in recent years and productivity is decreasing by 8% compared to the previous year, while the competition from the New World is increasingly present, forcing French wine producers to score low in the long-term.

Unlike Spain, which in 2014 becomes the largest wine exporter in the world, and which is threatened by the competition from the New World due to low positioning and to the average capacity of the production lines, in France, there are many vintners who, despite their small size vineyards, have solid, high quality structures, which helps French producers be less vulnerable when faced to new competitors that compete with medium and small size products. While the qualitative position of the French producers has not been called into question yet, it is high time to identify the areas of growing export and of optimizing risk management.

Although the African market which is characterized by a low level of wine consumption has a strong growing potential, and Asia's potential is even higher due to the popularity of wine in China, as consumption is expected to increase threefold by 2022 thanks to the evolution of the middle-class population, the free trade agreements between China, Australia, Chile and New Zealand offer advantages to wine exporters in these countries due to tax exemption. Moreover, the lower exchange rates in Chile and South Africa strengthen their competitiveness as far as the price is concerned. This means that the traditional exporters need to face competition from low positions and from an average level of the market.

Bearing in mind the fact that the competition between the European producers and those from the New World is manifested on the low and medium level quality market, the French wine producers need to focus on markets where there is demand for quality wine, to enter the market with their products in order to maintain the existing level of sales before the decrease of consumption.

Nearly 70% of the French wine exports come from the four major classical regions: Champagne, Cognac, Bordeaux and to a lesser extent Burgundy. The other regions share the remaining 30% of this 'cake'.

Maison Louis Latour, one of the traditional winegrowers that began its activity in the 17<sup>th</sup> century, sells some of the best wines in Burgundy, but being a family winemaker, it has a limited export power.

Without neglecting the importance of the domestic French market and the need to deeper penetrate it, the decline in consumption and the ever growing

competition require a sustained effort in promoting and marketing this wine producer on foreign markets.

A future challenge for the French winemakers is to overpass the difficulties it currently faces. An effort to promote and market in foreign markets doubled by the improvement of the commercial infrastructure will allow an ever increasing presence on foreign markets (Tomas Miguel and Exposito Langa, 2016).

In order to become familiarized with this market and to choose the entering strategy a quantitative marketing research has been conducted.

Strategically, efforts are needed to penetrate foreign markets less saturated than the French market. The effort must be focused primarily on those foreign markets where the Burgundy wine has already been accepted and appreciated. An attractive market from this point of view is the Romanian market. In order to know this market and to decide how to penetrate it, a quantitative marketing research was conducted.

### **3. Quantitative research methodology**

The topic of the quantitative marketing research is: "Opinions and attitudes of Romanian population regarding imported wine". The main objectives of research are

- to know the level of wine consumption in Romania;
- the importance given to wine in healthy nutrition;
- the importance of the price-quality ratio when deciding to buy the wine;
- the impact of the brand on consumer behavior;
- what habits are there in the wine processing process.

The survey took into account direct interviews with a number of 402 subjects, based on a questionnaire, which contained 18 questions. The sampling method is probabilistic, with multistage sampling, as it allows the possibility to extrapolate the results obtained for the entire research population. The systematic error is of +/-5%. The sample included residents from all cities of Romania. The field collection of information was performed using five interview operators who were previously trained in order to ensure the accurateness of the results, to collect as many responses as possible and all the information needed for this research. About 10% of the conducted interviews were double-checked by telephone to identify any errors or circumvention of the rules stipulated in the specific guide that each operator received. The information gathered from the field were processed and analyzed using the SPSS program, which ensured the accuracy and quality of the survey data. The research took into consideration standard sampling criteria such as: age, sex and area of residence. It is important to note that in the final sample, the number of male respondents was of 68.3%, whereas the number of female respondents was of 31.7 %.

#### 4. The synthesis of the quantitative marketing research results

After the research conducted on Romanian consumers questioned on import wines, the following conclusions have been reached:

- The analyzed data show that in terms of consumption average frequency, 50% of the respondents are used to consume wine 2-3 times a month, 16.7% weekly, 5% daily, and those who consume only several times a year is 28.3%; as to the wine types consumed on the latest consumption opportunities, most consumers drank red wine (51%), followed by those who consumed white wine (37%) and far away from those who consumed rosé wine (11%).
- Of all respondents, for 55% the price of wine is an important criterion when choosing it, for 23.3% it is very important, 15% are indifferent and for 4% it has little importance.
- Most respondents (68.3%) believe that the quality-price ratio is important for them when making the decision to purchase, while for 31.7% this report is not important; There is no difference between the percentage according to the criterion of sex in as far as the influence of the quality-price ratio on the amount of wine consumed is concerned.
- For 41.7% of the respondents the source of the wine is important, 28.3% consider this aspect very important, 21.7% were indifferent, 6.7% little important and 1.7% unimportant.
- According to the obtained responses, 61.7% of respondents consider brand fame an important factor in the choice of wine, 10% less important, for 8.3% unimportant, while 20% stated that they were indifferent; there is no connection between the respondent's age and the brand of wine consumed.
- 58.3% of all those surveyed stated that they use to buy wine in hypermarket simultaneously with the purchase of other goods necessary for daily consumption, 8.3% from the supermarket and 33.3% buy the wine from specialized stores. Of these 12% go to these stores in order to benefit of the recommendations of the shop assistant and 21.3% claim that they are loyal to a particular wine house and that they prefer to purchase from these stores because the offer is more varied.
- Of those who answered the questionnaire, referring to the impact of advertising, 24% consider that it influences to a very high degree their decision in the choice of the wine, 18.3% to a high degree, 37.7% to a low degree and 1.7% to a very low degree; Most respondents have motivated that even though some commercials are particularly attractive they prefer to buy wine they have already tested and which has meant a pleasant experience for them.

Data analysis shows that Romanian consumers have a conservative attitude, being quite unwilling to make changes in terms of consumed brands of wine or their purchase customs. For this reason, the strategy of entering the Romanian market that the French winemaker is recommended is indirect export, through a Romanian producer, strategy used by Louis Latour for other European markets as well, since

this strategy means taking minimal risk and giving them the chance to benefit from the experience and infrastructure of the partner importer.

## 5. Conclusions

One of the most active wine importers in Romania is Recaş Wine Cellars. In the portfolio of this Romanian winemaker, that is on the fifth position in terms of sales volume as well as turnover, there are names such as Masi, Piccini and Planeta (Italy), Gonzales Byass (Spain), Robert Mondavi (California), Distell (South Africa), Cono Sur (Chile), Nobilo (New Zealand) and Thomas Hardy (Australia), but no French wines.

A collaboration in order to market the Louis Latour wines on the Romanian market can be a good option, taking into consideration that it has a powerful wine distribution network, as the wines of the Recaş Cellars are sold in hypermarkets, supermarkets, cash and carry shops, on two online shopping sites, by trading partners as well as by its own sales points located in all the counties of the country.

At the same time, the Recaş Cellars, nationwide leader in wine exports, has already a developed logistical system, which constitutes an opportunity for the French winemaker in its attempt at entering the Romanian market because it can exploit the transport arrangements already used by the Romanian exporter and its high potential sales outlets.

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