

Green International Wine Marketing

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Abstract

The Banrock Station brand, owned by wine producer BRL Hardy, has been highly successful in the UK and USA, and in the Australian premium wine market. In part, success has arisen from the positive attributes of being a 'new world' wine, but the case study shows that it is branding as a 'green' wine that supports conservation activities that has given Banrock Station a distinctive edge. The experience of BRL Hardy points to a number of key lessons in international marketing that may help other companies break free from the competitive pack.

Keywords: Wine marketing, green brands, international marketing

Introduction

One of the major challenges facing Australian firms in the international marketplace is how to differentiate their products from those of competitors. This case explores the challenges facing BRL Hardy Ltd. of Australia and how they met the challenge in a global wine market that is highly competitive and characterised by multiple players, labels and products.

Although Australia has captured only 5% of the world's wine market, Australian wines are the fastest growing import category in key markets such as the UK and USA, stealing market share from traditional 'old world' wine producers such as France, Italy, Germany and Spain. Australia's success to date stems not only from its comparative advantage of producing quality wines at reasonable prices, but the ability of Australian wine companies to build brands to compete internationally.

This case study demonstrates BRL Hardy has identified a unique global market segment of a wine targeted at the environmentally conscious. The case covers the initial stages of the implementation of the strategy to position its BRL Hardy's Banrock Station brand of wines in the environmentally conscious segment, through to a promotional program of 'green' international wine marketing.

Background

BRL Hardy Ltd. was formed after a 1992 merger of

South Australian-based wineries, Berri Renmano Ltd. and Thomas Hardy and Sons Pty Ltd. It is now one of the top four wine producers in Australia and one of the top 10 largest wine groups in the world. Its Banrock Station brand, produced from grapes mostly grown in the Riverland region of South Australia, is the rising star of the company's wine portfolio. The first wine stock was produced as recently as 1995, and now production is 2.4 million cases a year.

In 1994 BRL Hardy acquired Banrock Station with 250 hectares of good soil for producing premium grape varieties. The rest of the property is made up of 900 hectares of wetland and 600 hectares of protected Mallee Woodland eco system. The property was suffering from the impact of prolonged farming and grazing. BRL Hardy, together with Wetland Care Australia undertook a huge revegetation program to remove stock, install fish barriers and reintroduce natural wetting and drying cycles in the wetland. This has resulted in the native birds and fish, water plants, frogs, and insects returning to restore the health of the River Murray.

The 250 hectares of new vineyard is used to produce five major wine varieties. As Figure 1 shows, red wines are more favoured than white wine varieties.

The vineyard's total yield per year is 5,000 tonnes which converts to 3,500,000 litres of wine or 380,000 cases. The additional tonnage required to meet domestic and export

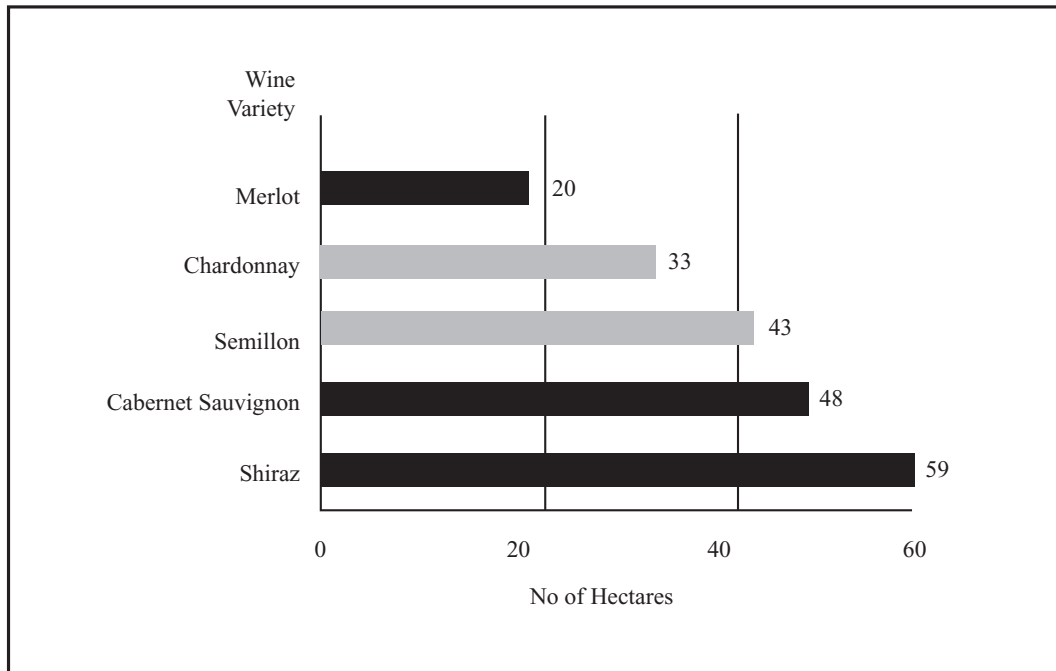


Figure 1: Banrock Station Major Wine Varieties
(Source: BRL's Banrock Station)

demand of over two million cases comes from purchasing other grapes from local producers in the Riverland.

Australia and the Global Wine Market

Market conditions are ripe for Australian wine producers to increase exports. The 'old world' wine producers such as France and Italy, which have historically held a large market share of the global export market, are in decline. In 1997, France held 26% of export volume, Italy 23% and Spain 14%. In total these 'old world' producers represented 67% of the export wine market. However, it is the 'new world' wine producers such as Australia, New Zealand, Chile and South Africa who are experiencing growth. While only holding a relatively small market share of export volume, they are stealing share from the 'old world' producers.

Following centuries of quality wine being associated with 'old world' wine producers, Australian wines are now at the forefront of a new consumer trend led by 'new world' producers – the supply of good quality, good value, ready to drink now, good tasting, fruity wines. As Table 1 shows, Australia is ranked Number 4 on export

value and is the market leader in 'new world' wines.

Australia's remarkable success in the UK market is being demonstrated by delivering wine products that are relevant to everyday living and enjoyed by all. The wine brand 'Australia' is leveraging the effect of country of origin image (Abmed & D'Astous 1996) in transferring favourable perceptions of quality fruit and a relaxed lifestyle to its food and wine. This positioning in the UK and USA markets has stimulated demand for 'premium' category wines (i.e., those that are categorised above basic 'good quality/good value' wines).

Australian wine exports have grown substantially since the mid 1980s. At the end of the 2000/01 financial year, Australia exported 339 million litres which was a 17% increase on the previous year. The export market volume for Australian wine is projected to double in size over the next ten years to 676 million litres accounting for 61% of production compared to 47% at present. This is illustrated in Figure 2.

There are five key quality/price segments in the wine industry. The principal driving force behind increased

Table 1:
1997 World Wine Export Value
(Source: Berger, Spahini and Anderson 1999)

Country	Export Value as a % of world wine exports	Old or New World Wines
1. France	41.7	Old
2. Italy	17.2	Old
3. Spain	9.2	Old
4. Australia	4.8	New
5. Portugal	4.3	Old
6. Germany	3.8	Old
7. Chile	3.6	New
8. USA	3.3	New
9. Fomer Soviet Union	3.2	Old
10. South Africa	1.5	New

export sales is considered to be in the branded premium wine segment estimated to account for 34% of world wine sales. Australian brands in relation to these segments are shown in Figure 3. As the graph shows, Banrock Station falls into the premium category (above 'basic', and below 'super-premium').

Developing an International Strategy

The challenge for BRL Hardy is how to secure additional export sales in an increasingly competitive market. Application of Porter's 'Five Forces Model' (1990) to the global marketplace for Australian wines indicates:

New Entrants: There is a likely threat from new entrants, especially from large global liquor giants such as Diageo and Allied Domecq of the UK and LVMH and Pernod Ricard of France, who see the wine sector as a faster growing business compared to other liquor categories such as spirits, beer and champagne with which they were historically associated. They are aggressively embarking on acquisitions and are interested in Australian wineries.

Suppliers: There is a low threat from suppliers of grapes

as these have little bargaining power apart from those supplying Merlot and Verdelho who have more clout due to some shortage of these varieties. Over-planting of red wine grapes has given Australian wineries scope to obtain higher quality product at a competitive price.

Buyers: The threat from buyers is high as securing distribution in a crowded market is difficult, especially when the distribution channels in major overseas markets are largely dominated by supermarket and major liquor chains. There is some evidence that distributors are becoming more favourably disposed towards Australian wines due to their consistent quality and availability.

Substitutes: Although there are other alcoholic products that compete with wine, wine is the fastest growing alcoholic beverage on a global basis. Australia has a comparative advantage in producing innovative, high quality wines which, because they can be consumed without aging, attract new wine consumers and young drinkers in 'old world' countries.

As illustrated in Figure 4, BRL countered the reaction of industry competitors to overseas market entry. BRL differentiated themselves by pursuing a niche market

strategy in their target overseas markets. This was achieved by positioning the Banrock Station brand initially in the two major markets of the UK and USA as a ‘green’ wine that supports conservation activities. This involved looking at the market from a different perspective and looking at areas to create value to differentiate the selected brand from the competitive pack. The key to discovering new value was asking four basic questions, as outlined in the Kim and Mauborgne Model (1999) shown in Table 2.

Addressing these key questions has allowed BRL to create Banrock Station - a wine that can be simply positioned as “good wine, good earth, good living”.

Kim and Mauborgne (1999) suggest ‘The Value Curve’ – a graphic depiction of the way a company or industry configures its offering to customers – is a powerful tool for creating new market space. It is drawn by plotting the performance of the offering relative to other alternatives along the key success factors that define competition in

the industry. Identified in Figure 4, the creation of a new value curve would appear to be possible for Banrock Station wine, by adopting a marketing positioning strategy based on a ‘green’ wine that supports conservation activities.

Creating a ‘Green’ Brand

Creating a ‘green brand’ meant tapping into the values and beliefs of wine buyers. As a starting point, BRL Hardy recognised that their investment in and achievement of restoring the magnificent Banrock Station wetlands might be shared with their customers. This strategy has proven to be successful in Australia. With every bottle of Banrock Station wine sold, a portion of the sale proceeds is donated to conservation projects to ensure environmental havens are restored and preserved for future generations. All proceeds in Australia go to Wetland Care Australia and Landcare Australia.

An analysis of the demographics of wine consumption in

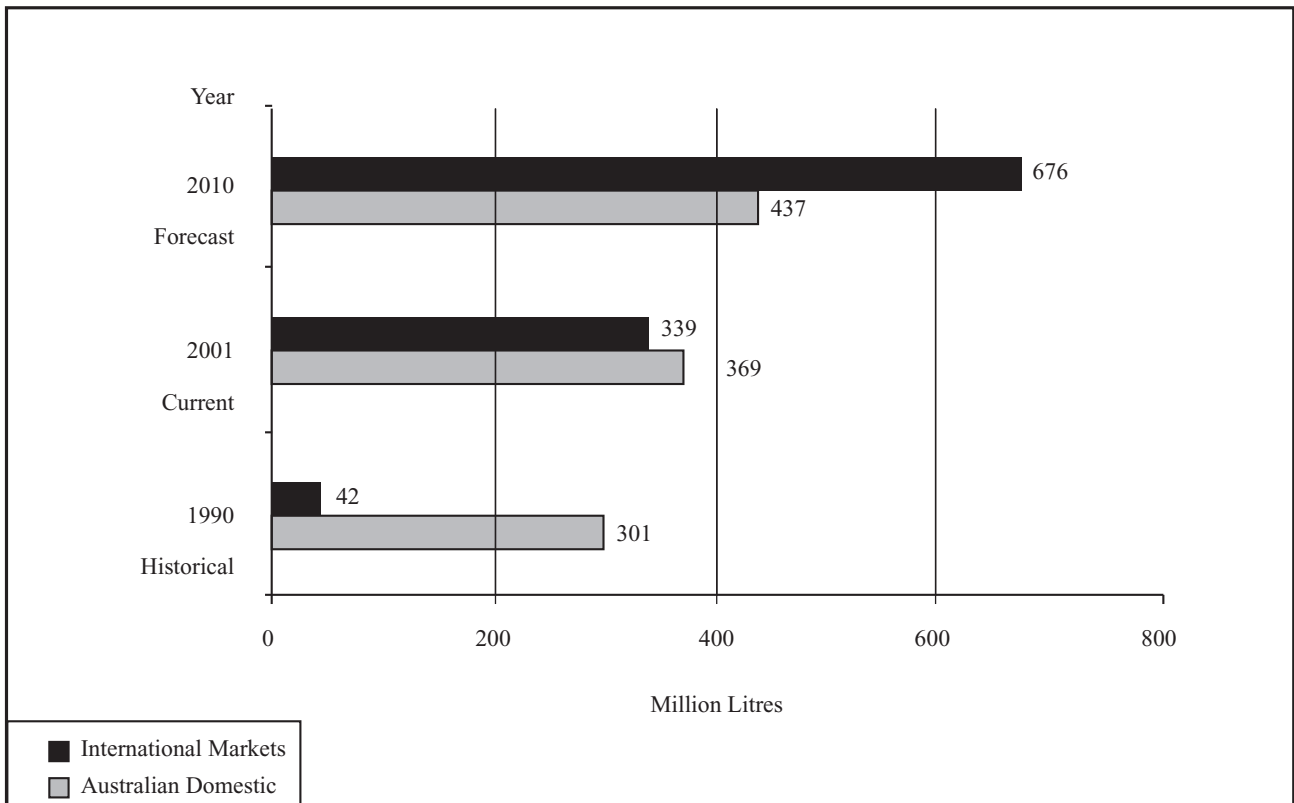


Figure 2: Australian Domestic Market vs International Market Growth
 (Data Source: Wine Federation of Australia & Australian Wine and Brandy Corporation, 2000)

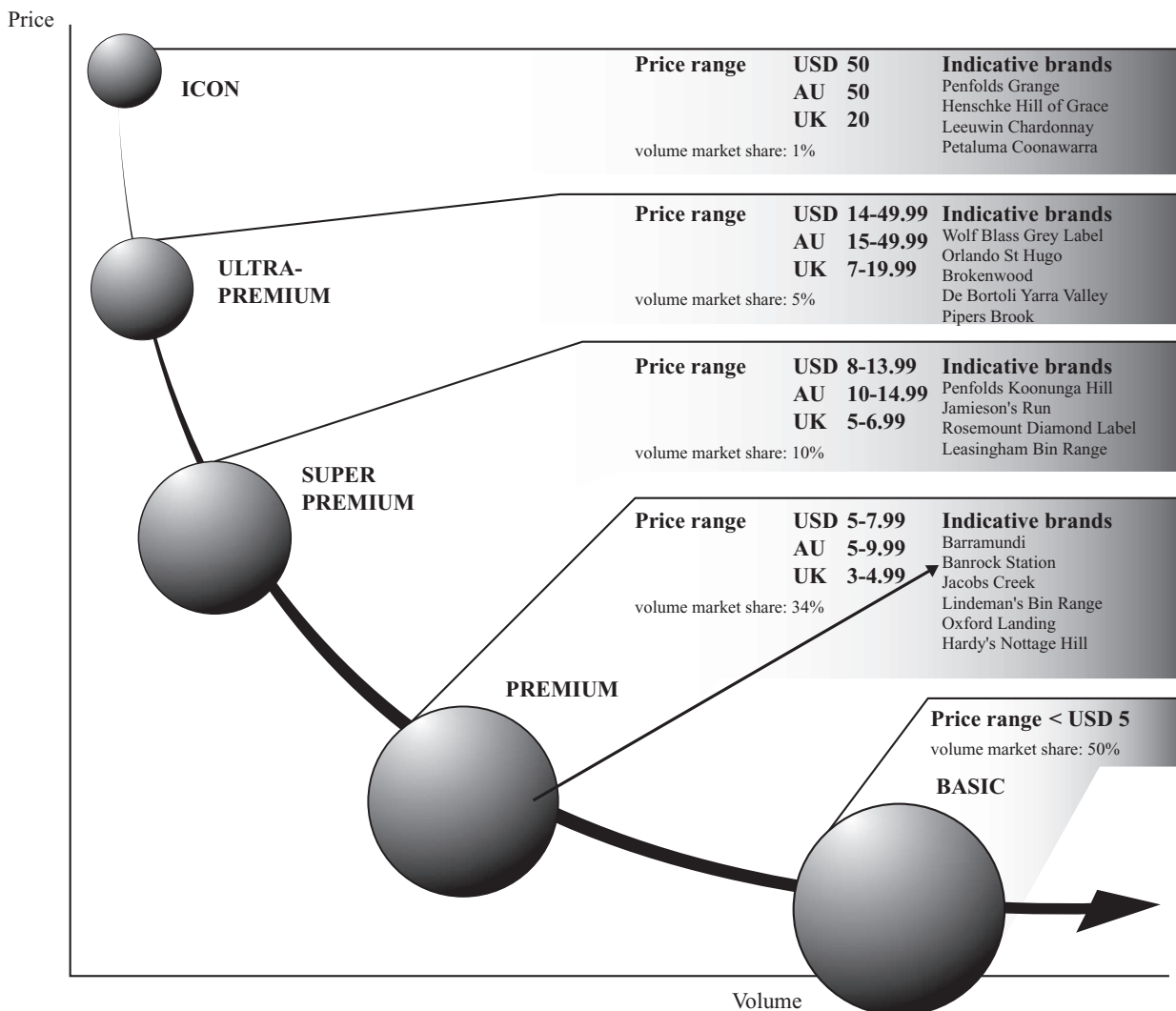


Figure 3: Quality Segments in the Wine Industry
 (Source: Wine Federation of Australia & Australian Wine and Brandy Corporation, 2000)

developed country markets such as Australia indicates that the bulk of wine consumers typically fall into the age group 40 and 60 years with a skew towards women. This generation is often referred to as 'Baby Boomers' and represents about 24% of the Australian population and around 33% of the US population. It is a group that is sensitive to environmental concerns. They were the original activists and are pro environmentalists. They created the first Earth Day back in 1970. However, the values of this group have not previously been tapped as far as wine marketing is concerned.

For this strategy to be implemented, it must be conveyed

to the customer via the brand. The brand is a bond with the customer. Keegan, Moriarty and Duncan (1992, p. 448) defines it as a "perception in the mind of consumers who ascribe beliefs, values and personalities to products" and Kotler (2000, p. 404) as a "seller's promise to deliver a specific set of features, benefits and services consistently to buyers". Strategically, it has been brands that have made Australian wine producers successful over other market competitors - not the name of the wine producer. Successful wine, the brand and the attitude it engenders, must relate to the wine consumer's own sense of individuality and unique style. For a 'green' wine, the brand image should appeal to consumer's who are seek-



Source: Banrock Station Wine postcard

ing a product that fits with their values of good living, being healthy and their desire to act in an environmentally friendly way. Wine buyers are thinking about the quality connection with where the product comes from and what they are purchasing.

Ottman (1992) claimed that while quality, price and convenience are still uppermost in consumers' purchasing decisions, a fourth attribute, environmental compatibility, that is a product's greenness, is fast becoming a tie-breaker at the shelf.

By linking Banrock Station's brand attributes of good value, quality wines, that are ready to drink now, with a conservationist personality it is intended to create a new source of competitive advantage for BRL Hardy's Banrock Station brand. The brand slogan "good earth, fine wine" easily identifies Banrock Station with supporting the environment. Additional in-store promotional material highlights Banrock Station Wines conservation initiatives – for example, a bottle flyer with a pelican. This saves the consumer time in evaluating other

Table 2:
Creating a New Value Curve

Key Questions	Areas for innovation
1. Reduce – What factors should be reduced well below the industry standard?	<ul style="list-style-type: none"> – Price – Length of time to markets from the vine to the table – Alcohol content
2. Create – What factors should be created that the industry has never offered?	<ul style="list-style-type: none"> – A representation of healthy living – An environment friendly wine – A relationship with the brand
3. Raise – What factors should be raised well above industry standards?	<ul style="list-style-type: none"> – Flavour and wine quality – Innovative wine styles – Interesting brands
4. Eliminate – What factors should be eliminated that the industry takes for granted?	<ul style="list-style-type: none"> – Standard labels/packaging – Snob Factor – Wine speak

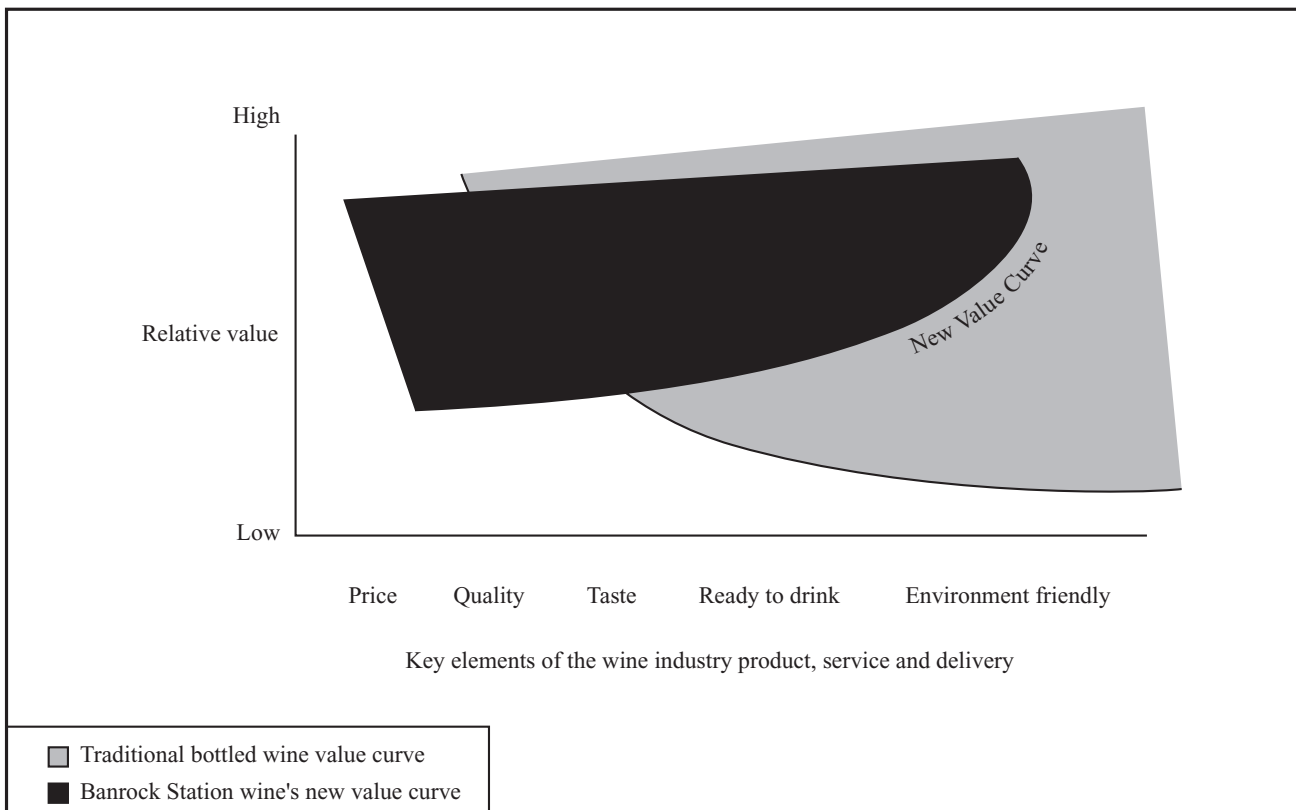


Figure 4: The New Value Curve for Banrock Station Wine

brands and helps them to easily distinguish the point of difference in retail outlets. In addition, Banrock Station's green brand image is reflected in the advertising, good news stories about conservation projects, packaging, point of purchase promotions, wine shows and on the website where consumers can take a virtual tour of Banrock Station (see: www.banrockstation.com.au).

Application of 'Green' Brand Equity to International Markets

As the 'green' marketing approach was successful in Australia, BRL Hardy decided to apply it to selected overseas markets which were considered to offer long-term growth potential. The eight selected international wine markets were the USA, Netherlands, Canada, Sweden, New Zealand, UK, Finland and Denmark. All are developed markets with environmentally sensitive 'Baby Boomers'. In these markets, BRL aimed to build strategic alliances with local conservation groups, as they did in Australia. A key to the market entry strategy

was establishing strategic alliances with 'green' groups so as to increase consumer's confidence in and credibility of the brand's environmental claims. In each case, a certain percentage of profit from sales of each bottle of wine would go to the alliance partner to fund environmental projects. Implementation of this international approach was facilitated by hiring an environmental scientist, Tony Sharley, who manages the Banrock Station Wine and Wetland Centre in Australia. In this role, he manages conservation projects with organisations in key international markets and can verify Banrock Station's 'green' credentials.

High on the agenda was Australia's number one wine market, the UK, where BRL sells a number of successful brands. In the UK, Banrock Station wines and the Wildfowl and Wetlands Trust (WWT) are working together to save wetlands and wildlife. Funds from Banrock Station wines are being used to support the continual monitoring and maintenance of 4,000 acres of WWT's wetland reserves and their wildlife.

In Canada, BRL established their own organisation to coordinate environmental projects to help conserve and protect endangered birds and wetlands (the Banrock Station Wine Wetland Foundation, Canada). In the USA, Banrock Station has partnered with the Arthur R Marshall Foundation to champion restoration and preservation of America's Greater Everglades ecosystem and sponsored Cypress Tree Planting Day in an effort to restore the Everglades ancient forest.

In Europe, Banrock Station wines are working with the Swedish Wetland Fund, with proceeds supporting Oster-Malma, Lida and other wetlands in the area; in Finland, with Liminganlahti Bay, a high profile and highly regarded wetland region in the north of Finland; and in Netherlands Banrock Station wines, Staatsbosbeheer and Wetlands International are working together to save wetlands. Recently, Banrock Station commenced a partnership with Danish Nature who will use the funds to restore wetland in the Langelands region.

Closer to home, Banrock Station wines have combined with the environment group, Wetland Care New Zealand to sponsor wetland restoration projects throughout New Zealand. The first year's proceeds under the sponsorship

helped to develop a wetland within the widely acclaimed Karori Sanctuary in Wellington and this year a wetland has been created at Masterton in the Wairarapa region.

International Sales Growth

Figure 3 shows that Banrock Station is in the premium wine category offering good value for money. A similar price positioning has been adopted in selected overseas markets. As such, it is priced below some of its major Australian competitors. In the UK, BRL Hardy has had to contend with a distribution system where the retailers are gate-keepers and ten accounts can represent 70% of the market. Here, buyer label wines account for a considerable share of the market. To counter this it is necessary for Banrock Station to create an awareness of their own brand. This is being achieved via the use of cinema and outdoor advertising, including the London Underground. By contrast, in the USA the distribution of wines approximates that of fast moving consumer goods (FMCG) and there is little wine sold under the labels of buyers. The value for money claim is being augmented in all markets with the "support conservation theme" and point-of-sale support that reinforces the conservation image. It is this support that provides the brand with its unique selling proposition (USP).

Table 3:
UK Brands Top Wines 2000 Listing
(Source: Macquarie Bank Research 2001)

Brand	Company	Off Trade % Growth
Ernest & Julio Gallo	E&J Gallo Winery	22%
Jacobs Creek	Orlando Wyndham	24%
Hardys	BRL Hardy Wine	33%
Stowells of Chelsea	Matthew Clark	28%
Rosemount	Rosemount Wine Estates	69%
Lindemans	Southcorp Wines	53%
Penfolds	Southcorp Wines	2%
Blossom Hill	UDV	143%
Le Piat D'or	Piat Pere Et Fils	(-15%)
Banrock Station	BRL Hardy Wine	165%

This approach has proved to be a deciding factor at the point-of-purchase amongst the growing number of environmentally conscious consumers in the US and the UK. Banrock Station wines are proving to be a stand out performer for BRL Hardy in international markets. They are ranked Number 7 in the Top 10 selling Australian wine brands in the US Market and 3rd in volume of the premium Australian brands exported to the US. In the 13-week period ending 17 May 2001, Banrock Station's overall ranked position in the US market was 189th and it is the fastest growing brand in the BRL portfolio. Banrock Station is the number one fastest growing brand in the UK as shown in Table 3.

There is no doubt that much of this success has been due to the 'green' international wine marketing of Banrock Station wines. Future growth is dependent upon maintaining and building the brand through continued investment in conservation projects and the development of new markets with significant segments of environmentally friendly wine buyers.

Key Lessons

The success of BRL's Banrock station brand in the UK and US markets to date can be explained in part by its being a 'new world' wine, priced in the attractive 'premium' wine category with a country of origin image associated with sunshine, health and wide open spaces – an attractive image consistent with wine production. However, of themselves these 'new world' wine characteristics do not explain the rapid rise in overseas sales, nor its major market share amongst the Australian premium wine segment. Success is also due to the niche marketing strategy pursued by the firm of positioning the brand as a 'green' wine that supports conservation activities. This strategy has positioned the brand in a new marketplace that includes environmentally conscious consumers. This strategy appeals to a different set of values, and values not targeted by other wine producers. Although the magnitude of this segment may differ between countries, environmentally conscious consumers are a global segment that offers considerable potential for the future marketing of the Banrock Station brand.

The experience of BRL Hardy points to a number of other key lessons in international marketing that may help other companies also break free from the competitive pack. The first of these is that innovative marketing approaches are a useful vehicle for companies to create new overseas markets and/or reposition themselves in existing markets. BRL's approach was to look at their market from a new perspective and create new value for

stakeholders in those markets. This was achieved by tapping into the values and beliefs of their customers and creating new product attributes to influence the purchasing decisions of customers. In this case it was by creating a brand associated with caring for the environment as illustrated by investing sales receipts back into conservation projects.

The second lesson relates to the need to pursue a strategy in depth rather than superficially if it is to be effective in overseas markets. In this case a company embarking on a 'green' brand strategy needs to realise it has to be more than just a gimmick. The company has to excel in delivering not just the product benefits, but also the green benefits that customers truly desire. BRL's experience shows their 'green' brand has to stay relevant and credible. This was achieved by ongoing restoration of its own wetland, employing an environmental scientist, and consistently communicating the brand's environmental initiatives and project involvement via publication of 'good news' stories, distinctive product packaging and labelling, and through the focus of its sales team. Only in this way can a company continue to grow the market in its chosen segment.

Finally, the application of brand management to overseas markets often requires the building of strategic alliances with local groups if brand equity is to be sustained or further developed in these overseas markets. In the case of BRL Hardy, the strategic alliances were with local conservation groups similar to those with whom alliances had been forged in Australia. The lesson from Australia was in this case applied in overseas markets – that the brand must associate itself with the projects of its alliance partner and should do this by the firm's management maintaining an active interest in the quality of those environmental projects. Banrock Station's environmental scientist developed quality controls to ensure that funds directed to those conservation groups from Banrock Station sales were invested in technically sound and rewarding conservation projects. If 'green' projects are important, well supported and understood by the consumer, the brand will build and increase its 'green' brand equity.

In summary, BRL have shown how important a 'green' brand is to increasing market share and how innovation in marketing can help a company create a point of difference that redefines the attributes on which buyers base their purchasing decision.

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