



Submission for the Award of Masters of Business (Research)

The value of a brand: A wine retailers perspective

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Abstract

The wine retail landscape in Australia has changed dramatically over the last five years. Two major players have formed a duopoly, collectively acquiring 63% of the liquor retail market (IBIS World 2017a). The recent power shift has caused major concerns for wine producers, as wine retailers have begun reducing shelf space for commercial branded wines in favour of their own high-margin private labelled wines (IBIS World 2017a). Wine producers are now heavily competing against one another for the limited amount of shelf space. To compete effectively, wine producers need to better understand wine retailer decision-making. Research surrounding wine retail stocking, delisting and replacement processes is currently limited in both industry trade journals and wine academia. This thesis aims to fill this knowledge gap.

In an attempt to help wine producers compete more effectively, several regional bodies have encouraged them to promote the regional brand. Regional bodies believe that by investing their marketing resources into promoting the region, wine producers can work together to increase awareness and visitation to the area (e.g. see examples of regional brands and strategies: Adelaide Hills Tourism Inc & KPPM Strategy 2015; Barossa Grape and Wine Association 2018; Beilharz 2016; Government of South Australia 2018; The Limestone Coast Collaborative 2016). However, given the limited marketing resources of many wine producers, investing in the region often results in neglecting investment into their own brands.

Wolf Blass, a well renowned winemaker and educator, recognised a lack of support for wine producers in the industry. Wolf Blass endowed a Masters by Research scholarship to investigate and provide evidence-based recommendations to wine producers. Such knowledge should improve wine producers' chance of successful competition for limited shelf space and provide a direction for where to invest their resources.

This thesis seeks to uncover insights for industry practitioners and academia in the Australian wine retail sector by identifying:

1. The relative importance of branding in wine retailer decision-making (compared to the region and other factors);
2. The processes (i.e. stocking, delisting and replacement) wine retailers follow when making decisions;
3. The breadth of factors considered in each process; and
4. Whether the factors and processes followed by wine retailers differ depending on the store type.

To understand wine retailer decision-making, 32 expert interviews were conducted with multiple industry roles (i.e. store managers, state/local managers and head office management), from a variety of wine retail stores (i.e. fine wine, independent and corporate retail chains) in South Australia and New South Wales, Australia.

The main findings about the importance of a brand reveal:

- From a wine retailers' perspective, a brand's status (i.e. well-known or lesser known) affects its success more than the region of origin;
- Well-known brands are vital to wine retailers' success. These types of brands ultimately sell themselves, requiring no additional effort from the retailer; and
- Well-known brands are very rarely delisted in wine retail stores. It is detrimental for wine retailers to delist these brands because of their popularity with consumers.

The main findings about the stocking, delisting and replacement processes reveal:

- The stocking process is more formalised than the delisting and replacement processes;
- Wine retailers consider the price and the taste of the wine to be the two most important factors when deciding to stock a new wine brand, compared to all other attributes associated with wine;
- Wine brands are mainly delisted based on poor sales performance as well as supplier agreements going wrong and consumer demand shifting; and
- The replacement of a delisted brand happens almost instantaneously. The brand chosen to replace the empty spot is usually a brand of equal status (e.g. well-known or lesser known), either at a similar price point, grape variety or a combination of both.

The knowledge uncovered in this research has provided novel contributions to industry and academia. Identifying the importance of a brand from a wine retailers' perspective can allow wine producers to make better-informed marketing decisions and resource allocation.

For wine practitioners:

- Region of origin is a "foot in the door", but a brand well-known in its category will be stocked and retained;
- Building a well-known brand is important, even if it is well-known on a local, state or national level; and
- Wine producers can use the findings of this research in their sales pitch to better meet wine retailers' expectations.

Not only do the results of this thesis benefit wine producers, but they also provide a foundational understanding for how retailers may decide to stock other liquor products (i.e. spirits and beer) and other complex goods (e.g. specialty foods and cheese).

For academia, the results of this thesis:

- Present new insights into retailer decision-making (particularly in the Australian wine retail market);
- Contribute a new complex product category to retail literature;

- Contribute new knowledge about the replacement process, an area which has been overlooked in past retail literature;
- Extend the research documented in retail literature dated back to the late twentieth century; and
- Identify several similarities in wine consumer and wine retailer buying behaviour.

The challenges faced in this research contribute novel methods that involve qualitative data collection. For researchers considering conducting expert interviews for descriptive research within the same or similar product categories:

- Recruiting the right expert or encouraging the expert to participate can be challenging. Implementing confidentiality and anonymity agreements assists with non-participation;
- High refusal rate for such research participation among busy industry experts is inevitable; having a contingency plan can help overcome this issue. For example, interviewing multiple experts in different positions within the managerial hierarchy; and
- The use of real-world decision-making is highly recommended. Experts find it easier to respond to real-life experiences compared to hypothetical scenarios.