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on On-Trade

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INTRODUCTION

The following research originated from the experience that I had during 2014: a period of study at the University of Technology in Sydney and an internship at Casa Vinicola Zonin, a leading Italian wine producer.

The aim of this work was to study the competitiveness of Italian wine on the Australian market. Attention will be focused on those aspects linked with the On-Trade in particular, as the final goal of this analysis is the development of an On-Premise strategy, suitable for the Australian market, tailored to the needs of the firm that was used as case study for this research: Casa Vinicola Zonin. Casa Vinicola Zonin, which could be classified as a Middle Size Multinational Enterprise, is one of the leading family-owned wine producing companies not only in Italy but also worldwide. Some years ago, the firm started to adopt a much more market-oriented approach to international business; as a consequence, nowadays 75% of the Zonins' production is exported to over 100 countries, including the market of this research, i.e. Australia. However, so far the positive results obtained by the Italian company on such a market have been produced primarily by Off-Trade. This is the reason why the following research tries to develop a marketing strategy which may suit the Australian On-Trade.

The first chapter of the thesis is fully dedicated to the explanation of some internationalisation models proposed by International Management studies over the years. It was thought useful to introduce the research through this chapter since the company chosen as the case study has started a huge internationalisation process which includes the Australian market as well.

Due to the fact that extensive research into a target market does provide the indispensable starting point towards all stages of a successful marketing process, in the second chapter the economic and financial aspects concerning Australia will be presented. In particular, the economic relationship between Australia and Italy will be highlighted. Furthermore, a paragraph will be dedicated to the cultural profile of Australia. Specifically, this section will be developed through Hofstede's cultural dimensions.

As Australia is an important wine producing country known at international level, the third chapter will deal with this topic. After a broad overview of the Australian wine market, the main countries that export wine to Australia and the related issue concerning the customs tariffs imposed by the Australian government will be emphasised. The chapter will continue with the description of the channels that the Australian system uses to distribute wine. The last

part of chapter 3 will be devoted to the analysis of Australian consumption, the classification of the Australian wine market, and finally to the Australian wine market segmentation.

In chapter 4 a specific study of Italian wine on the Australian market will be done. After an introduction describing the competitiveness of Italian wine on international markets, the rest of the chapter will be centred on the presence of Italian wine in Australia. A distinction between the current position of Italian wine in the Australian Off- and On-Trade will be made, though focusing exclusively on the On-Premise. As figures referring to this channel are imprecise and difficult to trace, data were collected through empirical observations. Specifically, two pieces of research will be conducted, that is to say, an analysis of wine lists of Australia-based restaurants and a questionnaire addressed to restaurateurs who own a restaurant in Australia. While the wine list analysis will be used in order to know the position of Italian wine on the On-Trade, the questionnaire will be fundamental to find the key information to outline the final marketing mix.

In the last chapter of the research the firm case study of this thesis will be presented. A profile of Casa Vinicola Zonin will be followed by a detailed description of the internationalisation process which has characterised the winemaker company during the last years. After describing the strategy that Casa Vinicola Zonin adopts to approach foreign countries, the attention will be given only to the Australian market. An analysis of the past and current situation of the firm within this market will be done, and especially by a temporal excursus starting from the '90s, years in which the company began to approach the Australian market. The study of the competitiveness of Casa Vinicola Zonin in Australia will be completed with a SWOT analysis. In the last part of chapter 5 the strategy developed for Casa Vinicola Zonin will be outlined. In order to introduce this section, the traditional marketing mix model proposed by P. Kotler will be adopted. Therefore, the strategy devised for Casa Vinicola Zonin will be subdivided into the four marketing mix levers: Product, Price, Place and Promotion.

CHAPTER 1

INTERNATIONALISATION AND CHOICES OF ENTRY MODES

1.1 Introduction

The environment in which companies are established and grow has changed dramatically over the last decade. Globalisation has caused an increasing integration process among different national economies, reducing the degree of market segmentation and lessening transaction costs. Furthermore, the following increase in market size, along with the development of new communication technologies, has transformed the features of competitive methods, i.e. firms' development strategies.

When a company decides to internationalise its business, it starts the assessment of the foreign country followed by the choice of the market portfolio (International Market Selection). This decision implies remarkable strategic consequences, as the presence on different foreign markets requires significant financial resources and managing skills. As a matter of fact, firms will select the entry mode into non-domestic markets based not only on such available resources and skills, but also on the characteristics of the foreign market.

The type of internationalisation that a company decides to adopt could be seen as the result of trade-off, which balances the degree of control against costs and risks. The strictest kinds of control (for instance, foreign direct investments) need both more skills along with financial and human resources and higher levels of cost and risk. Conversely, exports or joint agreements guarantee lower control and require minor investments in hard and soft resources.

Deciding to begin an internationalisation process involves several obstacles mainly due to the wide range of factors, both internal (financial technological human and managerial resources) and external (market size, demand trend, as well as political, regulatory and socio-cultural system), which the firm has to evaluate under risky and uncertain conditions. Another reason why this choice is extremely complex is the impact which it produces inside the company, since changes in corporate structures and processes are necessary.

Internationalisation is a strategic growth path that shows the problems typical of ever development strategy "worsened" by the difficult degree of control of today's international context.

Since the company chosen as case study for this research, i.e. Casa Vinicola Zonin, has undertaken a huge internationalisation process approaching today several foreign markets (Australia included), it was considered useful to include in this chapter the bibliography of some key contributions to the strategy of business internationalisation.

Casa Vinicola Zonin could be classified as a Middle Size Multinational Enterprise (MMNE) because it meets four parameters (Vescovi, Pontiggia 2014)¹. An MMNE is a company that has the following characteristics:

1. between 250 and 2,500 employees
2. branches located in extra-European countries (trade offices, warehouses)
3. production plants out of the domestic market
4. is a privately-owned company.

The Italian winemaker company has about 600 employees; it operates with two branches, one in the UK and the other in the US; it has a vineyard in Virginia (USA) and finally it is a privately-owned firm².

Usually MMNEs, unlike Small Enterprises and Multinational Companies (MNCs), have the capability to penetrate foreign markets, adopting a mixture of flexibility and stock of resources. Furthermore, MMNEs are often more adaptable, more innovative, have quicker response and have fewer problems of both bureaucracy and high organisational costs than MNCs.

The importance and complexity of internationalisation have drawn the attention of many scholars, who have developed several theoretical approaches to the behaviour of companies in the international landscape. Two main approaches have been deeply studied regarding the internationalisation of a company. The first could be classified as a *stage approach*: companies begin to sell products on the domestic market and then they start to export to foreign countries. On the other hand, the second approach is primarily focused on the *born global* and entrepreneurship approach, i.e. firms undertake their international path from their birth directly on non-domestic markets.

Nevertheless, as to the internationalisation of MMNEs, there is no theory that may satisfactorily explain the specific feature leading this type of enterprise onto this stage; consequently, some theories developed to suit different situations and sizes are associated with the internationalisation process of MMNEs. In the following paragraph some research models concerning the internationalisation of businesses will be presented.

¹ Middle Size Multinational Enterprises in China Markets and Mirroring Back Strategies (Vescovi, Pontiggia 2014)

² In chapter 5 Casa Vinicola Zonin's profile will be presented in detail

1.2 Product Life Cycle Theory

Vernon developed a macro-economic concept, the product life cycle (1966), to provide an explanation for the overseas transactions of American multinationals in the post-war period. The main idea was that, besides financial and human resources, a company's capability to trade at international level should depend on its skills in innovating either a new process or product through state-of-the-art technology. Vernon also believed that enterprises were able to manage tangible and intangible assets partly thanks to their country of origin (*country specific*). For instance, according to the economist US firms had a competitive advantage owing to their ability to innovate, but their superiority was determined primarily by such structural features as political-economic institutions, market mechanisms and resource availability.

Vernon's theory was based on the concept that each product tends to have a life cycle consisting of a finite number of stages that follow an expected sequence developing through a certain path. Initially, production takes place in the home country, because companies can benefit both from domestic demand and from the proximity of research and development facilities. In the following phase of the product cycle, thanks to innovation and production advantages given by the United States, goods are exported to countries where the characteristics of demand resemble those of the country of origin. Finally, when the product becomes standardised or mature, the competitive advantage can no longer be supported by the uniqueness of the goods manufactured; therefore, the company seeks to minimise production costs. This is caused by competitors' imitative behaviour, which puts much more pressure on the enterprise compelling it to improve its productivity. Moreover, the increased flexibility of domestic demand, high labour costs, as well as the expansion of foreign markets, drive the company to delocalise its production to less developed countries characterised by lower costs of natural and human resources.

The approach of the product life cycle is essentially an extension of the neoclassical theory of spatial distribution of productive factors, which however also includes intermediate products and recognises the importance that strategic factors originating from the oligopolistic framework of the market have for companies' behaviour. Being mainly developed in order to explain international dealing performed by American enterprises so as to acquire market shares overseas (*market seeking FDI*), this model considers neither foreign investment operations aimed at searching for natural and human resources (*resource seeking*), nor the acquisition of strategic

assets (*strategic assets acquiring*) or the completion of globally integrated productive strategies (*efficiency seeking*); therefore, though setting out noteworthy intuitions, such a model may be deemed to be only a partial theory applying to just a few aspects of companies' international business.

1.3 The Uppsala Model (Johan and Vahlne, 1997)

The U-Model is an internationalisation theory devised by Johanson and Vahlne at Uppsala University in 1997. This model describes internationalisation as a sequential growth process where the non-domestic involvement of firms increases gradually thanks to the experience gained through the knowledge of markets. Therefore, the basic assumption of the U-Model is that the involvement in foreign markets depends on the managerial learning process, which is based on experience and on learning by doing. As knowledge about market increases, the perception of risk decreases, improving the company's involvement. The internationalisation process evolves out of four stages, marked by the interaction between the development of knowledge and relevant degree of market involvement.

The degree of involvement increases both by modifying the control methods adopted, and by penetrating into new markets depending on the psychological distance from the country of origin. At the beginning, the lack of resources and knowledge about foreign markets leads the company to centre on the domestic market. Then, the appearance of internal and external factors (an increased availability of resources, surplus of production, the need to improve a company's turnover or demand from non-domestic markets) encourages the initial exports characterised by limited sales to few markets, due to the high-risk perception and uncertainty linked to internationalisation. According to the Swedish model, the early stages of the evolution process are basically commercial and require intermediaries, agents and the company's sales managers.

When the dimension of the foreign market increases and the level of knowledge improves thanks to experience, the company's degree of involvement expands as well. At the same time increasing the control on export activities, followed by the establishment of an overseas sales subsidiary, is also necessary.

In the last stage of the process, the rise in trade costs and the remarkable level of knowledge acquired drive the company to set up overseas manufacturing units, in order to better control the market.

1.4 The emergence of Born Global enterprises

In the last few years, several studies have recorded the presence of small and medium-sized companies of recent internationalisation whose behaviour is totally different from the patterns provided by the behavioural model of development stages. Such enterprises, dubbed *Born Global* or *International New Ventures (INVs)*, are usually small-sized, but starting from their establishment, or soon after it, they are prone to engage in intense international dealing characterised by highly involving organisational forms or, however, by high propensity to export. Being typified by a global view, *Born Global* companies tend to penetrate extremely distant foreign markets even before developing on the domestic market, by using different entry strategies in a non-sequential manner. As said above, the behaviour of this kind of enterprises differs widely from what put forward in the theory of stages, and weakens the role of experiential knowledge - that is first-hand knowledge - in the choice of foreign markets and entry modes in particular. In other words the Swedish model is unable to explain why despite having very little information about the global scene *International New Ventures* are present and highly effective on faraway and often unstable markets.

1.5 Network analysis

An industrial *network* is a system of relationships developing between different types of economic players: customers, suppliers, distributors, agents, consultants, competitors and public bodies. The internal division of labour, by which every enterprise is made dependent on the others, typifies such a system. Consequently, each one of them is compelled to modify and strengthen nonstop the industrial relations with the other players, in order to be assured of supplies and sales; hence, securing survival and development. Industrial relations are established thanks to the confidence among players gained through repeated interaction, that is to say, by means of slow and incremental processes based upon a personal dimension. According to the theorists of *network analysis*, thanks to these relations companies are given by their business associates the resources and knowledge they should have learnt from experience

on foreign markets. Therefore, they are in a position to design more intense and less gradual processes of international growth than those provided by the Uppsala model. The first authors that understood the importance of a network for the internationalisation of companies were Johanson and Mattson (1988), who explained that the process of a company's growth outside its country is closely connected with the number and strength of industrial relations. By exploiting the confidence gained at home, the firm may try to get into well-established foreign *networks* increasing its skills at international penetration; then, once reached the target markets, it could attempt to expand its relationship network to businesses based in other countries in order to achieve total international integration.

The levels of internationalisation of economic players, categorised by Johanson and Mattson according to their business and structure of relations with the foreign markets that they are present in, are four: "*the early starter*", "*the later starter*", "*the lonely international*", "*the international among others*".

The "*early starter*" level shows a low degree of internationalisation of both the *network* and company; moreover, the latter has been unable to develop strong international relations, so it has very few possibilities of acquiring specific information about the market of the players that belong to the same network system. Because of the lack of sectorial and institutional knowledge, internationalisation is driven by players operating on foreign markets - like trade agents - who become the only available channel to get into a structured *network*. At this stage, the help of national agencies for the promotion and development of companies on foreign markets is essential, since it can foster contacts with international traders.

The "*later starter*" phase refers to the internationalisation of companies that have indirect relationships with foreign *networks* through quite an internationalised web of domestic ties made up of suppliers, customers and competitors. In this case, the high level of internationalisation of the domestic network facilitates the expansion process abroad of inexperienced enterprises that are therefore in a more advantageous position than "*early starters*".

On the contrary, at the "*lonely international*" stage the firm operates within several foreign *networks*, but the national network which it belongs to is hardly internationalised; thus, it does not affect its experiential knowledge. Consequently, the company adopts innovative conduct and anticipates the internationalisation process of the national *network*; though such privilege is weakened by the very limits of the domestic network itself. As a matter of fact, in this situation

the specific knowledge of the market that the “*lonely international*” has may be inferior to the information got by the enterprises which are a part of internationalised *networks*, like “*late starters*”.

Finally, the highest degree of internationalisation of both the *network* and enterprise coincides with the “*international among others*” level. In this case, the company belongs to an industrial context oriented towards foreign markets, so that it can improve its first-hand knowledge and therefore speed up the internationalisation process. The latter requires highly involving modes, such as production or sales subsidiaries alongside joint agreements, like *joint ventures*, needed by the enterprise to deal with its business on foreign markets and to strengthen the relationships with local associates.

Concluding, according to the *network analysis*, a company’s international conduct is the outcome of the firm’s placement inside a network of industrial relations and of the level of internationalisation of such a network. This happens because the company’s experiential knowledge is enriched both directly, by interacting with the *network*, and indirectly by imitating the behaviour of much more experienced players.

The companies that belong to an internationalised *network* and that are extremely concerned with foreign markets will therefore have acquired a higher degree of specific international knowledge than other types of firms. Unlike the Uppsala process model, which restricts the analysis of international expansion only to the company’s behaviour outside its context, the network theory undoubtedly stresses the importance of the environment which the enterprise operates in.

In actual fact, internationalisation is interpreted as a process that depends not only on internal resources, on the activities started along with first-hand experience gained by each player, but also on the possibilities of sharing the knowledge and skills owned by other subjects that are part of the industrial *network*. Sharing the resources of every party may therefore offer highly effective competitive solutions and enhance the ability of each company to evaluate the threats along with opportunities provided by the marketplace.

1.6 The theory of international entrepreneurship

The phrase “international entrepreneurship” was first used by Morrow (1988) in an article where he tried to explain how technological innovation, cultural homogenisation and reduction

of trade barriers had allowed small-sized or newly established companies to reach those markets that were previously considered distant and inaccessible. After some time, an empirical work performed by McDougall (1989), and aimed at comparing the behaviour of national enterprises to the conduct of Born Global companies, initiated the study of international entrepreneurship on an academic level. Since then, this school of thought has been analysing entrepreneurs' transnational behaviour, focusing on how they are able to detect new opportunities, to assess such chances through the experience gained and to exploit them at international level when creating new goods or services.

McDougall and Oviatt, among the major exponents of this philosophy, introduced their definition of international entrepreneurship (2000) as a combination of innovative proactive risk-taking behaviour that goes beyond national borders in order to create added value. Moreover, according to the two authors this very conduct, along with the innovations that revolutionised the world of information and communications, does explain the internationalisation of small-sized companies, even if they are *International New Ventures*.

In other words, the theory of international entrepreneurship considers the role of the entrepreneur to be the key to internationalisation. He/she is actually the only player who possesses the experiential knowledge needed to evaluate market opportunities and to make the most of them in order to acquire new competitive advantages. In addition, he/she is the person in charge of establishing relationships with other companies, customers, suppliers, and of mediating between trade associations, government bodies and the media, at least at local level.

Therefore, according to the aforesaid theory, so as to start a process of international expansion, the business has to be run by an entrepreneur who, thanks to the first-hand experience gained, is able to analyse the costs and benefits deriving from the opportunities provided by foreign markets. Moreover, he/she will have to be able not to lose confidence because of the high risk that such operations entail, which prevents many other competitors from developing.

Finally, the theory of international entrepreneurship, albeit recent and still partly undeveloped, is attracting the attention of many scholars, especially thanks to the importance of its intuitions concerning the birth and transnational strategies of Born Global companies.

1.7 Ownership, Location, and Internalisation OLI – Dunning’s eclectic paradigm

Dunning’s eclectic paradigm provides a general framework able to explain the reasons that lead a company willing to operate on foreign markets to choose the FDI (Foreign Direct Investment) formula rather than the joint or export agreement one.

The term ‘paradigm’ underlines how the conceptual apparatus suggested does not produce a true general theory of companies’ international growth, but a methodological grid that is useful for analysing the determiners of the phenomenon. The adjective eclectic is due to the fact that Dunning thinks his approach draws on parts of different theories of internationalisation and is applicable to the various forms in which the phenomenon reveals itself. According to the eclectic paradigm, a company’s decision to make direct investments abroad is linked to the achievement of three essential conditions:

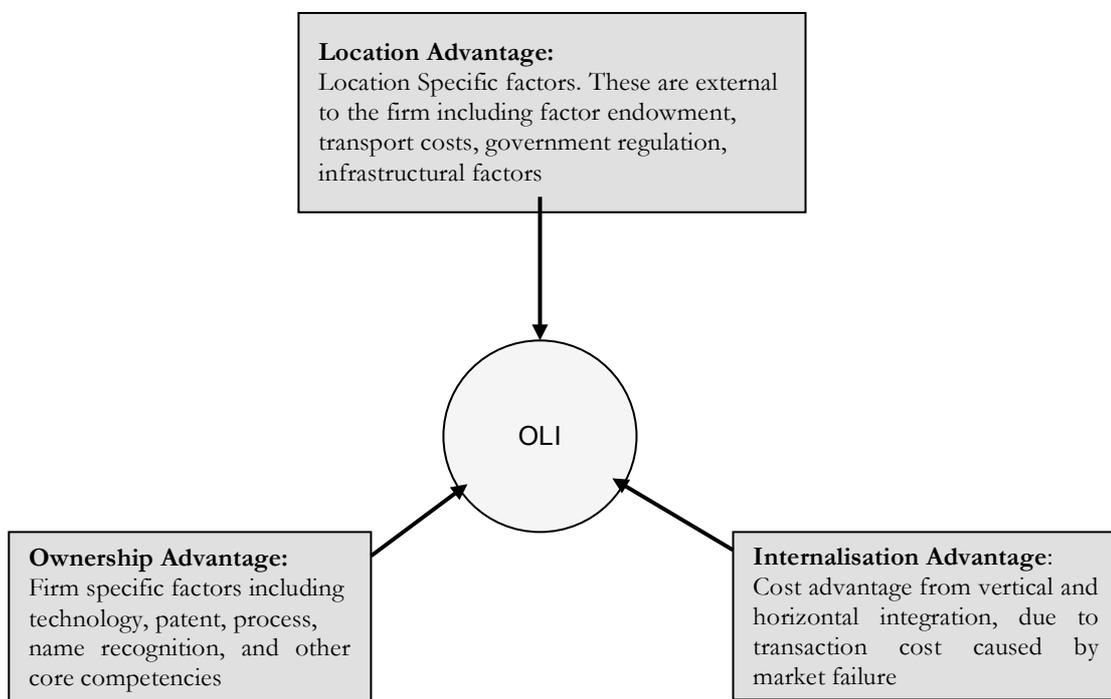
1. Ownership advantages (O-advantages). The necessary condition so that a company can compete successfully against other competing enterprises in a specific foreign market is the ownership of some firm-specific competitive advantages (ownership advantages) that may be transferred abroad and allows to counterbalance the risks and additional costs the firm is compelled to incur when operating in a non-domestic environment. ‘Ownership’ or firm-specific advantages come from the monopolistic control by the multinational company of both tangible (natural resources, workforce and capital, etc.) and intangible (technology, organisational and managerial skills, privileged access to information, etc.) assets.
2. Localisation advantages (L-advantages). The company also needs to understand that profiting by the “O” advantage which it has available in combination with some other specific features found in the host country (localisation advantages) is more beneficial. This is the only way to spur the firm to localise a part of its business overseas, rejecting the option of commercial strategy.
3. Internalisation advantages (I-advantages). Finally, the company has to believe that it is more profitable to exploit its own O-advantages inside its organisational structure rather than sell them or sell the rights to their use to other independent foreign companies (internalisation advantages). This highlights the critical role of market imperfections in the exploitation of ‘O’ advantages combined with ‘L’ ones. The cost of using international arm’s length markets may be very high; if so, some forms of FDI

could be encouraged. If the costs are low, then arm's length arrangements (e.g., leasing, licensing, franchising and joint venture) are more likely to be made.

Table 1: The three conditions of Dunning's eclectic paradigm (Own elaboration)

	O-advantages	L-advantages	I-advantages
FDI	Yes	Yes	Yes
Export	Yes	No	Yes
Licencing	Yes	No	No

Chart 1: The three conditions of Dunning's eclectic paradigm (Own elaboration)



1.8 Resource-based view

Resource based view (RBV) is a theoretical schema in the discipline of strategic management which is applied to comprehend the competitive advantage of a firm and its sustainability over time. RBV focuses on the inside properties of the firm. According to this perspective the firm is the bundle of resources and capabilities. Distinctive capabilities and resources can lead to gain competitive advantage over competitors. If the firm's resources and capabilities have four characteristics of value, rareness, imperfect imitability and imperfect sustainability, then this leads to the competitive advantage of that firm.

The resources of the firm are divided into tangible and intangible assets. Tangible assets include: land, buildings, materials, money and the intangible assets consist of competencies, knowledge, capabilities, attitudes, relationships and reputation of the firm. The firms which have a unique set of resources or a combination of reserved resources are more willing to be international. According to RBV, deciding to internationalise depends upon the critical resources and capabilities of the firm.

The unique costs to copy attributes are seen as the main drivers of a company's performance and enable the firm to internationalise.

Several authors recently developed and tested various frameworks in the international context; for example Bell observes that RBV presents a holistic view of the firm, so that decisions such as entry modes/product strategies, are not made on a stand alone basis, but from within a co-ordinated framework of resources and capabilities as well as environmental realities. Whilst RBV holds potential with regard for understanding rapid internationalisation, there has been little explanation to date as to how firms acquire resources and how these may change over time.

1.9 Knowledge based view (KBV)

The knowledge-based view of a firm (KBV), is closely related to the resource-based view and focuses on knowledge as the most strategic resource a firm has. KBV pays more attention to the process or path by which specific capabilities evolve and develop over time, adding a more dynamic element to RBV. In this approach learning is seen as a key to long-term competitive advantage and superior performance. Such learning takes place through the partial replication of processes as well as through the sort of knowledge creating, integrating and transferring the mechanisms of the firm. In the literature, knowledge-related issues have provoked a lot of interest. In the dynamic KBV, the emphasis is not solely on resources, but on dynamically evolving internationally acquired routines and capabilities through which a web of co-ordinating relationships connecting firm-specific resources are replicated. Although the value of KBV cannot be underestimated, it is not without its limitations, as there is little empirical evidence. Indeed, the focus has changed to the ability of firms to renew resources, routines and capabilities and core competencies. This led experts to consider dynamic capabilities, which

allow for the creation of new products and processes that help the firm respond to changing external conditions.

1.10 Dynamic capabilities

The dynamic capabilities approach, a third theoretical approach that links the two theories mentioned above, states that firms attain a sustained competitive advantage by efficiently integrating into, adapting and allocating resources to the firm.

The dynamic capability theory was developed with respect to “assisting in the understanding of how and why certain firms build competitive advantage in regimes of rapid change (Teece *et al.*, 1997)”. Like RBV, this view focuses on core issues such as competencies and firm performance. However, it addresses the major limitation of RBV, as RBV does not explain how and why certain firms have competitive advantage in situations of rapid and unpredictable change. On such markets, firms which have the ability to demonstrate rapid and flexible product innovation and have a management team that can coordinate and redeploy internal and external capabilities will succeed. Hence, dynamic capabilities are the strategic routines by which managers alter their resource-base, generating new value creating strategies. Therefore, the dynamic capabilities view allows for the integration, reconfiguration of resources and release of those that are redundant, for example networks. Dynamic capabilities are allied to issues of strategic renewal and growth, enabling a better understanding of how firms evolve over time, through their deployment and acquisition of resources. Dynamic capabilities are now seen as a business asset of the highest order. They can take on multiple roles within a firm such as knowledge transfer and development, changing resource allocation and firm processes. There can also be various different types such as idea generation, market disruptiveness capabilities, marketing capabilities, new process development and new product development capabilities. The manipulation of knowledge resources in dynamic and unpredictable environments, such as in the games development sector, is seen as a critical dynamic capability.

CHAPTER 2

AUSTRALIAN COUNTRY OVERVIEW

2.1 Australia: an outline of the country

Australia is a stable, culturally diverse and democratic society with one of the strongest performing economies in the world. With an estimated population of more than 22.5 million, Australia is the only nation to govern an entire continent. It is the earth's biggest island and sixth-largest country in the world in land area, about the size of mainland United States and one and half the size of Europe. Despite its extensive area, the country has a very low population density, 2.8 in./sq km; most of the 22 million Australians live in the major cities located in the south and along the west and east coasts, like Sydney, Melbourne, Perth, Adelaide, Brisbane.

Australia is home to one of the world's oldest living cultures. Aboriginal peoples arrived at least 50,000 years ago and Torres Strait Islanders have inhabited the land for 10,000 years long before European settlement. Today, it is one of the world's most multicultural countries. Over a quarter of Australia's population was born overseas making Australian society a melting pot of cultures. While Aborigines and Torres Strait Islanders are the traditional inhabitants of the land, immigrants from more than 200 countries also call Australia home. Since World War II, more than seven million migrants have come to Australia. From 1788 to the 1970s, the majority came from Europe. These days, Australia receives many more migrants from Asia, and since 1996 the number of migrants from Africa and the Middle East has almost doubled. The Italian community in Australia plays quite a prominent role: almost 1% of the Australian population was born in Italy; the Italians residing in Australia registered in the AIRE (*Anagrafe degli italiani residenti all'estero* – General Registry of Italians Resident Abroad) are 201,700 (mainly living in Sydney and Melbourne); and the Australians of Italian origin are 4.6% (in Melbourne nearly 15% of the total)³.

Table 2: Main social and demographic indicators (Source: ABS, EIU)

Year 2012	
Surface	7,617,930 sq. km
Population	23,173,236
Demographic structure	0-14 years: 18.8%; 15-65 years: 67%; over 65 years: 14.2%
Average age	37.4

³ Due to the economic crisis that Italy is experiencing, several Italians are emigrating towards Australia. According to the “Report of Italians in Australia 2014” (“Rapporto Italiani in Australia 2014”), by June 2014 Italians in Australia with a temporary visa were 20,920, i.e. +163% compared to June 2011. During the last six years, more than 12,000 Italians have arrived in Australia with a student visa and Italy ranks eleventh as to the supply of new employees to Australian companies (+24.9%).

Official language	English
Religion	Catholic Christians (26%), Anglicans (19%), Buddhists (2.1%)
Currency	Australian dollar
Form of government	Constitutional Monarchy
Capital city	Canberra

2.2 Australian economic framework

2.2.1 Australian economic overview

The Australian economy continues to outperform advanced economies. Australia has solid growth, low unemployment, moderate inflation, very low public debt and a strong and stable financial system. By 2012, Australia had experienced more than twenty years of continued economic growth, averaging 3.5% a year. Australia's positive outlook is underpinned by a record flow of resource investments, steady rise in commodity exports and a sound fiscal policy.

Australia is a country that has a huge amount of natural resources and is characterised by great economic dynamism. For twenty years Australia has recorded economic growth rates above the average of OECD (Organisation for Economic Co-operation and Development) economies.

According to the recent report “Doing Business 2014” drawn up by The World Bank and IFC (International Finance Corporation), Australia is one of the leading business countries worldwide. As a matter of fact, it ranks eleventh out of 189 economies. Credit facilities, setting up time, customs procedures and settling disputes were the main economic indicators used to rank these countries.

The solidity of the Australian economy has been confirmed by the limited impact produced by the global economic and financial crisis. Unlike other developed countries, during the slump Australia has maintained a positive rate of economic growth never going into recession, thanks mainly to the increasing integration with Asian emerging economies⁴. According to the IMF

⁴ The Australian economy is closely connected with those of Asian emerging countries and as long as they continue to grow, Australia will go on growing with them. In 2011, Ian McDonald, an economist and lecturer at Melbourne University, Department of Economics, said: *“Australia has not been bit yet, since the growth of Asian countries, especially China, is still solid and seems to continue. On the one hand we take advantage of the closeness to the Asian economic systems; we depend on them for the export of raw materials and education, thanks to the large number of students coming from those countries. On the other hand, we were able to support ourselves through the fiscal stimulus package decided by the Federal Government and a good guarantee policy on bank deposits”*. (Italian Chambers of Commerce in Australia, 2011)

(International Monetary Fund), in 2012 Australia was in twelfth position as for the size of nominal GDP and fifth in terms of per capita nominal GDP. During 2013, the Australian economy grew by 3.1% - after an increase of 2.7% in 2011 and of 2.3% in 2010 – towed by exports of raw materials and by private investments. Furthermore, Australian fiscal stability is widely confirmed by both the data on net indebtedness (during 2011-12 it reached its peak but it stopped at only 8.9%) and the debt/GDP ratio (in 2011 and 2012 it was estimated at 27.9%). Unemployment is steady at 5.4% and inflation at 2.2%. Australia has an AAA rating by all international rating Agencies.

Table 3: Main economic indicators (Source: ABS, EIU)

	2010	2011	2012	2013	2014
GDP (USD bn)	1,243	1,490	1,575	1,620	1,591
GDP per capita (USD/PPP)	39,950	41,191	42,847	44,351	46,181
Growth of GDP in real terms	2.3%	2.7%	3.1%	3.5%	2.9%
Private consumptions (%)	3%	3.3%	3.5%	3.5%	2.6%
Public debt/GDP	23.5%	26.6%	27.3%	27%	26.4%
FDI (USD bn)	38.6	23.7	20.2	3.3	
Commercial balance (USD bn)	18.2%	30%	-2.5%	-2.2%	3.9%
OECD rating about country risk	0	0	0	0	0

To face the economic uncertainties generated by the crisis, the Reserve Bank of Australia has started a policy of monetary relief. In November 2011 and August 2013 it reduced the discount rate by 225 points (currently fixed at 2.5%). Specifically, the last cut decided by the Reserve Bank of Australia was fostered by the low level of inflation, and in order to support national currency depreciation.

Actually, during 2013 the Australian dollar depreciated deeply compared to the other international currencies (the annual average exchange rate AUD/Euro was 0.80 in 2012 and it decreased to 0.72 in 2013) mainly due to the slump in prices of commodities, worries for a slower expected economic growth, and less risky investments by international investors.

The boost coming from the increasing economic-commercial integration of Australia with South-East Asian economies has encouraged important investment programs in infrastructures, energy and resources. Certainly, these trends give commercial and investment opportunities to Italian businesses. The federal and state Government Authorities, as well as Australian industry players, have shown interest in developing relationships with Italy several times, especially concerning participation in tenders for the implementation of infrastructural

projects, equity investments, establishment of joint-ventures and off-take agreements to exploit resources, supply of technology and machinery to mining and energy industries.

The need to update Australian infrastructures in order to meet challenges coming from the economic growth, but also from the increase in population and the trade of raw materials, has forced Australian Authorities to carry out ambitious long-time plans for infrastructural development. The Business Council of Australia and Deloitte Access Economics have assessed the bulk of infrastructural investment projects of the country at about AUD 921 billion.

2.2.2 Australian International Trade

The Australian exchange trade is characterised by exports of raw materials (mining, energy and agriculture) and by imports of high technology. In 2013 the Australian balance of trade recorded a surplus of about AUD 21.27 billion, which, has been the most significant trade surplus over the past years. It was produced by a growth in exports (5.9%) and a slight decrease in imports (0.4%).

Australian exports consist mainly of ferrous minerals, coal, gold, natural gas and oil. Concerning imports, there are motorcars, oil, refined oil, telecommunications devices and pharmaceutical products.

As for the geographical destinations of trade exchanges, Australia is strongly oriented towards Asia. China is the first commercial partner for both Australian exports (31.6%) and imports (19.6%). It mostly exports to Japan (18%), Korea (7.3%), and India (3.6%), while supplying countries are the US (10.2%), followed by Japan and Singapore (7.8% and 5.4% respectively).

Australia is an international country with about 21.3% of GDP produced by exports and 36% coming from foreign direct investments (it is a higher percentage than the average of developed economies, calculated by UNCTAD at about 27%).

2.2.3 Foreign Direct Investments (FDIs)

At the end of 2012, FDIs in Australia reached AUD 550 billion (an increase of 8.6% compared to 2012), more than the twice compared to ten years before; and taking into consideration also investment portfolio and financial investments, they had a value of AUD 2,168 billion. Since 2008, when the international economic crisis started, FDIs in Australia have increased by 40%. The main investors are: the US (23.9%), the UK (14.4%) and Japan (11.1%), while the

importance of the other Asian countries remains marginal (with Chinese investments which do not go beyond 3%).

The majority of Australian FDIs are addressed towards the US (39%) and the European Union (30%).

The growth in investments in Australia confirms the strengthening of its reputation as a perfect country to do business. The reasons that have made this island an optimal country to deploy managerial functions of several multinationals are the flexible and skilled labour force, a good administrative system, a high life quality, and finally the proximity to South-East Asia. Proof of this, according to A.T. Kearney's 2012 FDI Confidence Index report, Australia is sixth in the rankings of the best countries for FDIs. The steady increase in investment flows reflects the country's optimal economic performance in the last twenty years, together with a strategic position, strong international trade relationships and an open and innovative environment to do business.

2.2.4 Economic relationships between Italy and Australia

The economic-commercial relationships between Italy and Australia enjoy good health. During 2013 the value of Italian exports was AUD 5.8 billion, growing by 8.1% compared to the previous year, with an Italian market share of 2.4% (in 2012 it was 2.2%), while Australian exports amounted to 702 billion Australian dollars. Italy is the twelfth supplying country for Australia and the third among European supplying countries (after Germany and the UK).

In the Asia/Oceania area, Australia represents the third market for Italian exports (after China and Japan). Furthermore, it is the country in the Asia/Oceania region in which Italy records the highest positive trade balance. Actually, the balance is in favour of Italy, with a surplus of around AUD 5.1 billion in 2013, and with an increase of about 13.3% compare to 2012.

During 2013 the main items of Italian exports were machines, which alone represent 32.7% of total Australian imports, with a significant growth compared to the previous year (+49.5%). They are followed by pharmaceutical products which show a slight decrease of 16.2%, and electrical machinery with a 21.8 increase. On the other hand, the main Italian imports from Australia are coal and wool, wheat, ferrous materials, leather goods and raw meat.

2.3 Australian culture analysed through Hofstede's Cultural Dimensions

It is also possible to obtain additional information about Australian culture through a study carried out by G. Hofstede⁵.

In the '80s Geert Hofstede discovered five fundamental dimensions of national cultures that can be used to classify countries. This discovery was made by using factor analysis techniques on samples drawn from the multinational corporation IBM. Even if the research was carried out some years ago, its principles are still valid.

These five dimensions can be used also to better understand the main characteristics of Australian culture.

The five different dimensions put forward by Hofstede are:

- Power Distance Index (PDI): *power distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally.* This variable wants to highlight the degree of inequality (more versus less) that characterises societies. On the one hand, societies with high power distance are usually more hierarchical; each person plays a fixed role (hierarchical societies). On the other hand, low power distance is typical of democratic societies.
- Individualism (IDV) versus collectivism: *the degree to which individuals are integrated into groups.* Individualistic societies focus on individual rights and personal achievements. On the contrary, in collectivistic societies, people behave more as members of a group.
- Uncertainty avoidance index (UAI): *a society's tolerance for uncertainty and ambiguity.* It shows the degree to which the members of a society try to cope with anxiety by minimising uncertainty. Cultures which show high uncertainty avoidance are more scared about unusual and unknown circumstances. As a consequence, they try to plan and implement as many rules, laws and regulations as possible. People in these cultures are generally more emotional. Conversely, low uncertainty avoidance cultures accept dynamic or changeable environments trying to have the fewest rules. Individuals in these cultures are usually more pragmatic, being more tolerant towards changes.
- Masculinity (MAS) versus femininity: *the distribution of emotional roles between the genders.*

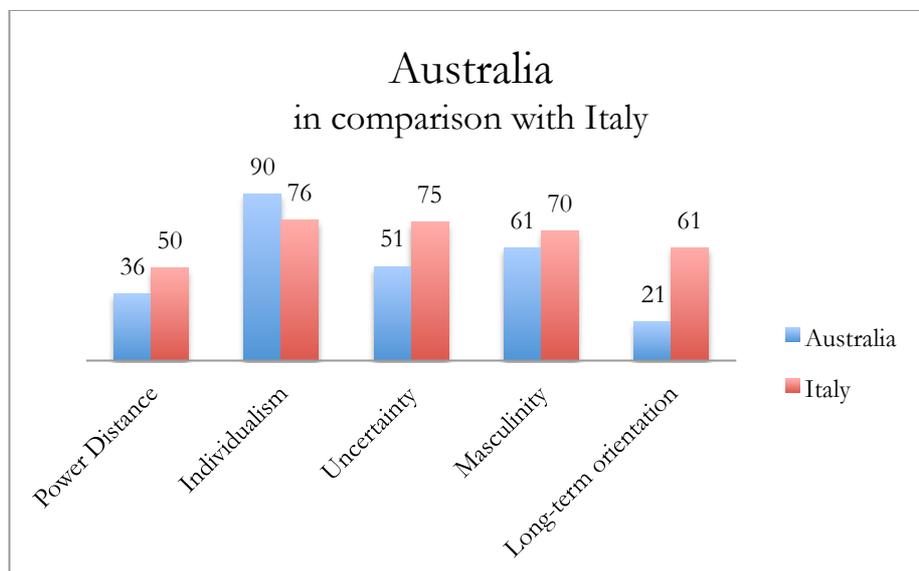
⁵ Gerard Hendrik (Geert) Hofstede (b. on 2 October 1928 in Haarlem) is a Dutch social psychologist, former IBM employee, and Professor Emeritus of Organizational Anthropology and International Management at Maastricht in the Netherlands, well known for his pioneering research of on cross-cultural groups and organizations.

Features of masculine cultures are materialism, power, competitiveness and assertiveness. Feminine societies are more focused on quality of life and relationships. Differences between genders are more highlighted in masculine societies. On the contrary, in feminine cultures men and women have the same values underlining care and modesty.

- Long-term orientation (LTO) versus short-term orientation (or Confucian dynamism): this dimension shows the time horizon of societies. In long-term oriented societies the values emphasised are reward, saving, persistence and adaptability. These kinds of cultures attach more importance to the future. In short-term oriented societies, the values emphasised are linked to both the present and the past. Steadiness, respect for tradition and accomplishment of social obligations, are the main features that usually distinguish these types of cultures.

Therefore, in order to obtain a good overview of the main drivers of Australian culture, these five dimensions can be used.

Chart 2: Australia according to Hofstede's Cultural Dimensions (Source: The Hofstede Culture Website)



Power distance

Australia scores low on this dimension (36). Within Australian organisations, hierarchy is established for convenience, superiors are always accessible and managers rely on individual employees and teams for their expertise. Both managers and employees expect to be consulted

and information is shared frequently. At the same time, communication is informal, direct and participative.

Individualism

Australia, with a score of 90 on this dimension, is a highly individualistic culture. This translates into a loosely knit society in which the expectation is that people look after themselves and their immediate families. In the business world, employees are expected to be self-reliant and display initiative. Also, within the exchange-based world of work, hiring and promotion decisions are based on merit or evidence of what one has done or can do.

Uncertainty avoidance

Australia scores a very intermediate 51 on this dimension.

Masculinity

Australia achieves 61 points on this dimension and is considered a “masculine” society. Behaviour in school, work, and play is based on the shared values that people should “strive to be the best they can be” and that “the winner takes all”. Australians are proud of their successes and achievements in life, and it offers a basis for hiring and promotion decisions in the workplace. Conflicts are resolved on an individual level and the goal is to win.

Long-term orientation

Australia makes 21 on this dimension and therefore has a normative culture. People in such societies have a strong concern with establishing the absolute Truth; they are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results.

CHAPTER 2

APPENDIX

An overview of Australian institutions and legislation

Since 1st January 1901, when the British Queen approved the *Commonwealth of Australia Constitution Act*, after the Australian colonies had decided to unite by means of the aforesaid act, Australia has been a federal constitutional monarchy made up of six independent states: Victoria, New South Wales, Queensland, South Australian, Western Australia and Tasmania. Furthermore, there are two mainland territories: Northern Territory and Australian Capital Territory. The latter have been granted a limited right of self-government, so in these territories a range of governmental matters is handled by a locally elected parliament.

As a federal monarchy, the government system was subdivided into four levels: Commonwealth of Australia, States, Territories and Local governments.

Her Majesty Queen Elizabeth II has been the Australian Sovereign since 7th February 1952. The Constitution grants the monarch certain governing powers that place her above all other levels of the government. Due to the large distance between Australia and Great Britain, the monarch is allowed to appoint a Governor-General – on the advice of the elected Prime Minister – to represent her. As the Sovereign's role is only formal, a referendum was held on 6th November 1999 and Australians were asked to decide whether their country should become a republic. However, the proposal was defeated by a national average of 54.9% of electoral votes.

In this country, the legislative power is exercised by the Parliament of Australia, which consists of the House of Representatives and the Senate. The House of Representatives, or 'the lower house', is composed of 150 members, and the Senate, or 'the upper house', is made up of 76 Senators.

As the head of government, the Prime Minister has responsibility for:

- advising the monarch about the appointment of the Governor-General;
- advising the Governor-General about important issues;
- selecting members of the government to be ministers;
- chairing the parliament's meetings.

In a federal system, power is distributed between the federal government and the state governments. The Parliament of the Commonwealth of Australia exercises the legislative power in specific areas: taxation, defence, foreign affairs, post and telecommunication services,

asylum and immigration policies, monetary policies, system of measurement, regulations governing industry (brand names, patents, copyright).

Should there be any conflict between the laws enacted by the different government bodies, the Constitution states that the very law passed by the Parliament of the Commonwealth shall come into force. In such conflict, the general rule written into the Constitution may be reversed by the authority that has legal power, i.e. the Supreme Court, which is also entitled to exercise judicial powers.

Being such subdivision of powers quite decentralised, Australia ranks among the first countries in the world for the efficiency of its state bodies.

The various agreements that link this nation to a large number of international markets play an important role in Australia's institutional profile. At each government level, they are well aware that most of the country's prosperity is based upon international trade and on their capability to attract foreign investments. Not surprisingly, one out of five jobs in Australia is connected with international trade exchanges.

The Department of Trade and Foreign Affairs is responsible for identifying, defining and putting into practice Australia's commercial policies and international agreements. The Department is aimed at achieving three main objectives in order to promote the interests of both the nation and Australians worldwide. Its primary goals are (Commonwealth of Australia, 2011):

- strategic progress towards safety and trade relations at international level;
- protection and well-being of Australian citizens abroad;
- ensuring the presence of the Australian government abroad as well, by supplying safety and information services along with technological communication facilities, and the management of properties owned by the Commonwealth overseas.

Therefore, besides being a long-term member of the major international organisations, recently the country has created more and more bonds with Asia by signing several bilateral and multilateral trade agreements, such as (Commonwealth of Australia, 2011):

- Asia – Pacific Economic Cooperation;
- South Pacific Commission;
- Pacific Island Forum;
- Pacific Islands Countries Trade Agreement;

- South Pacific Bureau for Economic Cooperation;
- South Pacific Regional Trade and Economic Cooperation;
- Asian-Pacific Economic Cooperation;
- Australia/New Zealand/United States, concerning defence.

Generally, the commitment of the Department of Foreign Affairs has been centred on those countries which mostly influence the Australian situation both strategically and economically, and especially: the USA, Japan, China, India and Europe.

Moreover, in the political institutional field, the revenue system and the right to work are also of considerable importance. The Australian system does look to the Anglo-Saxon model subdividing matters on both a personal and corporate level, based on earned income and residence in the Australian territory. As for taxation, the companies registered in Australia or in another country, with their headquarters in the Australian territory, are considered to be resident in the country. As a consequence, they pay corporate taxes on their income from both home and overseas. Even if they are a foreign company, their taxable profits shall refer to any goods or services connected to Australia.

Despite the lack of protective measures for workers and their rare participation in Trade Unions, the average yearly incomes from subordinate employment are much higher than those paid in most European countries.

CHAPTER 3

AUSTRALIAN WINE MARKET

3.1 Australian wine market

3.1.1 Australian wine market overview

Australia has a huge and international wine industry. It is one of the biggest exporters worldwide with about 750 million litres of exports per year and only 40% of production set aside for the domestic market. According to Wine Australia Corporation⁶ data, in 2013 the overall production of wine grapes was about 1.83 million tons, while the wine production amount to approx. 1.23 million litres. The wine industry is a very important entry for the Australian economy for what concerns production, jobs, export and tourism.

The value of the Australian wine market is of about AUD 2.8 billion. Australian people consume more than 530 million litres per year with a per capita consumption of about 30 litres. The country has no native vines; vine varieties were introduced from Europe and South Africa between the eighth and ninth centuries.

Nowadays, the Australian Wine industry is coping with considerable challenges including an oversupply of wine grapes (in order to control this oversupply a *Wine Restructuring Action Agenda* has been introduced)⁷, changes in customer choices, growing competition coming from emerging low-cost wine producing countries (in particular, New Zealand, Chile, Argentina and South Africa have enhanced their competitiveness on those market where the Australian wine industry plays an important role), and finally an increase in the Australian dollar causing a slump in demand from strategic import countries as the following two graphs show, i.e. the US and the UK.

⁶ Wine Australia Corporation is an Australian Government authority that promotes and regulates the Australian wine industry.

⁷ In November 2009, the Winemakers' Federation of Australia, the Australian Wine and Brandy Corporation, and the Grape and Wine Research and Development Corporation released a joint statement (*Wine Restructuring Action Agenda*) highlighting the structural surplus of wine and wine grapes in Australia, which called on producers to take steps to reduce production. The research noted that at least 20% of bearing vines in Australia were in surplus, and at least 17% of vineyard capacity was uneconomic. The study shows that Australia was producing 20 million to 40 million cases a year more than it was selling. This has contributed to the large volatility experienced by the industry. Producers are tackling the issue closing wineries and cutting production. The *Wine Restructuring Action Agenda* (2009-11) reduced vineyard area about 14% and the production of grape for wine around 11.5%, cut companies' stocks of 10% and increased exports (25% of total volume produced and stored in 2012).

Chart 3: Australian Exports in value terms (Million AUD) (Source ABS)

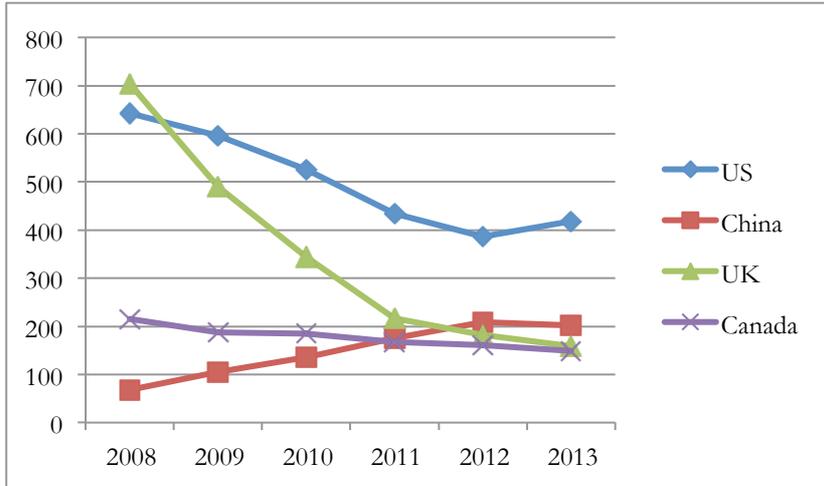
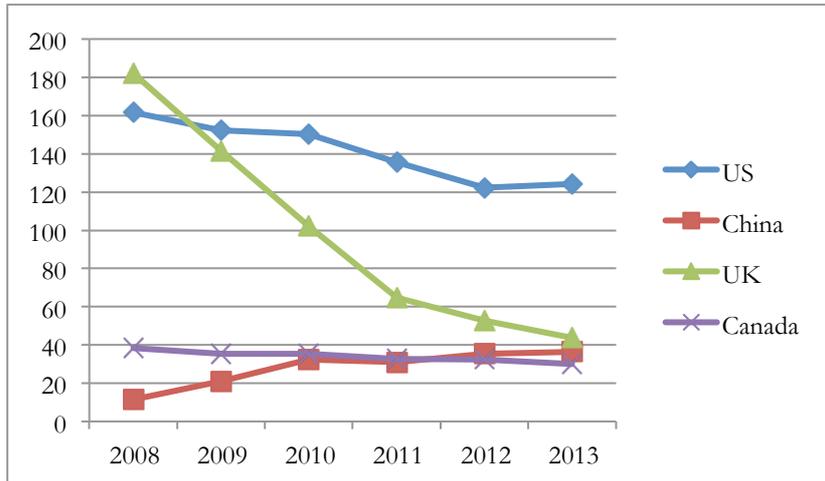


Chart 4: Australian Exports in volume terms (Million Litres) (Source ABS)



As the growth of the Australian dollar is a factor that has significantly contributed to reduce Australian export competitiveness, it is useful to present a graph that shows the trend of the Australian dollar exchange rate over the last five years.

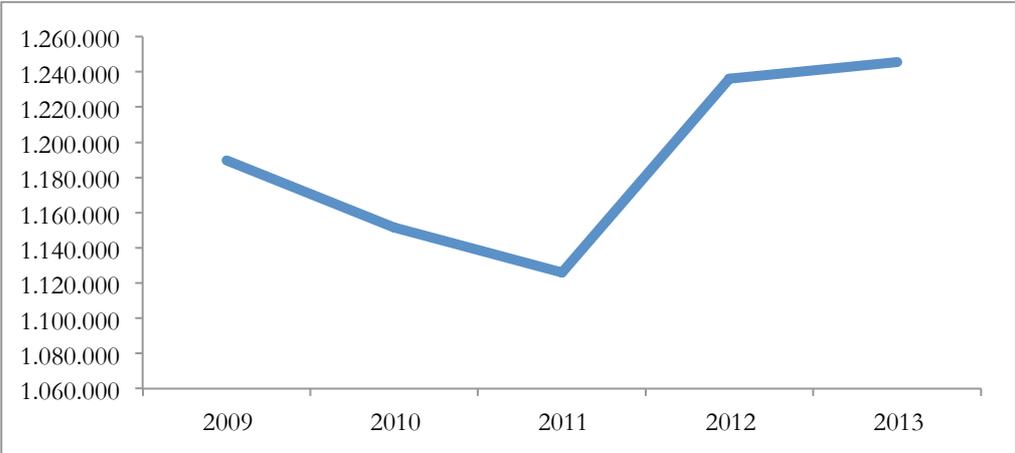
Chart. 5: Trend of Australian dollar/US dollar (source Yahoo!Finanza)



Even though during 2013-14 growth in domestic demand and an overall upturn are foreseen, challenging conditions are expected to continue, especially concerning the low level of sales towards important export markets. Industry players are trying to face this scenario egging consumers to buy premium wines and increasingly focusing on direct sales.

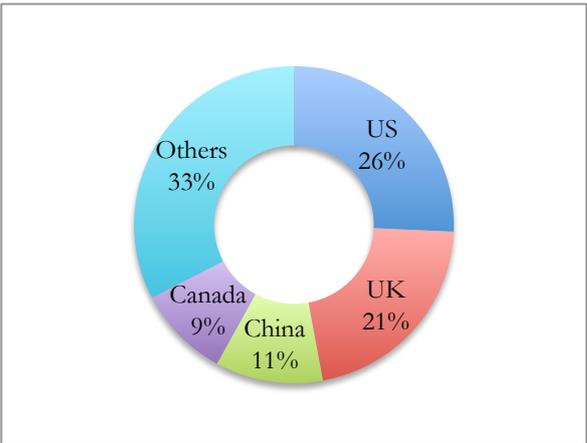
Australia is the seventh wine producer worldwide. During 2013 its wine production increased by 16.8%/2012 reaching 12.5 Mhl.

Chart 6: Evolution of Australian wine production (Australian Bureau of Statistics – ABS)



As already mentioned before, Australia is one of the biggest exporters of wine worldwide, indeed it ranks fourth (value terms). By value, the top Australian wine export destinations are the US, the UK, China and Canada.

Chart 7: Main Australian wine export markets (source Wine Production in Australia-IBISWorld)



Exports of Australian wine have dropped in the past years mainly due to weaker consumer demand in the country’s biggest markets, as already said.

Orders for Australian wine fell in both the UK and US during 2013, while government austerity measures in China led to the first drop in bottled wine export to the country since 2000.

According to the figures published by Wine Australia, globally Australia exported 678 million litres of wine in 2013, 6% less than in 2012. By value, exports decreased to AUD\$ 1.76 billion, versus \$1.85 billion during the previous year. However, in value terms, there was a rise in the average price per litre of bottled wine exported in 2013. The Wine Australia report also highlighted stronger demand from the US for exports of bottled wine over AUD\$ 7.5 a litre.

3.1.2 Australian imports

In the last four years, Australian wine imports have increased steadily, as shown in the Table 4, mainly due to the continuous appreciation of Australian dollar (in February 2009 1 EUR/2.00 AUD; in September 2014 1 EUR/1.44 AUD). The consequence was that imported wine gained significant market share, even though Australian wine still dominated the market.

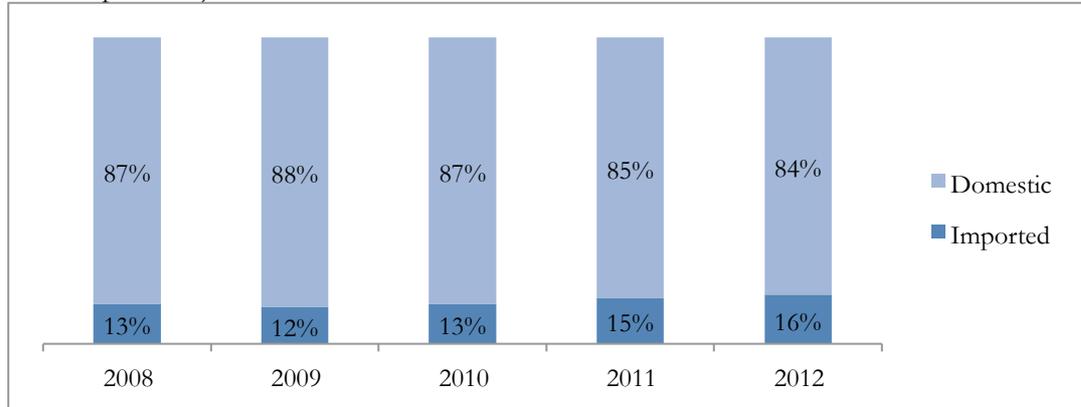
Table 4: Imports of wine in Australia (Source: ABS)

	2009	2010	2011	2012	2013	% Var. 2009/2013
Imports (million litres)	61.65	67.40	75.04	83.54	83.51	35%
Imports (million AUD)	451.75	466.27	493.87	533.99	609.92	35%
Price (AUD/L)	7.33	6.92	6.58	6.63	7.31	-0.3%

In order to see how the Australian wine market is divided between domestic and non-domestic wine, it is useful to consider the following chart developed by Wine Intelligence.⁸ Domestic wine continues to dominate the market remarkably accounting for 84% of all wine volume. Imported wine covers just 16% of the market, although a steady growth has been experienced in both the short and long term.

⁸ Wine Intelligence Australia Landscapes 2014. Wine Intelligence is a family-owned and management business dedicated to supporting wine businesses worldwide. It provides insight, information, wine branding development and strategic advice to help wine businesses make better informed decisions.

Chart 8: Australia wine market share of imported versus domestic wine* (source Wine Intelligence Landscapes 2014)



Total wine = still, sparkling and fortified wine

The major exporter is New Zealand (64% in volume terms, 54% by value and an average price of AUD 6.22 per litre imported) thanks to the geographic proximity, with important wine industries and favourable trade treatment⁹. France is the second importer country (16.2% of total volume and about 32.4% in value terms) and it occupies a higher market segment with an average price of AUD 14.35 per litre imported. The third importer is Italy (10% in terms of volume and 7% by value) with an average price of AUD 5.35 per litre imported.

Table 5: Wine imports in Australia (Source: ABS)

New Zealand	2009	2010	2011	2012	2013
Millions of Litres	42.55	47.25	50.59	51.29	53.00
Millions of AUD	258.14	262.20	276.45	300.33	329.74
Price per litre (AUD/L)	6.07	5.55	5.46	5.86	6.22
France	2009	2010	2011	2012	2013
Millions of Litres	6.23	7.66	9.17	13.38	13.40
Millions of AUD	119.26	142.27	151.76	179.33	192.31
Price per litre (AUD/L)	19.14	18.58	15.62	13.40	14.35
Italy	2009	2010	2011	2012	2013
Millions of Litres	6.62	7.14	6.92	7.94	8.49
Millions of AUD	43.64	32.52	32.85	37.85	45.46
Price per litre (AUD/L)	6.59	4.55	4.75	4.78	5.35

⁹ In this context it is important to mention an important agreement between Australia and New Zealand, the ANZCERTA. The Australia – New Zealand Closer Economic Relation Trade Agreement is one of the most comprehensive bilateral free trade agreements. It covers substantially all trans-Tasman trade in goods, including agricultural products, and was the first to include free trade in services. Since the ANZCERTA came into force in 1983, the two-way trade in goods between the two countries has expanded at an average annual growth rate of eight per cent.

New Zealand is the main off-trade player also favoured by the “special treatment” that major supermarket chains – as Woolworths and Coles – give to it. “Special treatment” means that supermarket chains treat New Zealand wine producers as they were Australian producers.

South Africa	2009	2010	2011	2012	2013
Millions of Litres	1.74	1.48	1.66	2.92	1.32
Millions of AUD	5.52	4.61	4.62	4.70	3.18
Price per litre (AUD/L)	3.18	3.11	2.79	1.61	2.41

Chile	2009	2010	2011	2012	2013
Millions of Litres	0.77	0.56	2.17	2.53	1.16
Millions of AUD	3.36	2.47	4.67	3.48	4.61
Price per litre (AUD/L)	4.37	4.42	2.16	1.38	3.97

Spain	2009	2010	2011	2012	2013
Millions of Litres	0.97	1.28	1.34	2.08	2.39
Millions of AUD	7.04	7.82	7.95	10.22	12.53
Price per litre (AUD/L)	7.24	6.13	5.93	4.90	5.23

Germany	2009	2010	2011	2012	2013
Millions of Litres	0.60	0.59	0.59	0.68	0.88
Millions of AUD	3.47	3.30	3.20	3.71	5.11
Price per litre (AUD/L)	5.81	5.59	5.41	5.49	5.79

Portugal	2009	2010	2011	2012	2013
Millions of Litres	0.50	0.57	0.55	0.59	0.70
Millions of AUD	2.51	2.15	2.57	2.34	3.57
Price per litre (AUD/L)	5.02	3.76	4.68	3.97	5.07

Others	2009	2010	2011	2012	2013
Millions of Litres	1.74	1.63	1.74	1.87	2.14
Millions of AUD	8.82	8.94	9.80	12.05	13.41
Price per litre (AUD/L)	5.07	5.50	5.64	6.45	6.21

Total	2009	2010	2011	2012	2013
Millions of Litres	61.65	67.40	75.04	83.54	83.52
Millions of AUD	451.75	466.27	493.87	553.99	609.92
Price per litre (AUD/L)	7.33	6.92	6.58	6.63	7.30

Tables 6 and 7: Market Share by exporter countries in volume and value terms (Source: Own elaboration)

Volume %	2009	2010	2011	2012	2013	Var.% 12-13
New Zealand	69.02	70.10	67.42	61.40	63.46	2.06
France	10.11	11.36	12.22	16.02	16.04	0.02
Italy	10.74	10.59	9.22	9.50	10.16	0.66

Value %	2009	2010	2011	2012	2013	Var.% 12-13
New Zealand	57.14	56.23	55.98	54.21	54.06	-0.15
France	26.40	30.51	30.73	32.37	31.53	-0.84
Italy	9.66	6.97	6.65	6.83	7.45	0.71

As displayed in the tables above, Italy is an important player on the Australian market, being in third position. However, its market share is not so as remarkable as those of New Zealand and

France. The price per litre in table 5 shows that Italy has cut the price during the years¹⁰ in order to gain market share.

Italian and French market shares in volume terms are almost the same (table 6). However, if value is considered (table 7), the gap between the two countries is remarkable and should be taken into consideration. France exports towards Australia with a higher price point than Italy, as it offers Champagne and wines from Bordeaux. Italy, on the other hand, exports wines such as Lambrusco, Asti, Chianti, Montepulciano and Pinot Grigio. As a consequence, the price point for these Italian wines is lower, making it difficult for Italian wine to catch market share in the Australian market.

According to a report by the Italian Chamber of Commerce in Australia (Melbourne)¹¹, this trend underlines that high-quality Italian wine producers may have some difficulties in meeting Australian demand. A possible explanation could be an unsuitable commercial strategy for the penetration of this market. Furthermore, educational and promotional activities are often limited and usually the support to importers is not adequate.

3.1.3 Customs Tariffs

In the majority of trade agreements signed with Australian importers, the Italian producer is not responsible for transport of goods from Italy to Australia, as it is ex-factory. It means that Australian buyers will be in charge of both forwarding and customs clearance. Besides transport and goods costs, the importer has to bear more costs.

The Customs Tariff Act of 1995 sets out the taxation procedure for every product category. As far as wine is concerned the Act establishes that the Value of Taxable Importation (VoTI) under which the Good & Services Tax (GST) shall correspond to the total sum of the following items (Australian Customs and Border Protection Service, 2012-2013):

- customs value (CV);
- customs duties corresponding to 5% of the previous item;
- amount already paid or still to be paid for transport and insurance of goods in Australia (T&I);

¹⁰ The Italian and French market shares in volume terms are about the same (see table 6). However, in value terms the gap is much more bigger (see table 7). France exports with a higher price point compared to Italy

¹¹ Il mercato del vino in Australia – Australian Chamber of Commerce & Industry – Australia, Melbourne Inc.

- Wine Equalisation Tax (WET): it is the value-based tax on wine consumed in Australia. WET is the 29% of the value of wine at the latest wholesale sale (before adding GST, which corresponds to the Italian IVA, VAT - Valued Added Tax).

The sample import document as guide for imports provides an example which makes the process of taxation definition clearer:

Table 8: Calculation of customs duties of wine imports in Australia (Source: Documentary Import Declaration Comprehensive Guide)

Imported goods that are wines	
Customs Value	\$2,000.00
Customs duty = 5% * \$2000	\$100.00
T&I	\$150.00
WET @ 29% of (CV + Duty + T&I)	\$652.00
VoIT	\$2,250.00
GST=10% of (VoIT + WET)	\$290.25
TOTAL PAYABLE (Duty + WET + GST)	\$1,042.75

The table above is an example of wine import for a value of AUD 2,000. The final price paid by the importer reaches 52.1% of the total value of import. It is easy to understand that price competition with Australian domestic wines could be stiff because of the high level of taxation. Although free trade agreements have not been drawn up yet, there are some treaties between Australia and EU countries which try to reduce tariffs and procedural barriers, such as the European Union-Australia Partnership Framework of October 2008. Purpose of this agreement, apart from cooperation in the multilateral trade system and trade in services and investment issues, is to favour the trade of industrial products between the EU and Australia by breaking down technical barriers, including conformity assessment procedures (European Union-Australia Partnership Framework, 2008). Furthermore, concerning wine an important agreement between the EU and Australia has been reached: the Australia and EU agreement on Trade in Wine, which has been in force since 1st September 2010. Specifically, the aim of this agreement is to safeguard the EU's wine labelling regime, giving entire protection to EU geographical indicators, including wines intended for export to third countries. Summarising, the agreement sets out a clear Australian commitment to the protection of EU wine traditions (EU-Australia wine trade agreement, 2010).

3.1.4 Australian distribution channels

Before analysing the range of wine distribution channels in Australia, it is useful to introduce the topic giving a brief explanation of what Off-Trade and On-Trade or Off-Premise and On-Premise mean.

How wine is consumed could also be studied through distribution channels. An important distinction that can be made is between Off-Trade and On-Trade. This definition comes from the UK alcoholic beverage industry and is widely used by the business world. Off-Trade alcohol refers to drinks that are purchased in supermarkets, hypermarkets, corner shops, etc., while On-Trade alcoholic is sold in pubs, hotels, restaurants, cafés, etc. Generally, Off-Trade alcohol applies to those drinks that are consumed “off” or away from the premises; On-Trade refers to the sale of licensed goods such as wines and spirits to be consumed “on” the premises. On-Trade or On-Premise can be compared with the so-called Ho.Re.Ca. channel (acronym which stands for Hotel, Restaurant, Café), consequently Off-Trade or Off-Premise includes all the other retail sales which do not pass through the Ho.Re.Ca.

The volume and value allocation of sales between these two channels provides important information about the consumer; specifically, it reveals his/her predisposition towards the consumption of drinks on the premises, therefore paying a higher price, or if he/she prefers to consume at home. Clearly, if consumers opt to drink alcoholic beverages on the premises, they are disposed to spend more money as the sale price of this channel is higher compared to the Off-Trade one.

The definition of Off-Trade, as said before, includes sale channels such as supermarkets, hypermarkets, discounts, specialised shops and food retailers, etc. However, any sales made outside classic point of sales (non-store retailing), like the Internet and direct sales, need to be considered an Off-Trade channel.

In Australia, wine distribution is managed by few importers (merged into huge distribution groups) that act at national level through their own network of retail distribution, and small importers with one or two local stores working above all in the On-Trade channel.

The main Off- and On-Trade players are:

- Woolworths Limited (owner of the Woolworths supermarket chains). Its market share is of 37% and it has 1,250 stores under different names: Woolworth Liquor, Cellarmasters, Langton's, Dan Murphy's and BWS.

- Wesfarmers Limited (owner of Coles supermarkets). It has a market share of 21.3% with 785 stores: Liquorland, Vintage Cellars and 1st Choice Liquors.
- Metcash (owner of Australian Liquor Marketers – ALM). It has more than 15,000 stores for On-Trade and works as purchase centre for various Australian minor chains: Cellarbrations, IGA Liquor and Bottle-O.
- Hoyer AG (owner of ALDI supermarket chains). It has 200 stores in New South Wales, Queensland and Victoria.
- Liquor Marketing Group: purchase centre for several chains such as Bottlemart, Down Under Cellars, Harry Brown and Sip'n Save; it works above all for On-Trade.
- Independent Liquor Group Co-operative: purchase centre which operates in Queensland and New South Wales. It supplies more than 1,200 stores for On-Trade and specialised shops (Pubmart, Super Cellars, Little Bottler, Clubmart, Liquor World and The Liquor Co-op). Many other independent stores in Western Australia are grouped into Liquor Barons and Liquor Home Delivery (online).

Wine is mainly sold through:

- Direct sale in winery: the smallest wineries sell a part of their production outside wholesale/retail competitive channels favouring wine tourism in those areas where wine production is widespread: Hunter Valley, Barossa Valley and Margaret River.
- Direct sale through wine Clubs and online catalogues: Australia has a vast wine club culture promoted by Cellarmasters Club (Woolworths group) with 360,000 members and Vintage Cellar Wine Club (Coles group).
- Agent/Importer – Distributor: traditionally this channel is the best option for starting wine and liquor sale in Australia, even if the role of trade agents has declined since the 80s. Australia is a small market (23 million people) with few importers with a national dimension and a sufficient logistic capability, despite the great distances in the country and the high costs of transports. This gives prominence to importers and distributors who cover one or more states, where they have trade agents. The latter operate by grouping orders that can be logistically arranged from the importers' warehouse. Furthermore, the small size of this market fosters sale agency agreements.

With regard to small wine producers, agents/retailers are still needed, above all for high quality wines, as it is necessary to have relations with different types of customers (restaurants, supermarkets, wine bars, etc.).

- Onsite sales: some leading wine producers (above all from New Zealand) have established their own point of sales in Australia, where they can increase orders and dispatch the goods they have imported. However, European producers do not usually adopt this channel distribution system due to its high cost.
- Wholesalers: several times they are considered the “heads” of wine distribution channels, as they decide which wines will be displayed in retail stores, and consequently offered to final consumers. They choose which products will be sold and where; for this reason they have to monitor consumers’ tastes constantly. The task of wholesalers would be to supply retailers with a wide range of products. Furthermore, they are responsible for the logistics (storage and transport) that are required in order to provide services and facilities at regional level. Main aim of wholesalers is the optimisation of stocks.
- Retailers: in Australia the two big retailer chains Coles and Woolworths (supermarkets, hypermarkets, etc.) together account for 60% of alcoholic beverages distributed. Other retailers of alcoholic drinks have created integrated groups improving their positions with suppliers and saving storage and logistic costs. However, recently shops tend to offer high-quality wine along with gourmet food, as Australian consumers have changed to high-quality products. In a context of increasing competition these shops have to clearly fix the target, price level and how to offer the product to consumers. In the past few years, the small areas devoted to wine in the American supermarket Costco have increased sales of wines and liquors at very competitive prices including some imported products that are already present in Australia through other distributors.

In Australia, like in the majority of Anglo-Saxon countries, sales of alcoholic beverages are strictly regulated. The Federal Government limits imports of wines and spirits through licences, while governmental and/or local licences control wholesale and retail trade: stores such as supermarkets or hypermarkets are not permitted to sell alcoholic drinks.

Those restaurants which, due to high costs, find it difficult to obtain a licence to sell alcoholic beverages, normally adopt the *Bring Your Own* (BYO) option. This method allows the clientele of restaurants to drink their own bottles paying a surplus besides the price of food.

Considering the importance that the topic related to Australian distribution channels has for this research, the following tables illustrate how wine sales in Australia are divided into Off- and On-Trade. With reference to both volume and value, the trend is significantly growing. As a matter of fact, during 2007/2012 the percentage of volume growth in Off-Trade was 13.3, while it was 9.8 in On-Trade. In the same years (2007/2012) there was a 5.9% value rise in Off-Trade, whereas On-Trade increased by 8.6%.

Table 9: Sales of Wine by On-Trade Vs. Off-Trade: Volume 2007-2012 (source Wine in Australia Euro Monitor International-Passport)

Million Litres	2007	2008	2009	2010	2011	2012
Off-Trade	389.8	410.2	425.8	436.2	432.2	441.5
On-Trade	94.4	99.8	102.6	104.6	101.7	103.6
Total	484.1	510.0	528.5	540.9	533.9	545.1

Table 10: Sales of Wine by On-Trade and Off-Trade: % Volume Growth 2007-2012 (source Wine in Australia Euro Monitor International-Passport)

% Volume growth	2011/2012	2007/2012	2007/12 CAGR
Off-Trade	2.1	13.3	2.5
On-Trade	1.9	9.8	1.9
Total	2.1	12.6	2.4

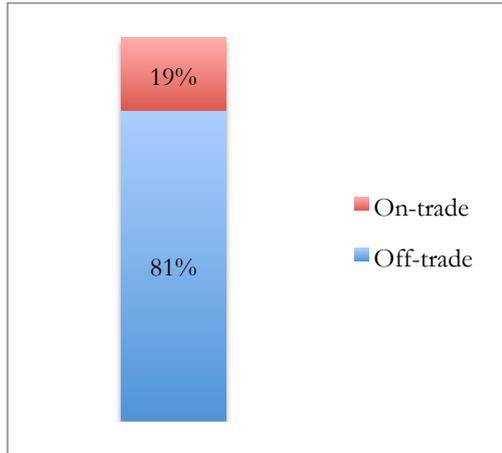
Table 11: Sales of Wine by On-Trade vs Off-Trade: Value 2007-2012 (source Wine in Australia Euro Monitor International-Passport)

A\$ Million	2007	2008	2009	2010	2011	2012
Off-Trade	3,765.6	3,927.9	3,992.6	3,910.6	3,844.5	3,987.7
On-Trade	3,179.1	3,316.9	3,375.6	3,367.2	3,326.2	3,453.8
Total	6,944.8	7,244.8	7,368.2	7,277.9	7,170.7	7,441.5

Table 12: Sales of Wine by On-Trade vs Off-Trade: %Value Growth 2007-2012 (source Wine in Australia Euro Monitor International-Passport)

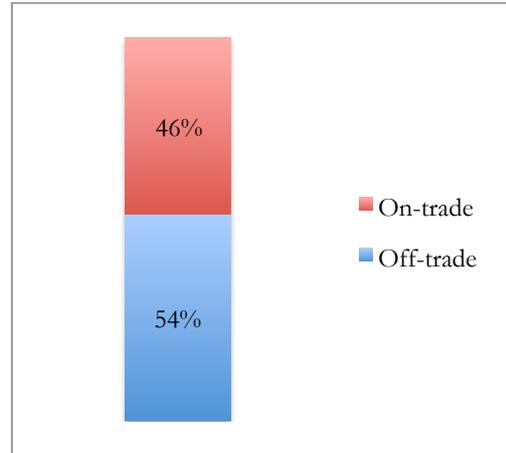
% Current Value Growth	2011/2012	2007/2012	2007/12 CAGR
Off-Trade	3.7	5.9	1.2
On-Trade	3.8	8.6	1.7
Total	3.8	7.2	1.4

Chart 9: On- Off-Trade market share (volume)



(Own elaboration)

Chart 10: On- Off Trade market share (value)



(Own elaboration)

3.1.5 Consumption analysis

During the last fifty years, consumption levels of alcoholic drinks in Australia have changed dramatically. According to a survey conducted by the National Health and Medical Research Council¹², beer consumption has decreased remarkably, from 75% in 1962 to 41% in 2012. During the same period the percentage of wine increased from 12% to 38%, and also spirits (included RTD – ready to drink pre-mixed beverages) grew from 13% to 19%. Cider consumption rose by about 1.7% of the total Australian consumption in 2012.

In 2012 the total alcoholic consumption in Australia showed a slight decrease compared to 2011, 183.5l and 184.9 million of litres respectively.

Table 13: Total consumption of alcoholic beverages in Australia (Source: ABS-Australian Bureau of Statistics)

	Beer	Wine	Spirits	RTD
2011	77,327	68,000	24,034	12,814
2012	75,585	69,287	23,082	12,490

The figures in the tables refer to the quantity of pure alcohol in the beverage.

According to Wine Intelligence analysis, Australia ranks 10th for per capita consumption in the world (as shown by the following table) and has increased slightly in both the long and short term.

¹² The National Health and Medical Research Council is Australia’s leading expert body promoting the development and maintenance of public and individual standards.

Table 14: Australian per capita consumption of still light wine (Source: Wine Intelligence Landscape 2014)

Market	2011	2012	CAGR 2008-2012	CAGR 2011-2012
Italy	50.65	49.55	-1.42%	-2.17%
France	47.62	47.32	-1.93%	-0.64%
Slovenia	44.09	44.28	0.48%	0.43%
Portugal	43.86	43.01	-0.11%	-1.93%
Switzerland	43.97	42.96	-1.42%	-2.29%
Denmark	36.92	35.79	-0.94%	-3.06%
Argentina	32.38	32.87	-3.08%	1.52%
Germany	31.94	31.26	-1.41%	2.13%
Belgium and Luxembourg	29.02	27.60	-1.38%	-4.89%
Australia	27.32	27.35	1.13%	0.10%
The Netherlands	26.19	25.93	-0.34%	-0.98%
Sweden	24.73	25.04	3.34%	1.25%
New Zealand	24.09	24.33	1.20%	1.01%
United Kingdom	23.58	22.66	-2.49%	-3.90%
Ireland	20.80	20.39	-1.10%	-1.94%
Sweden	24.73	25.04	3.34%	1.25%
New Zealand	24.09	24.33	1.20%	1.01%
United Kingdom	23.58	22.66	-2.49%	-3.90%
Ireland	20.80	20.39	-1.10%	-1.94%
Chile	20.72	19.45	-3.67%	-6.15%
Spain	19.69	19.19	-5.03%	-2.53%
Norway	18.74	19.04	1.64%	1.58%
Canada	14.21	14.52	2.08%	2.17%
Finland	12.68	12.75	0.44%	0.59%
United States	12.13	12.27	1.60%	1.13%
Russia	5.23	5.20	-0.14%	-0.61%
Poland	2.89	2.90	3.08%	0.21%
Japan	2.42	2.71	6.91%	12.18%
Brazil	2.34	2.11	1.19%	-9.48%
China	1.40	1.52	22.24%	9.13%
Mexico	0.71	0.72	0.28%	1.87%
South Korea	0.62	0.70	-3.34%	12.73%

3.1.6 Australian wine market classification

Before introducing the segmentation of the Australian wine market, it is useful to understand at which stage of life the Australian wine market is.

According to the Wine Intelligence Market Model, Australia has been reclassified from High Growth Established market, with high growth levels, to a Mature Established market, due to lower compound annual growth over more recent years.

Table 15: Australian wine market classification (Source: Wine Intelligence Report 2013)

Traditional Established	Mature Established	High Growth Established	Emerging	New Emerging
Wine producing countries with high	Market with strong historical growth	Markets where wine is becoming a	Markets where wine is experiencing	Markets where wine is still a relatively

residual per capita consumption, but stable or declining	which is tailing off	mainstream product and is experiencing above-trend growth	rapid growth from relatively low base	new and unknown beverage
Argentina Croatia France Georgia Germany Italy Portugal Spain	Australia Denmark Belgium Ireland Netherlands Switzerland UK	Canada Finland New Zealand Norway Sweden USA Japan	Angola China Brazil Hong Kong Mexico Poland Russia Singapore South Africa South Korea	India Malaysia Nigeria Taiwan Thailand UAE

The following stage-of-evolution market model groups wine markets based on four main consumer behaviour characteristics: first changes in volume and value trends, second the per capita consumption, third the range of countries of origin of the wine consumed, and finally the place of wines as a beverage within the culture.

Table 16: Australian wine market classification I (Source: Wine Intelligence Report 2013)

Traditional Established	Mature Established	High Growth Established	Emerging	New Emerging
Decreasing volume and value trend	Stable or decreasing volume and value trend	Longer term growth trend in total market volume/value	Generally significant growth, but from small base in terms of market volume and value	Typically significant growth, but from marginal base and risk of fluctuation
Decreasing per capita consumption from high base	Stable or decreasing per capita consumption from high base	Range of per capita consumption levels prevalent	Low per capita consumption rates for wine	Negligible per capita consumption rates across the adult population as a whole
Some shift away from dominance of domestic production	Broad range of countries/regions of origin	Broad range of countries/regions of origin, often changing or developing	Narrow range of countries of origin/wine styles	Limited wines distributed and available
Shift from “table/bulk wine” to premium bottled wine	Wine often considered drink of choice by many adults in the population	Wine often considered drink of choice by many adults in the population	Market dominated by domestic wine/spirits	Limited wine drinking culture

3.1.7 Australian Wine Market Segmentation

After carrying out the market analysis, it is necessary to define the type of target customers, to segment the selected market, and to place one's own product. Segmentation is instrumental in subdividing the market in a broader sense within a market-target consisting of potential consumers who make up the objective that a company seeks to achieve through its products. A well-defined target will help single out and formulate the most suitable marketing strategies to reach all previously set goals.

In order to present the segmentation of the Australian wine market, a piece of research conducted by Wine Intelligence was used. The research was done on-line and is based on a sample of more than 2,000 regular wine drinkers (regular wine drinkers means people who drink wine at least once a month). The selected sample is representative of Australia's 11.5 million regular consumers of still light wine based on the Wine Intelligence annual calibration survey of wine drinkers in Australia. Furthermore, a quantitative research was carried out. Face-to-face focus group with consumers from the crucial segments allowed to a further understanding of the motivations and patterns of behaviour driving wine consumption.

In Australia there are 17 million adults¹³ and 11.5 million of them are regular wine drinkers. 79% of regular wine drinkers drink wine weekly or more¹⁴, i.e. 9.1 million wine drinkers who drink weekly or more; 21% of them drink still wine 1-3 times a month, i.e. 2.4 million wine drinkers who drink 1-3 times per month¹⁵.

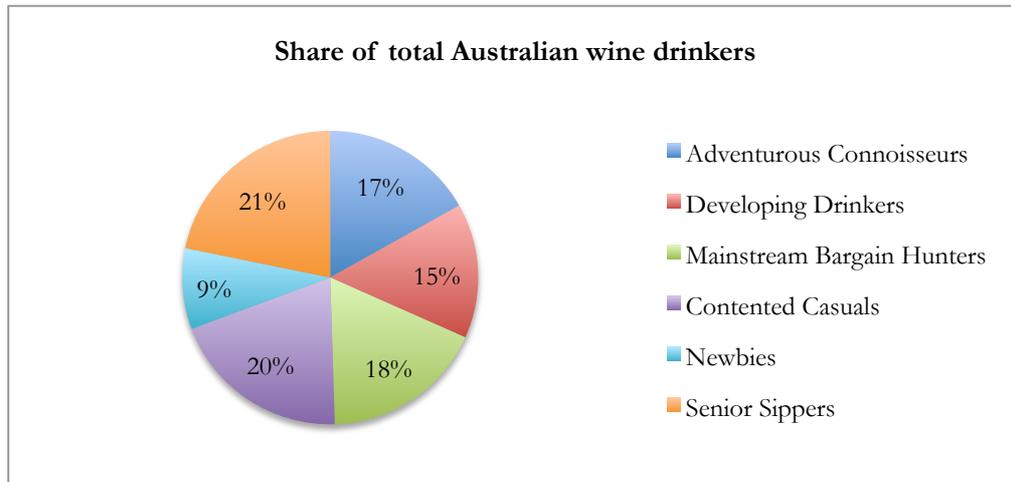
According to Wine Intelligence research, Australian wine drinkers can be classified into six categories: adventurous connoisseurs, developing drinkers, mainstream bargain hunters, contended casuals, newbies and senior sippers.

¹³ ABS Wine Intelligence calibration survey (YouGov), September 2010, n=1,083 Australian adults.

¹⁴ Source: Wine Intelligence, Vintrac Australia, March '14 and April '14 n=2,189 Australian regular wine drinkers.

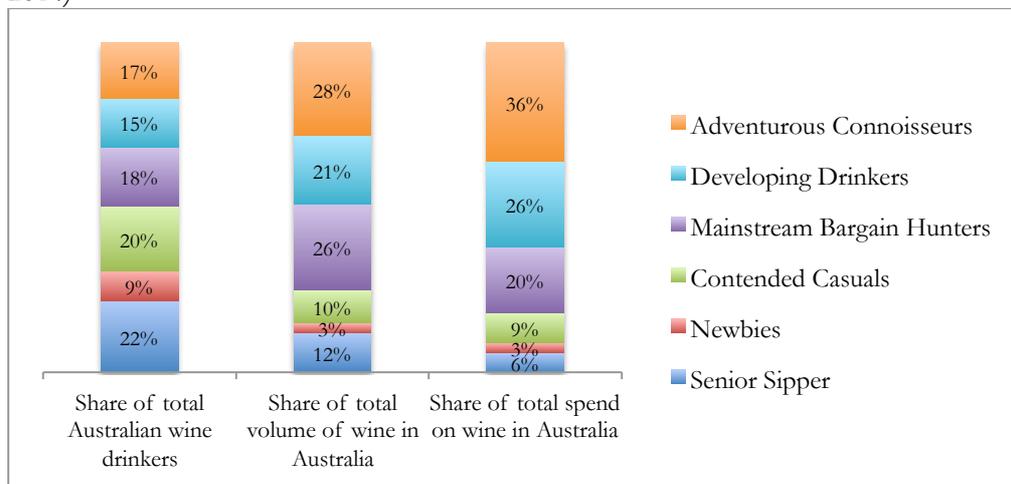
¹⁵ Source: Wine Intelligence, Vintrac Australia.

Chart 11: Australian Wine Market Segmentation (Source: Wine Intelligence Portraits 2014)



Before providing a detailed description of each segment, it is useful to make an overall presentation to frame the subject.

Chart 12: Segmentation by population size, volume and value terms (Source: Wine Intelligence Portraits 2014)

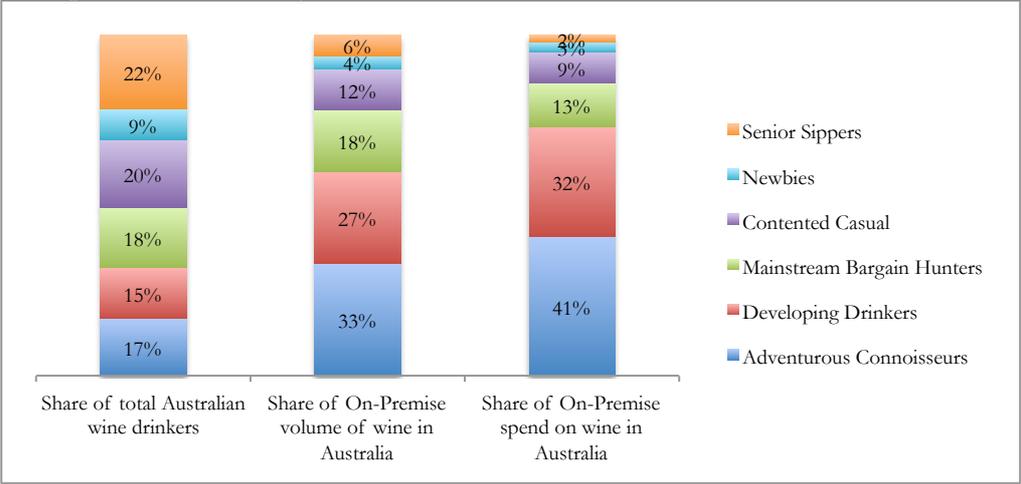


According to the chart above the three biggest segments by population size are Senior Sipper (22%), Contented Casual (20%) and Mainstream Bargain Hunters (18%). However, since 2012 Adventurous Connoisseurs (36%) has been the only segment that has increased in terms of spend though it is only the fourth largest group by size of population. Other important segments in value terms are Developing Drinkers (26%) and Mainstream Bargain Hunters (20%). Considering wine volume, Adventurous Connoisseurs, Mainstream Bargain Hunters and Developing Drinkers are the groups worthy of mention, covering 28%, 26% and 21% respectively.

In order to achieve the aim of this research, i.e. an elaboration of a strategy for the company Zonin in the Australian On-Trade, it is useful to analyse the shares concerning On-Premise in the different market segments. This part of analysis is crucial in order to evaluate the most attractive segments for the strategy. Further in this paragraph, a more detailed explanation will be given for each segment.

Compared to 2012, Adventure Connoisseurs was the only segment which showed a remarkable growth in value terms (41%). The other significant group that spend money on the On-Premise channel is Developing Drinkers (32%). These two groups are relevant in terms of volume as well: Adventurous Connoisseurs represent 33% and Developing Drinkers account for 27%.

Chart 13: Share of On-Premise volume and On-Premise spend on wine in Australia (Source: Wine Intelligence Portraits 2014)



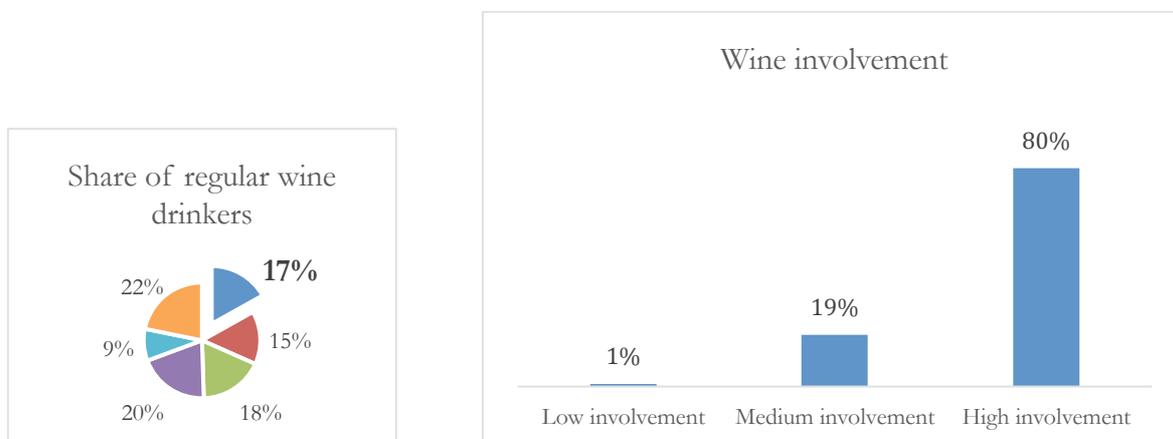
Adventurous Connoisseurs¹⁶

This market segment consists of higher spending and knowledgeable wine drinkers that show a natural propensity towards category exploration. Those that tend to be Older Millennials and younger Generation X¹⁷ consumers are mostly men who come from professional environments. They are the most valuable segment concerning the total amount of dollars spent on wine in Australia. Adventures Connoisseurs consume wine frequently and perceive

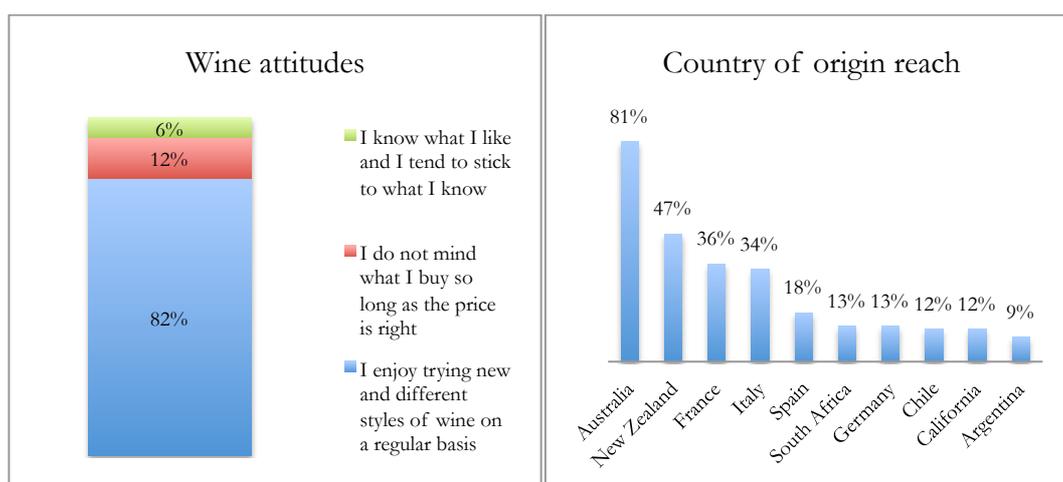
¹⁶ The source of the all charts of the following paragraph is Wine Intelligence Portraits 2014 (own review)

¹⁷ Millennials (Millennial Generation or Generation Y) are the demographic generation following Generation X (form the early 1980s to the early 2000s). Generation X: generation born after the Western Post-World War II baby boom (form the early 1960s to the early 1980s).

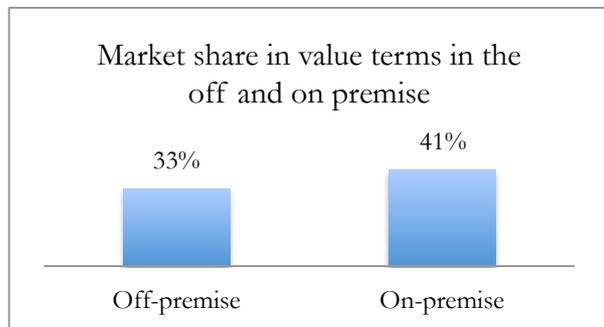
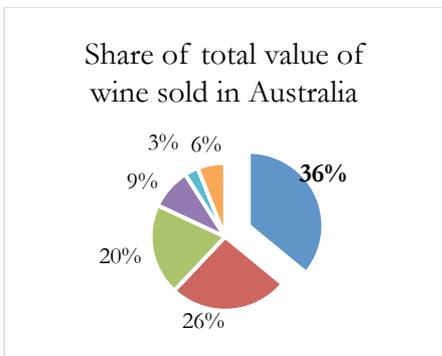
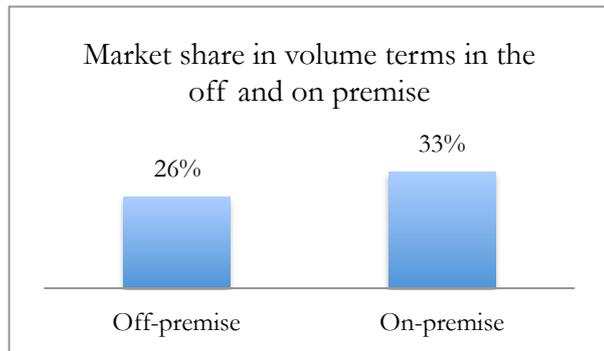
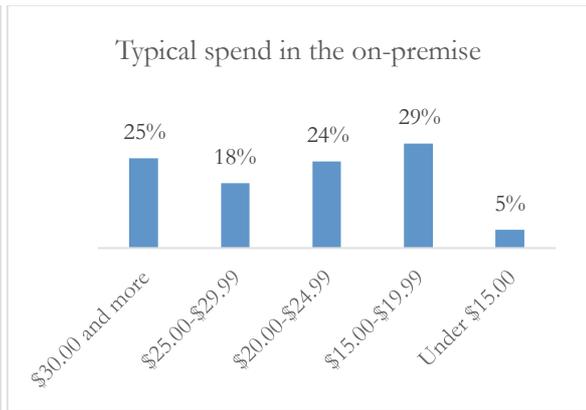
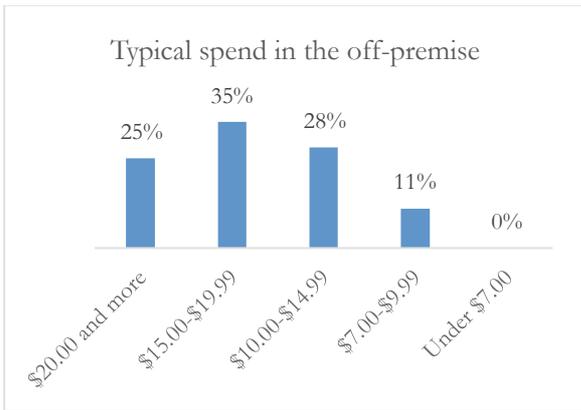
wine as a pleasure and personal interest. They represent the segment with the highest involvement with wine.



The predisposition towards knowledge spur the segment to try a wide range of varietals and styles, as well as a broad range of wines from different countries. However, domestic wines remain the most appreciate.

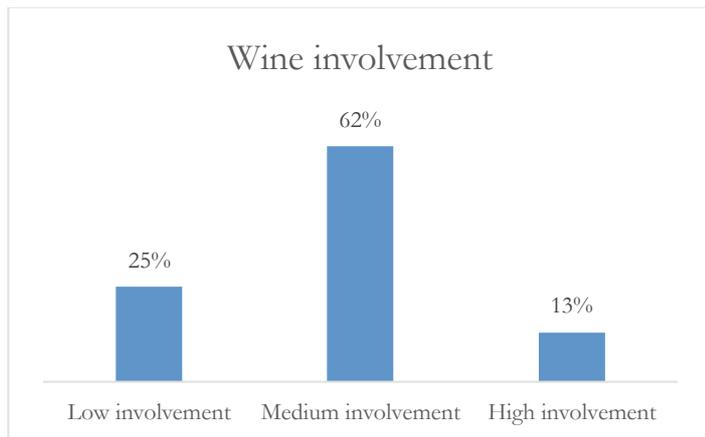


Adventurous Connoisseurs usually spend money on wine in both the Off-Premise and On-Premise in order to ensure they get the high quality they are accustomed to. If they pay a premium price, they particularly like to try new brands in order to avoid well known big wine labels.

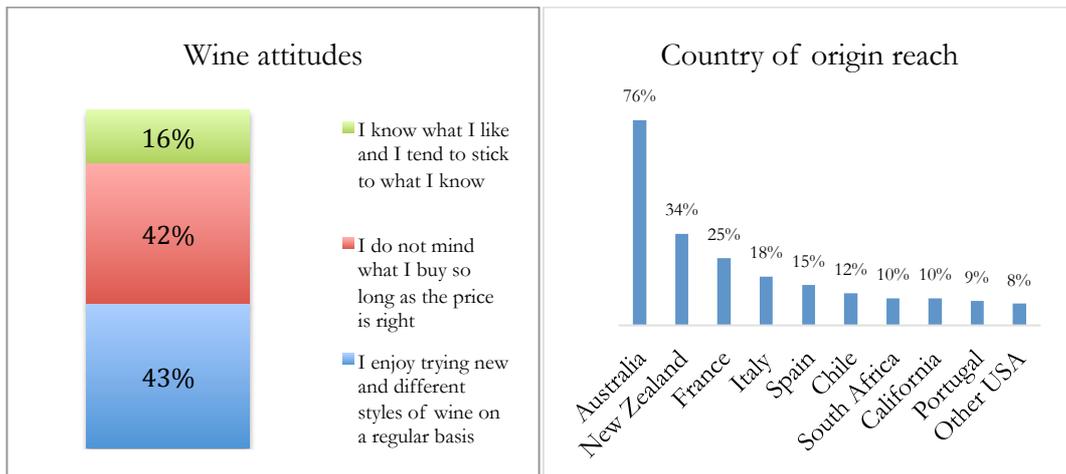


Developing Drinkers

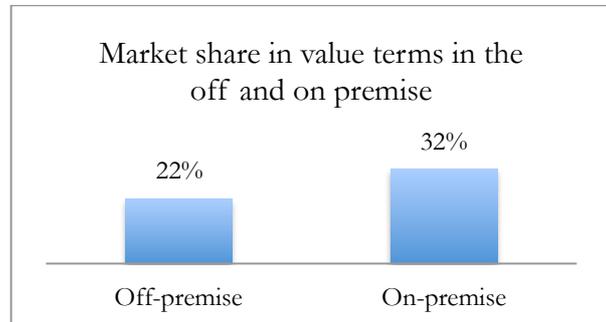
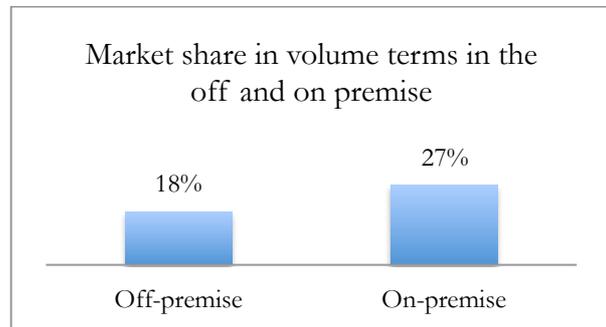
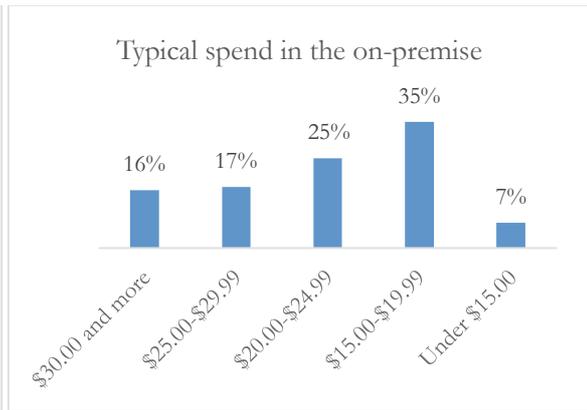
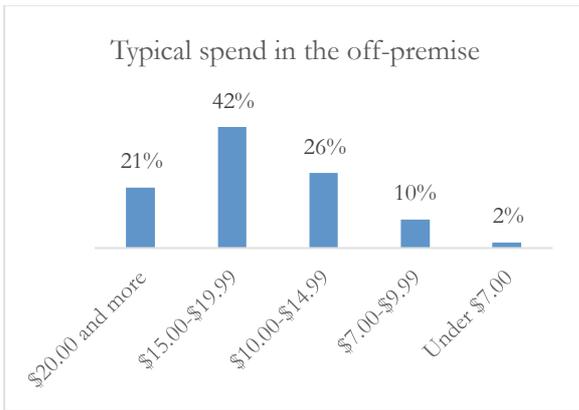
Developing Drinkers are younger, interested consumers who seek information about wine to increase their confidence in the category. The majority of this segment is made up of Millennials, mostly men, in higher job position. This group often drink wine, as wine is an important part of their social lives. However, they are still learning about wine, and they do not feel particularly confident about their wine knowledge.



Developing Drinkers consume a wide range of alcoholic beverage and it is the second most likely group to drink Champagne, after Adventurous Connoisseurs. Furthermore, they are open to experimenting with imported wines, as the majority of them have travelled a lot.

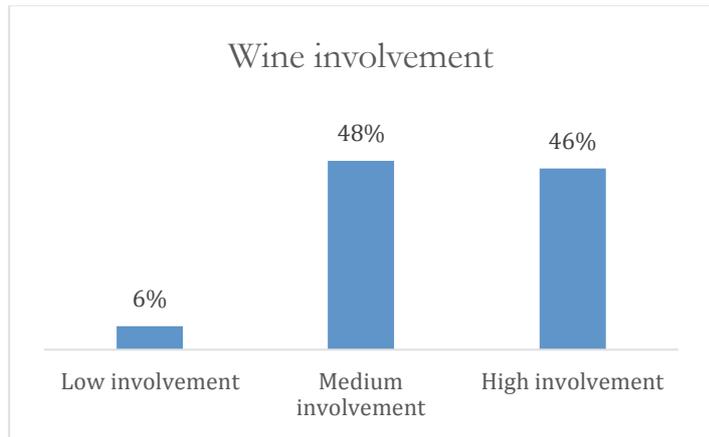
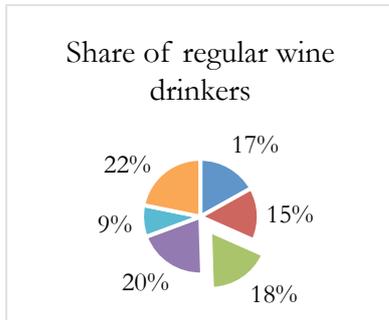


As far as Off-Premise is concerned, developing drinkers are typically higher spenders. Usually, price is perceived as a synonymous with quality: they feel their choice of wine reflects on them socially and do not want to risk choosing a poor quality wine. In the On-Premise developing drinkers are normally higher spenders as well, because price is used as a parameter of quality.

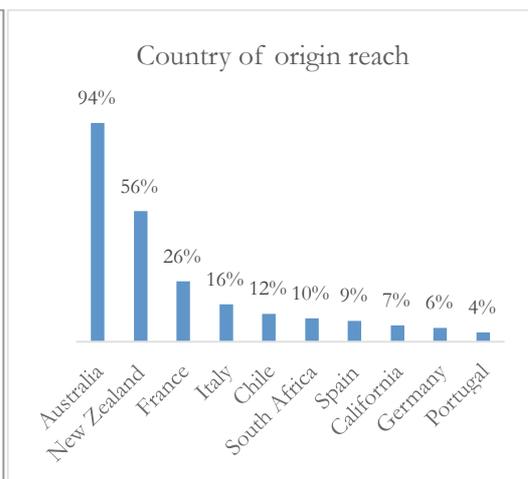
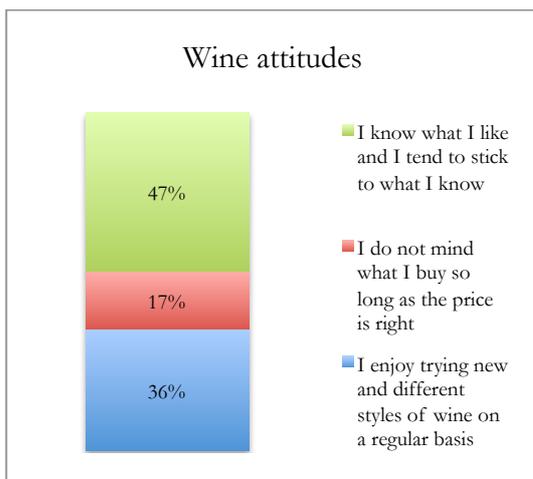


Mainstream Bargain Hunters

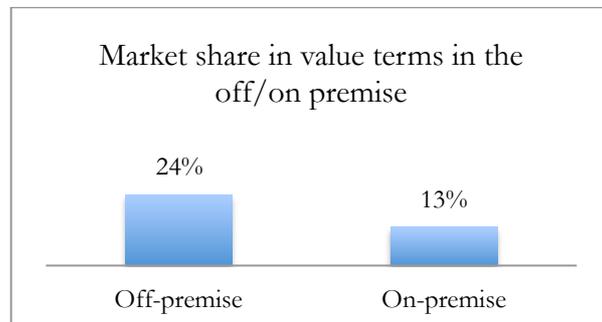
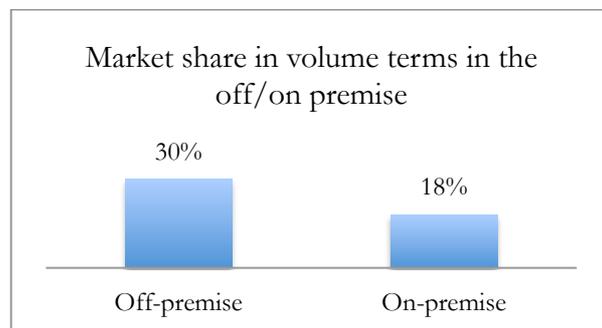
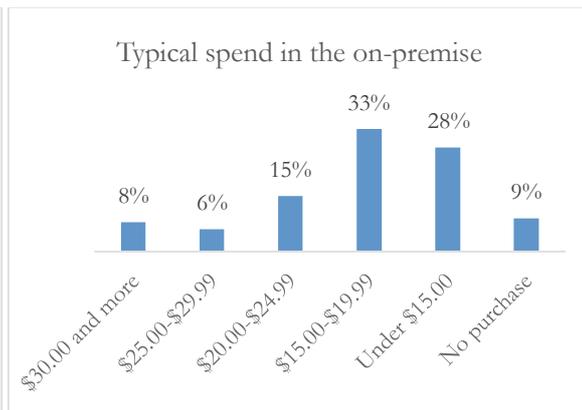
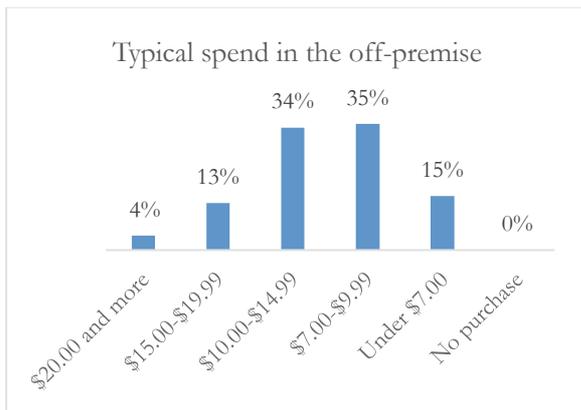
The consumers of this segment are older (usually retired with lower disposable incomes) wine drinkers who know what they like and seek good value. They are the most frequent wine drinkers and they are the third most valuable segment due to their high frequency of consumption. Wine is part of their everyday routine and they look out for price deals and promotions to get the best value on their trusted brands (typically mainstream brands which they know well).



Even if this market segment enjoys a wide range of alcoholic drinks, they do not like to drink wines from beyond Australia and New Zealand as they see no reason to consume imported wines, which are typically more expensive.

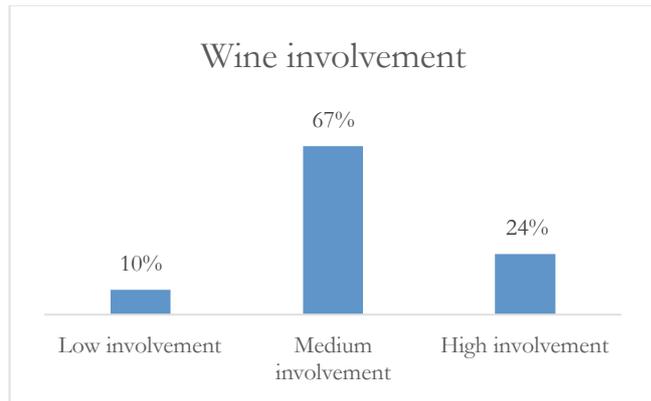
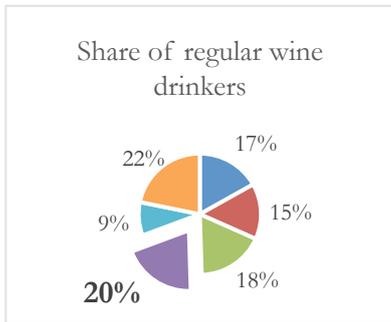


Mainstream Bargain Hunters account for a third of all wine by volume consumed in the Off-Trade. As they are low spenders, they can find acceptable quality wine for low price. With regard to the On-Premise, usually they stick to the house wine or the cheapest option they can find, unwilling to pay for large mark-ups.

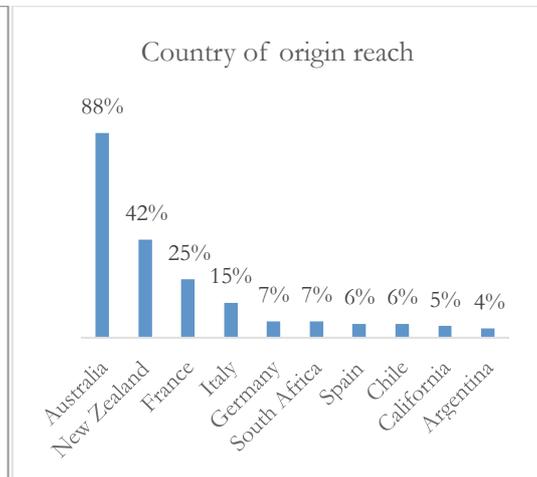
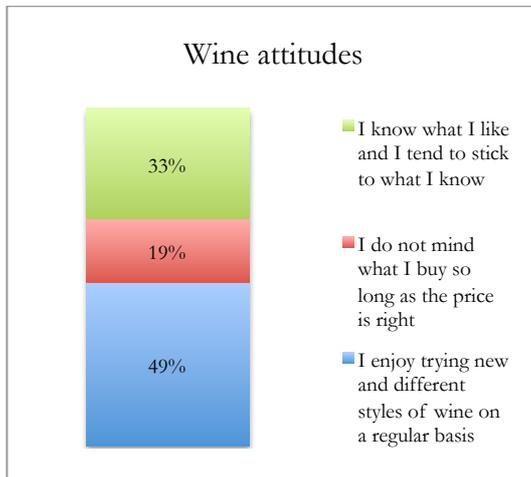


Contented Casuals

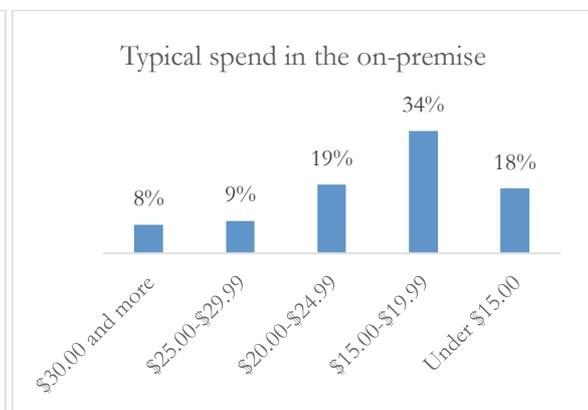
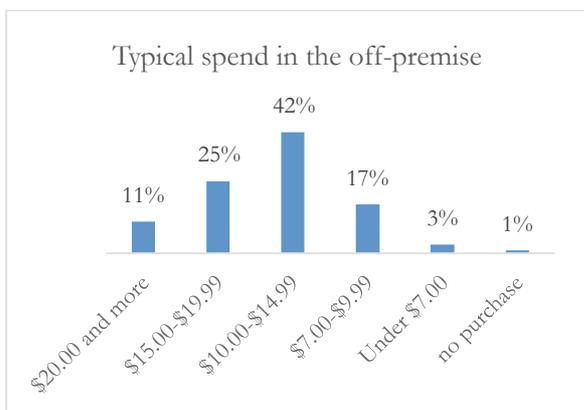
This segment is made up of weekly wine drinkers, who view wine as an enjoyable treat. They are middle-aged consumers from across Australia and average income earners. Wine has limited importance to this group and usually they are satisfied with products that are already known. Even if they are the second largest group in terms of population, they are one of the smallest in terms of value. This trend reflects their low frequency of consumption.

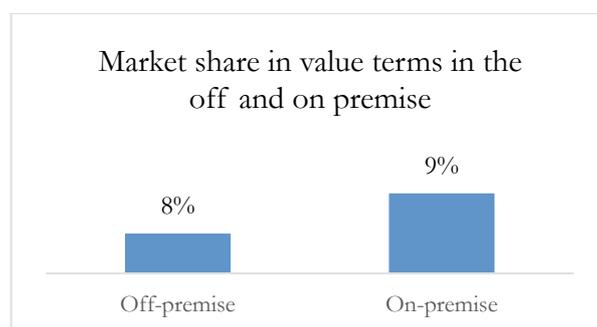
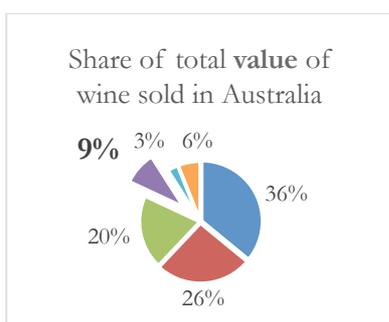
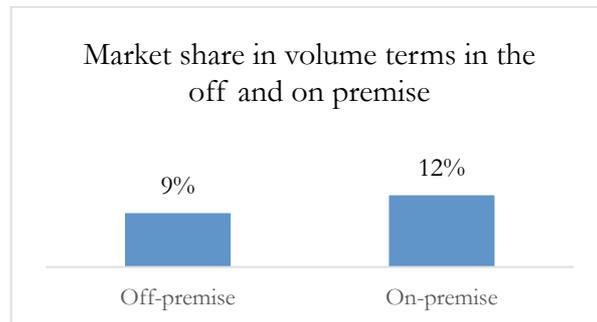


Contented Casuals are willing to try new styles of wine, which often happens for them in the on-premise. However, they prefer to support local producers, as they believe that domestic wines are more valuable.



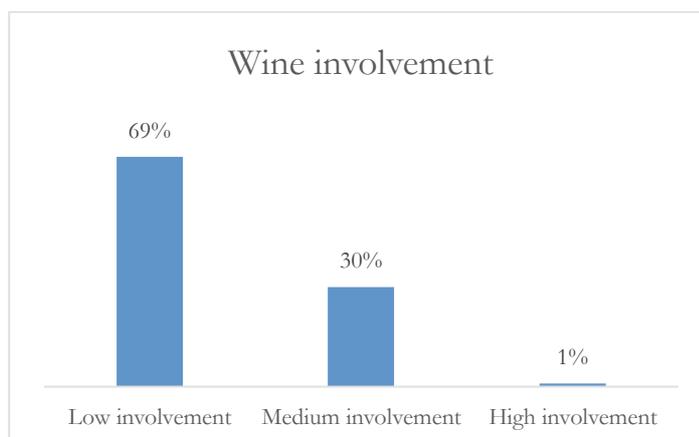
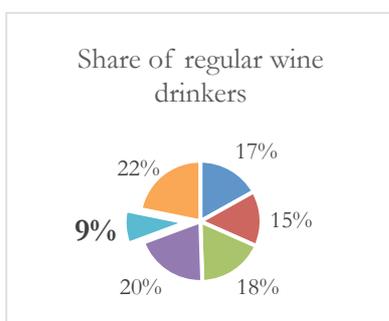
The segment enjoys the wine in both off and On-Premise. In particular, in the On-Premise they usually choose the cheapest or second cheapest option on the wine list. On-Premise wine occasions may be good way to help this group learn about a new wine.



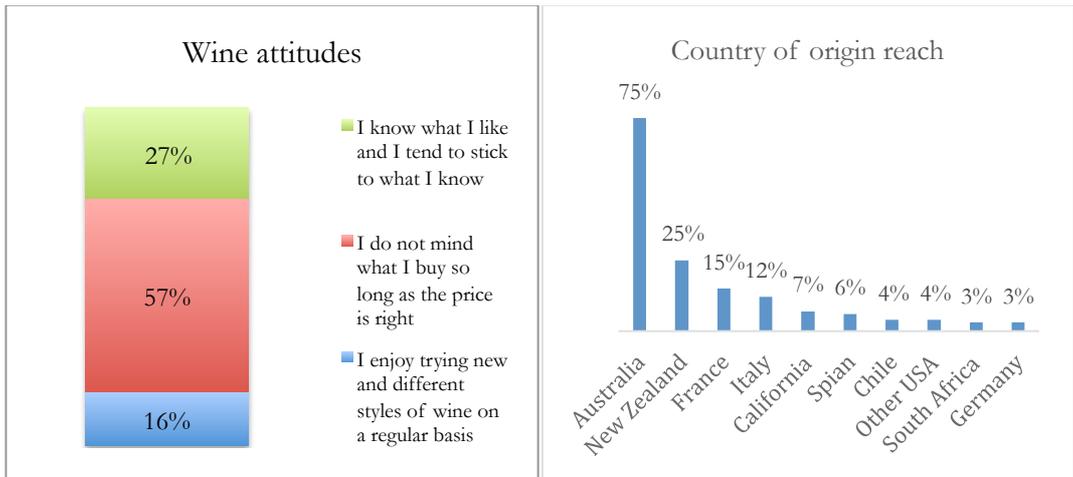


Newbies

This market segment is composed of younger infrequent wine drinkers who are typically new and less engaged consumers. It mainly includes Millennial women from across Australia, who are average income earners. They are the smallest segment both in terms of both volume and value. However, they could be interesting as they are the youngest with potential to develop into more valuable customers.

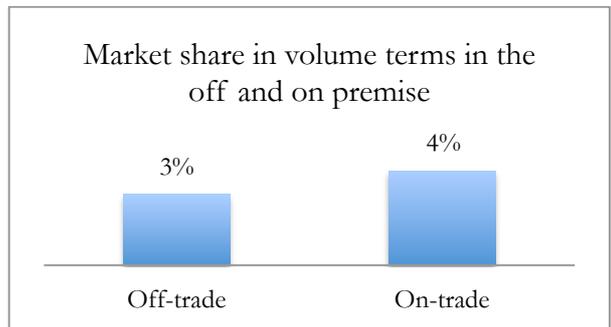
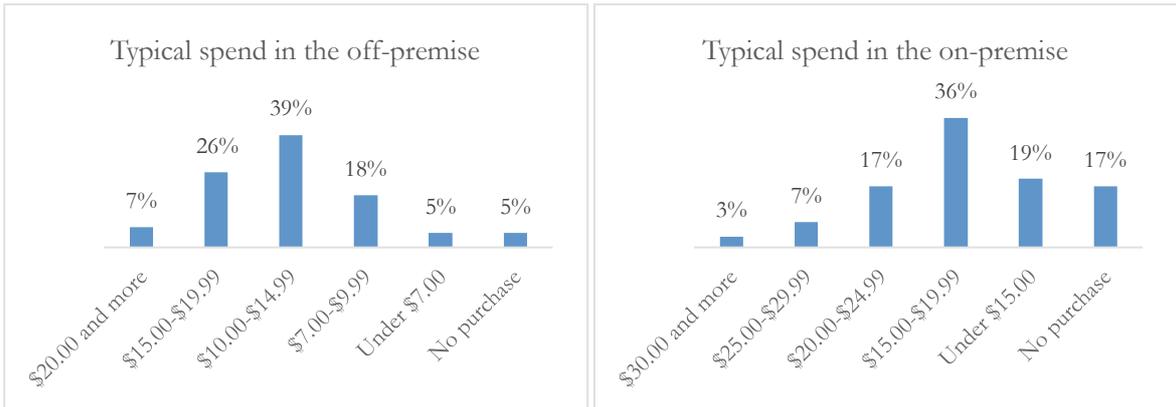


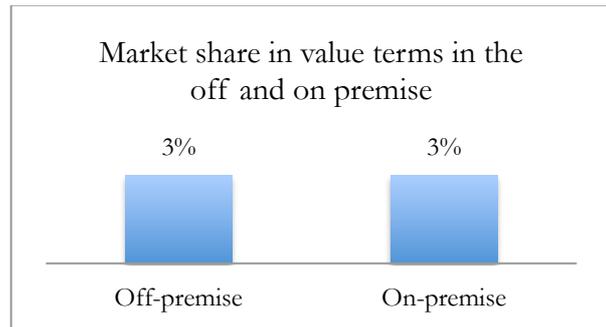
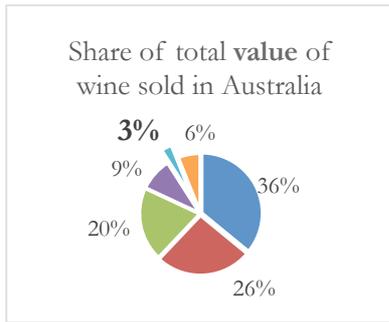
Due to the low involvement of this segment in wine, they do not often know which countries or Australian regions their wine comes from.



Newbies usually do not enjoy spending time shopping for wine. They prefer to make quick decisions based on price.

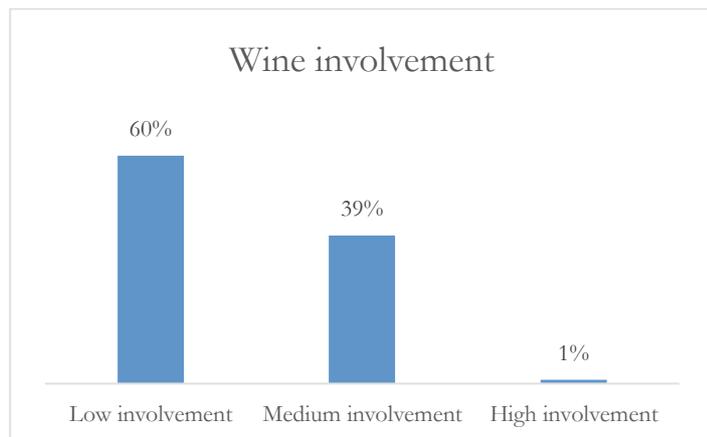
As they are not really focused on wine taste, they typically choose the cheapest bottle they can find in the On-Premise.



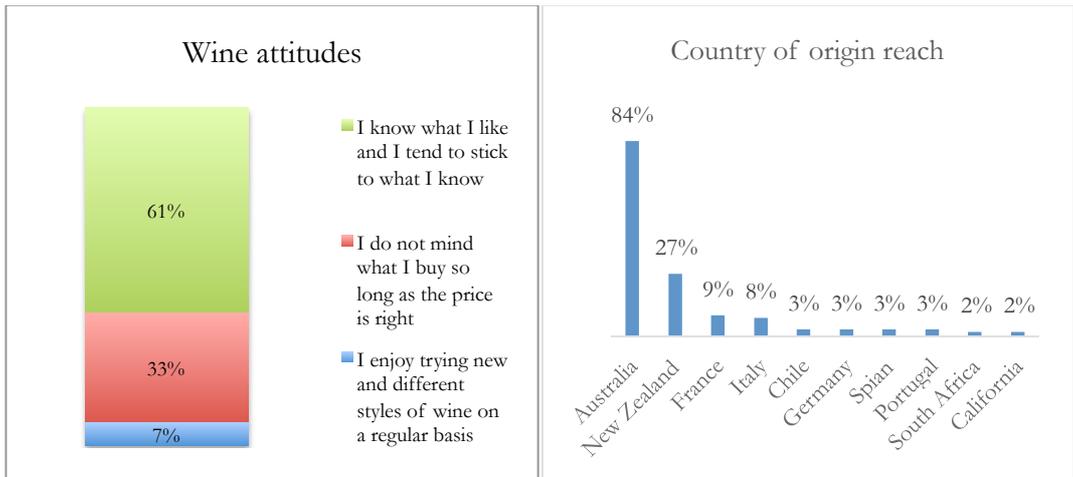


Senior Sippers

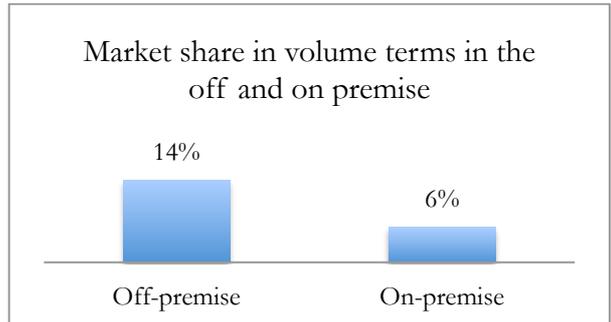
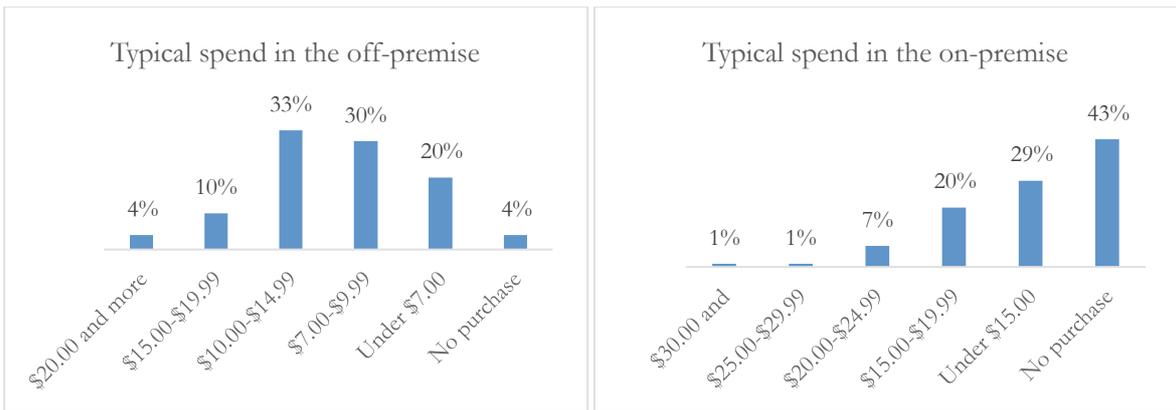
Senior Sippers are unadventurous people with a limited interest in wine. They are the oldest segment, who are mostly retired and are the second least valuable due to their low spend on wine. Even if they represent the largest group in terms of volume, they are the smallest in value terms. Indeed, this segment is not usually willing to spend much money on wine. Furthermore, Senior Sippers are also infrequent wine consumers and show the lowest wine involvement of all segments.

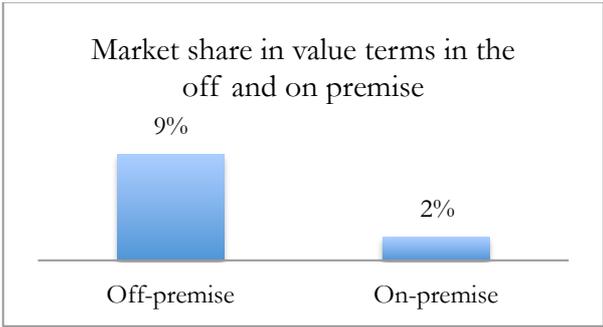


As this segment is not particularly interested in wine, it is unlikely that they will explore non-Australian wines.



Senior Sippers mainly buy wine in the Off-Premise for at home consumption on informal occasions. As far as On-Premise is concerned, 43% of them do not consume wine in this context.





CHAPTER 4

ITALIAN WINE ON THE AUSTRALIAN MARKET: AN ANALYSIS BASED ON ON-TRADE

4.1 Introduction

During the last thirty years, important changes in quantitative terms, in qualitative consumer expectations, and consequently in the wine market structure have been recorded. As a result, market actors have to reformulate both strategies and behaviour. International trade has significantly increased creating a real complex network where the balance of the main wine producing countries is strongly influenced by export performances. There has been an increase in wine exports from markets commonly called *New World* wine countries, which are mainly the US, Australia, Argentina, Chile, New Zealand and South Africa. The strong presence at international level of these countries has produced a new competitive scenario that is usually analysed through the interpretative scheme *New Wine World* and *Old Wine World*. The latter is composed above all of EU wine producing countries.

By reading the first part of this chapter, it is possible to better understand what the current situation of the international wine market is like, to spot the main countries players and where Italian wine markets take place on the international wine scene.

In the second part the focus will be on the presence of Italian wine on the Australian market. Macroeconomic data will be shown and the reason why Australia is an attractive market for Italian wine will be explained.

Finally, the third part will be dedicated to the analysis of data that were collected for the study of Australian On-Trade. In particular, in order to achieve this aim, two types of research were carried out: on the one hand a wine list analysis of different types (cuisines) of Australia-based restaurants, and on the other a questionnaire which was mailed to restaurateurs or sommeliers who work in the Australian food & beverage sector.

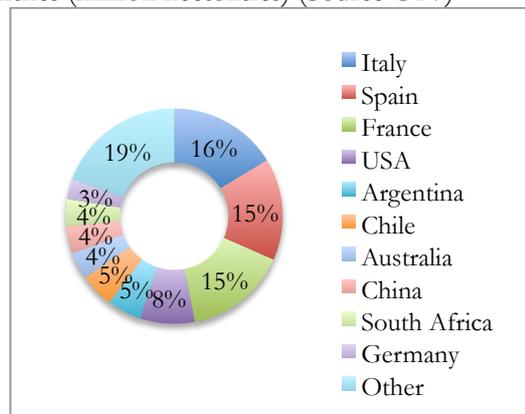
4.2 The competitiveness of Italian wine on international markets

4.2.1 World wine production and consumption

In 2013 world wine production accounted for about 277 million hectolitres, with a 4% increase compared to the levels reached ten years before. Even though production may vary from year to year due to climatic conditions, the general trend is towards a considerable growth that is mainly connected with the countries of the so-called “Southern Hemisphere”. Table 17, which refers to the top ten wine producing countries, shows that the most remarkable rise in production took place in Chile, Australia, South Africa and China, while some European countries, such as France, Italy and Germany, recorded a significant decrease.

Country	2001	2007	2013	Var. % 2013/01
France	53.4	45.7	42.1	-21.2%
Italy	49.9	46	44.9	10%
Spain	30.5	36.4	42.7	40%
USA	19.2	19.9	22	14.6%
Argentina	15.8	15.1	15	-5.1%
China	10.8	12.5	11.7	8.3%
Australia	10.7	9.6	12.5	16.8%
Chile	5.5	8.2	12.8	132.7%
South Africa	6.5	9.8	11	69.2%
Germany	8.9	10.3	8.3	-6.7%

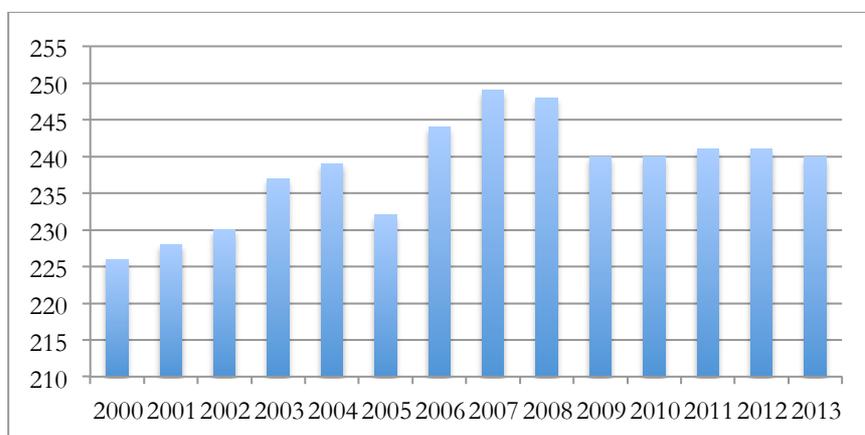
Table 17 and Chart 14 – Major wine producing countries (million hectolitres) (Source OIV)



Spain is the only exception and thanks to the enhancement of its vineyards it was able to increase the average yield. Nevertheless, despite this rise, the combined share of the four major European countries in the world's wine production decreased from 54% to 50% in little more than a decade.

The growth in production is spurred by a rise in global wine consumption, which increased from 226 to 240 million hectolitres between 2000 and 2013, as shown in chart 15.

Chart 15 – Global wine consumption (million hectolitres) (Source OIV)



Interestingly, in the past decade not only did production rise (about 6%), but also international trade developed more than proportionately. Wine really boomed in terms of world exchanges with exports increasing by 43% between 2003 and 2013, going from 69 up to about 100 million hectolitres.

This different pace between consumption and international trade is substantially underpinned by a new allocation of wine purchases across the various areas of the planet, as a result of a true «migration» of consumption from «traditional» wine producing countries to other contexts

where the cultivation of vineyards in industrial terms is a «relatively» new investment or where wine has only recently become – or is becoming – a part of the eating habits of the local population.

Taking into consideration the top ten wine consumption markets in the world, which together account for 70% of total wine consumption, table 18 subdivides between those markets where the trend is generally towards a structural decrease and those showing some growth. The subdivision is quite clear: the sharpest decline relates to «traditional» wine producers, especially European countries like France, Italy, Spain, whose consumption reduction ranges from 25% to 41% between the mean of the 1991-1995 period and 2013.

Table 18 – Top ten wine consumption markets in the world (million hectolitres) (Source: OIV)

						Variation
Countries	1991-1995	1996-2000	2001-2005	2006-2009	2013	2003-91/95
	(000 hl)	(000 hl)	(000 hl)	(000 hl)	(000 hl)	(%)
France	37,310	35,305	33,913	31,468	28,181	-24.5%
Italy	35,122	31,950	28,504	26,175	21,795	-37.9%
Argentina	15,720	12,899	11,689	10,810	10,337	-34.2%
Spain	15,439	14,427	13,916	12,676	9,100	-41.1%
USA	18,759	20,814	23,808	27,650	29,145	55.4%
Germany	18,544	19,279	19,949	20,497	20,300	9.5%
China	5,098	9,858	11,907	13,432	16,815	229.8%
UK	6,542	8,541	11,805	13,134	12,738	94.7%
Russia	6,487	4,565	8,362	11,220	10,394	60.2%
Australia	3,208	3,606	4,213	4,818	5,289	64.9%

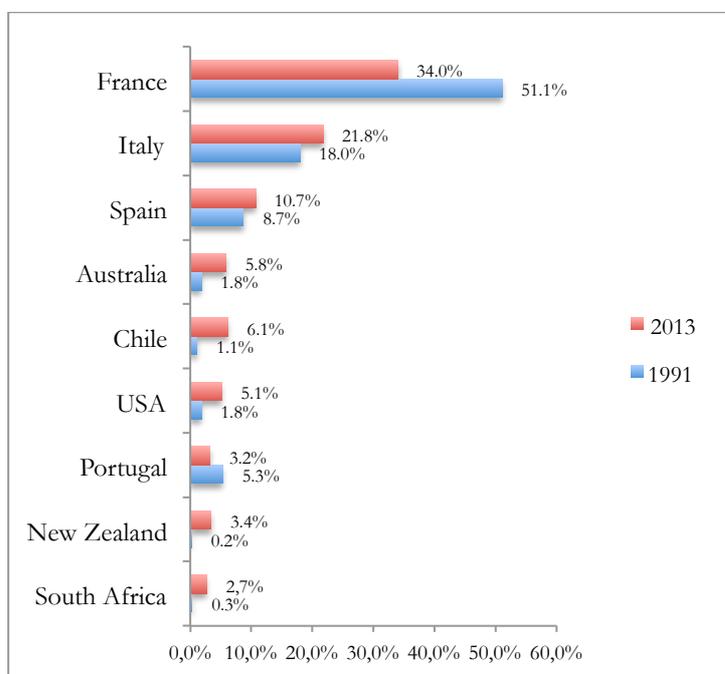
Conversely, over the period analysed the main dynamics of growth refer to the Chinese, British and Russian markets. However, it is the USA that stands out for consumption by volumes at international level, followed by Germany. Even though the latter is considered one of the traditional European wine producing countries, it seems to be different from such category as for current trends in wine consumption.

4.2.2 International players

In twenty years, the aforesaid migration of wine consumption has led to the value of international trade booming with more than 90% now held by only nine exporter countries. Although France, Italy and Spain are still the first three players in the world as regards

exportation value, the producers of the Southern Hemisphere did increase their shares between 1991 and 2013, especially at the expense of the market leader, France (Chart 15).

Chart 15 – Development of global wine export shares of major players (% on values) (Source OIV)



The export share of French wines has fallen from over 51% of global exports to about 34%. Italy and Spain have been able to reach higher positions, while wines from the Southern Hemisphere - and from the USA - noticeably increased their impact on international trade, rising from 5% to over 23% of the value of world wine exports. Chile and Australia recorded the most remarkable growth: from 1% to 6.1% and from 1.8% to 5.8%, respectively.

Such development undoubtedly implies the will to establish themselves on foreign markets, which is often separate from the background of international consumption. Unlike European countries, characterised by a long tradition of winemaking, the markets of the Southern Hemisphere have developed in a relatively short time. Apart from Argentina and the United States, over the last twenty years the other major players have increased their wine production, which is organised according to industrial logics and results from targeted agriculture rather than from a fragmented reality like the Italian system.

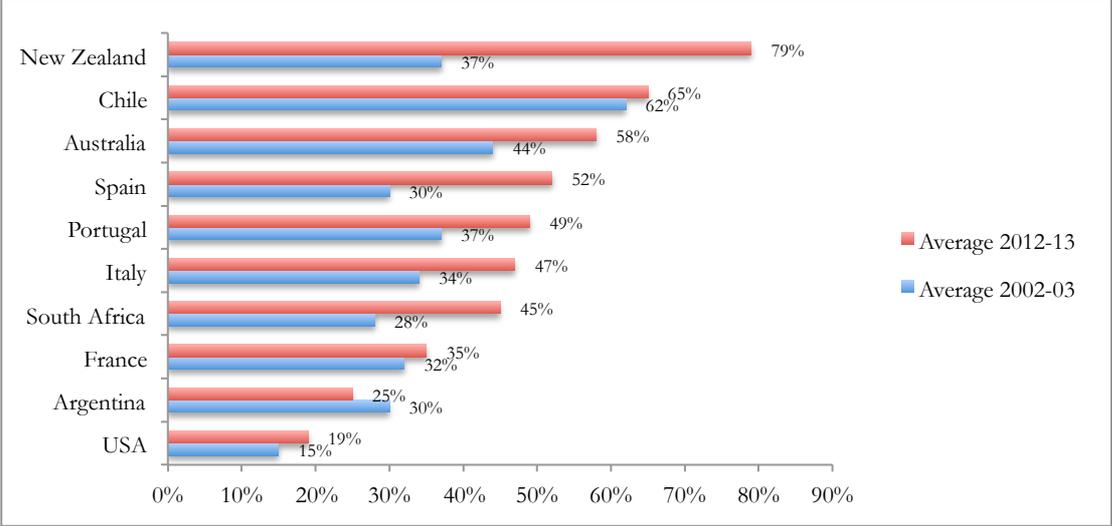
As a matter of fact, compared to the 1.3 million tons of wine currently produced by Australia, in the early 1980s the country was hardly able to maintain its production stable at 400,000 tons. Likewise, New Zealand has seen an increase from less than 50,000 to over 230,000 tons of wine within the same time span.

Such growth has therefore created a strong tendency for the wine producers based in the Southern Hemisphere, well organised and wanting to be successful in the international marketplace, to export, unlike European wine companies (Italian ones in particular), which traditionally tend towards meeting first domestic demand and, only later, try to sell off their overproduction on overseas markets.

Medium-sized winegrowers possessing more than 50 hectares (like in Australia and New Zealand) equipped with state-of-the-art technology and multinational traders do characterise the will of the supply chain to be present with its products all over the world. Moreover, they also want to take the opportunity to grow, which their domestic market still cannot provide.

All this is further proved by the trend of wine exports from the countries in the Southern Hemisphere, which in New Zealand, Chile and Australia is well over 50% (Chart 17).

Chart 17 – Tendency among international players to wine exports (exported volumes of production)



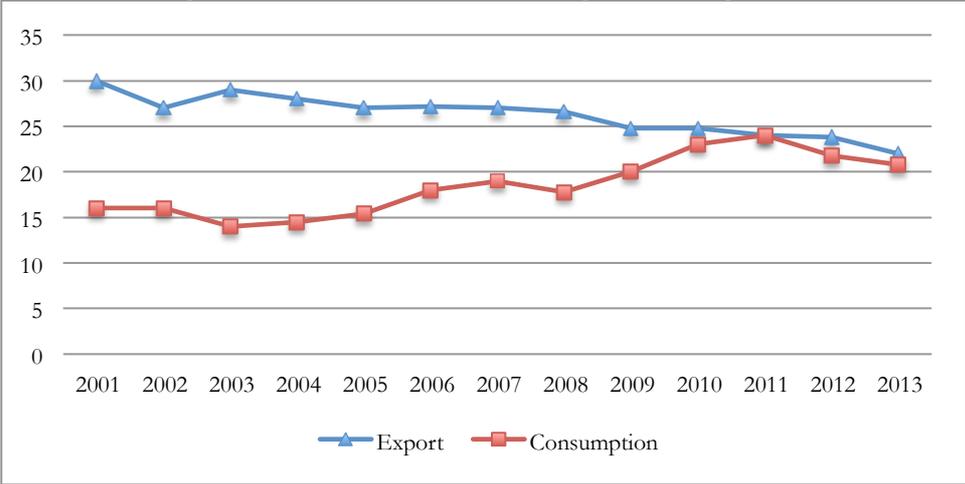
4.2.3 Italy: domestic wine consumption and exports

It is also interesting to note how in the past few years Italy, Portugal and Spain have tended to increase their exports quite significantly; it is a symptom of a structural reduction in domestic consumption that has compelled the wine producing companies of those countries to find new markets.

As to Italy, the year 2013 recorded a further drop in wine consumption, from 30.2 million hectolitres in 2001 to 21.8 million. By comparing this trend to exports, it is clear that the difference found between these two indexes at the beginning of 2000 started to become smaller and smaller, up to disappearing in 2011 (Chart 18). Whereas in 2001 the proportion

was about 1:2 (17 million hectolitres of wine was exported and 30 million consumed in Italy), since 2011 the relevant ratio has equalled one (nearly half of total Italian wine production is consumed on the domestic market and half is exported).

Chart 18 – Comparison between domestic consumption and exports of Italian wine (million hectolitres)



What was such decline caused by? Today in Italy wine is mostly consumed by the over-60s, who generally like to accompany their meals with this product, while it is not part of the eating habits of younger people, who drink wine less frequently and on different occasions, though preferring a type of product with higher average prices.

The reduction in consumption is therefore referable to the fact that the number of consumers drinking wine every day has decreased by 63% in the last twenty years, dropping from 4 to 1.5 million people. Furthermore, younger generations have not bridged this gap, due to totally different drinking behaviour and frequency of consumption. Not to mention the increasing substitution of beer for wine occurred over the past five years due to the phenomenon of “homemade” beer, which is experiencing a real production boom in Italy.

The decline in domestic consumption has therefore led wine companies to seek new markets overseas. Over the past decade, wine exports from Italy have increased by 87% in current values, rising from 2,679 million euros in 2003 to 5,040 in 2013, and sparkling wines played the leading role with a growth of 218% accounting for about 15% of total sales, compared to 9% recorded in the ten years before. The remaining 85% is divided between bottled and unbottled still wines (75% and 10%, respectively).

The subdivision of export markets (table 18) highlights the leading role played by the United States, Germany and by the United Kingdom for Italian wines, which together absorb up to 54% of all exports. Finally, it is worth noticing that the EU market equals little more than half

of overseas sales of Italian wine, while the purchases from the Brics (Brazil, Russia, India, China and South Africa) are still marginal.

Table 18 – Major export markets of Italian wine (values)

Top 10 markets	2013 Export	
	(Million €)	(%)
USA	1,078	21.4%
Germany	1,02	20.2%
UK	618	12.3%
Switzerland	314	6.2%
Canada	280	5.6%
Japan	154	3.1%
Sweden	141	2.8%
France	139	2.8%
Denmark	133	2.6%
Netherland	117	2.3%
UE-28	2,679	53.2%
BRICS	223	4.4%
Total	5,039	100.0%

4.2.4 Major import markets and position of Italian wines

The promoters of Italian wine exports are those very markets that have witnessed the booming consumption of this product over the past twenty years and that, owing to both a reduced – or even inexistent – availability of domestic production and appreciation of the made-in-Italy and other foreign wines, have significantly increased their imports (table 19).

Table 19 – Wine imports into world major markets (values)

Markets	2003	2013	Var. 2013/2003
	(Million €)	(Million €)	(%)
USA	2,865	3,947	38%
UK	3,103	3,731	20%
Germany	1,889	2,376	26%
Canada	726	1,524	110%
China	30	1,171	3803%
Japan	794	1,156	46%
Switzerland	682	949	39%
Russia	267	912	242%

In the past decade, the value of wine imports into «well-established» and «emerging» markets has risen dramatically. Taking into consideration the first category of markets, the United

States and United Kingdom each imported a quantity of wine amounting to nearly 4 billion euros in 2013, thus recording a growth of 38% and 20%, respectively. But the most dynamic rise took place in Canada, which saw the value of its wine imports increasing by 110% between 2003 and 2013.

As to the Brics, where such dynamics are almost the rule since they are markets where the developing stage has just begun, China stands out from the others because its wine imports have increased fortyfold in ten years; the country is now the fifth market in the world as regards the value of imports of this product. Italian wines have succeeded in holding their position within this development and have often managed to get market shares from those very same competitors that are greatly favoured by their competitive equipment, like France, Australia or Chile. In ten years, Italy has gained the first position as major wine exporter to the United States, Germany and Russia; however, it also ranks as one of the top ten exporting countries into the other markets, soon after France (table 20).

Table 20 – Market shares of Italian wine in total wine imports of the country (% on values, major markets)

Markets	2007	2013	Leader	Leader share
Germany	35%	36%	Italy	-
UK	9%	17%	France	37%
USA	27%	31%	Italy	-
Canada	19%	20%	France	22%
China	8%	7%	France	46%
Japan	12%	14%	France	53%
Russia	20%	29%	Italy	-
Switzerland	30%	34%	France	37%

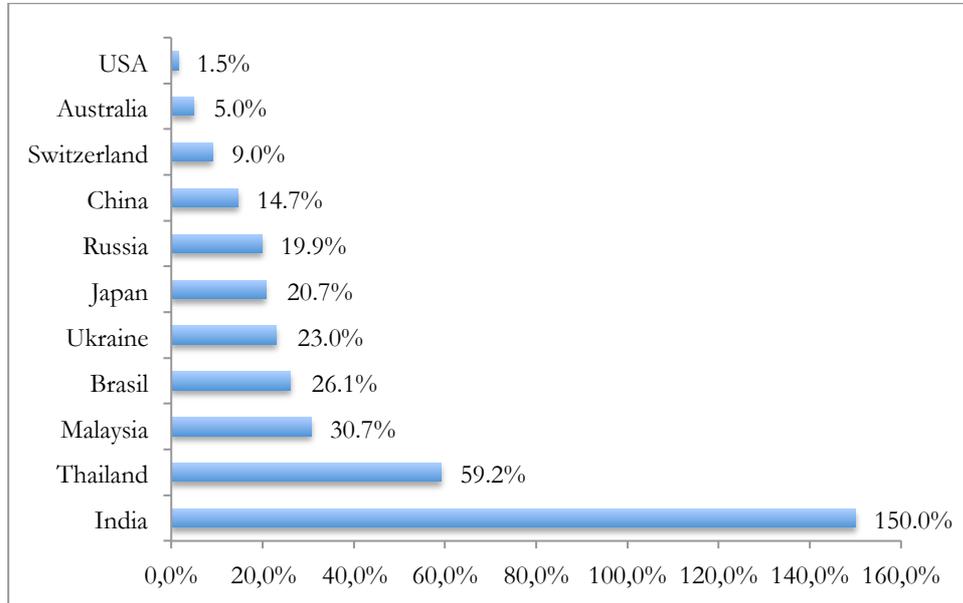
The different positions depend on the market strategies carried out by companies according to their potential, but they are also connected with most of the tariff obligations in force in the import markets.

As far as tariffs are concerned¹⁸, it could be a barrier to access that, for several «emerging» markets, does discriminate against producers (chart 19). It is the case of Brazil, where the appeal of made-in-Italy wines is certainly remarkable – considering the communities of Italian immigrants living there – but where Italian wines are compelled to endure the unequal

¹⁸ Paragraph 3.1.3 described the Australian customs tariffs.

competition from Chilean and Argentinian products because of bilateral agreements, which allow them to penetrate the Brazilian market duty-free.

Chart 19 – Mean import duties on Italian wines on major markets (% on value, 2012)



4.3 Italian wine on the Australian Market

4.3.1 Why Australia

In order to frame how attractive the Australian wine market could be, the evaluation carried out by Wine Intelligence should be considered. The research analyses the attractiveness of fifty wine markets across the world based on a set of economic and wine measures (the table below shows only the first ten countries). On the one hand, economic variables are: adult population size, GDP per capita and trend, GNI per capita, purchasing power parity, unemployment, corruption index and number of Starbucks (globalisation measure). On the other hand, wine market variables are: wine market volume and trend, imported wine volume and trend, per capita consumption and trend, wine market value and trend, wine market unit price, wine drinker population, potential wine drinker population growth and market accessibility. Scores were calculated from 1 to 10, with 10 representing the highest performance. The final ranking is shown in the following table.

Table 21: Attractiveness of wine markets worldwide (Source: Wine Intelligence Report 2014)

Rank	Market	Score (from 1-10)		
		Economic	Wine	Final
1	United States	7.65	7.20	7.43
2	Switzerland	7.75	6.78	7.26
3	Germany	7.30	6.95	7.13
4	Canada	7.40	6.38	6.89
5	China	6.80	6.88	6.84
6	Australia	7.35	6.20	6.78
7	Japan	6.80	6.63	6.71
8	Macau	7.80	5.15	6.48
9	United Kingdom	6.70	6.10	6.40
10	Netherlands	6.70	5.98	6.34

According to both economic and wine market measures, being in the sixth position, Australia presents a wine market with a high level of attractiveness.

4.3.2 Italian wine on the Australian market: Off- and On-Trade

As already explained in chapter 2, Italian wine ranks third in the Australian market, after New Zealand and France.

The charts and tables below detail the percentage of Italian wines offered in Australia according to the type of wine.

Between 2010 and 2013 the volume of Italian wine exported to Australia showed a growing trend with an increase of about 11% (except 2011, which recorded a decrease of about -21%/2010). Concerning bottled wine, *Frizzanti* and *Igp* still wines were those which experienced the most significant growth, while as to bulk wines the types which showed a marked increase were *Dop*, *Igp* and *Varietali*.

However, it is much more interesting to analyse the value side. In this case, over the period between 2010 and 2013 the total growth was about 63%. The bottled wines worthy of mention for consistent value rise are *Spumanti*, *Frizzanti* and *Igp* still wines. As regards bulk wines, *Dop*, *Igp* and *Varietali* were those which experienced a growing trend.

Chart 20: % Volume of Italian bottled wine exported in Australia (Source: Corriere Vinicolo based on Istat data)

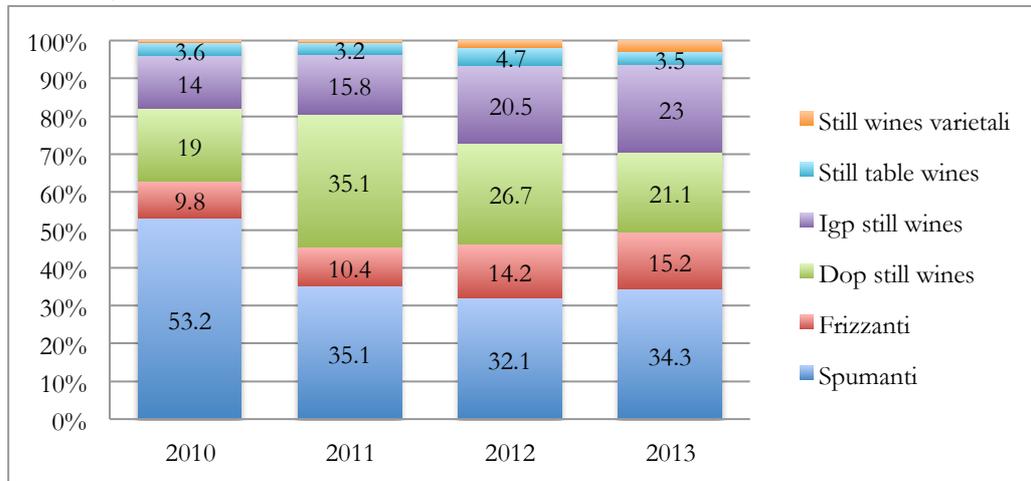


Table 22: Italian wine export towards Australia in volume terms (Source: Corriere Vinicolo based on Istat data)

Litre Bottled Wine	2010	2011	2012	2013
Spumanti	3,830,405	1,994,796	2,404,345	2,700,090
Frizzanti	707,051	593,136	1,065,403	1,192,678
Dop	1,370,813	1,991,833	1,996,725	1,657,783
Igp	1,009,956	899,125	1,533,787	1,807,144
Varietali	21,281	17,820	135,561	232,077
Comuni	262,153	181,667	348,179	275,090
Tot	7,201,659	5,678,377	7,484,000	7,864,862

Litre Bulk Wine	2010	2011	2012	2013
Frizzanti	4,370	4,702	2,061	1,085
Dop	17,910	56,797	51,257	54,582
Igp	0	0	45,420	90,419
Varietali	11,318	0	450	23,540
Comuni	16,174	0	10,860	5,872
Tot	49,772	61,499	110,048	175,498

Tot	7,251,431	5,739,876	7,594,048	8,040,360
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Chart 21: % Value of Italian bottled wine exported to Australia (Source: Corriere Vinicolo based on Istat data)

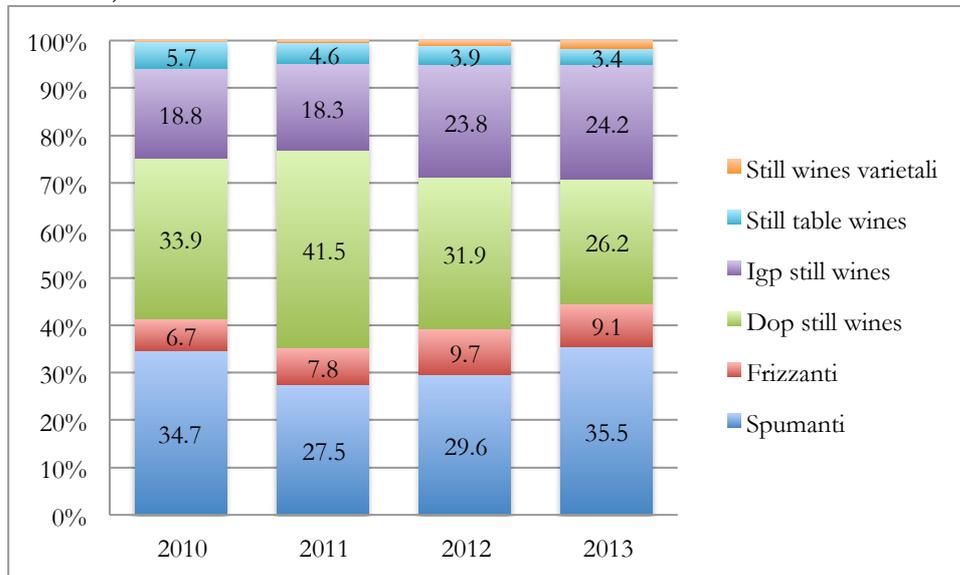


Table 23: Italian wine export towards Australia in value terms (Source: Corriere Vinicolo based on Istat data)

Euro bottled wine	2010	2011	2012	2013
Spumanti	6,742,660	5,493,888	8,142,152	11,144,568
Frizzanti	1,305,037	1,551,112	2,657,561	2,853,259
Dop	6,594,762	8,285,772	8,775,555	8,222,993
Igp	3,653,444	3,648,919	6,552,872	7,589,619
Varietali	39,947	75,943	277,104	519,287
Comuni	1,102,874	917,989	1,082,027	1,064,611
Tot	19,438,724	19,973,623	27,487,271	31,394,337

Litre bulk wine	2010	2011	2012	2013
Frizzanti	15,859	25,257	11,747	4,700
Dop	69,321	219,658	201,420	312,798
Igp	0	0	32,940	165,824
Varietali	30,262	0	1,020	30,771
Comuni	65,203	0	73,066	29,817
Tot	180,645	244,915	320,193	543,910

Tot export	19,619,369	20,218,538	27,807,462	31,938,247
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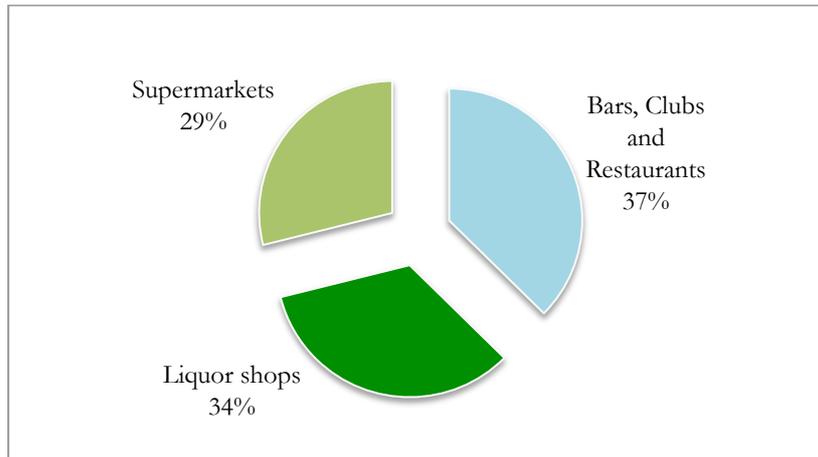
Once the figures concerning exports of Italian wine towards Australia are known, it is essential, for the final aim of this research, to highlight how these data are split between Off- and On-Trade. Taking into consideration the volume side, i.e. 8,040,360 litres during 2013, the exports of Italian wine in Australia, according to distribution channels, are divided as follow:

- Bars, Clubs and Restaurants: 37.4% } On-Trade
- Liquor shops: 33.7% } Off-Trade

- Supermarkets: 28.9% } Off-Trade

These percentages highlight that 37.4% of Italian wine in Australia is for the On-Trade, while the 62.6% is for the Off-Trade, as shown by the pie chart below.

Chart 23: Presence of Italian wine on the Australian Off- and On-Trade (Own Elaboration)



4.4 Empirical research concerning Australian the On-Trade landscape

4.4.1 Wine list analysis: the *presence*¹⁹ of Italian wine in the Australian On-Trade

Since On-Trade data are inconsistent, imprecise and difficult to trace - due to the fact that there is not the same scan code method as for the Off-Trade - in order to analyse how the Australian wine market concerning the On-Trade is divided, a sample of hundred restaurants based in Australia was taken into consideration. In particular, the wine list of each restaurant belonged to the sample was analysed (9,366 bottles were checked). The restaurants that constituted the sample belong to the medium-high quality category and were selected so as to represent the Australian landscape as faithfully as possible, even if the sample could be not representative of the population²⁰. The following table illustrates the different cousins that were chosen for the sample.

Table 24: Cousins of the sample (Own elaboration)

European restaurants	French 5	Total: 25
	Greek 1	
	Italian 8	
	Mediterranean 1	

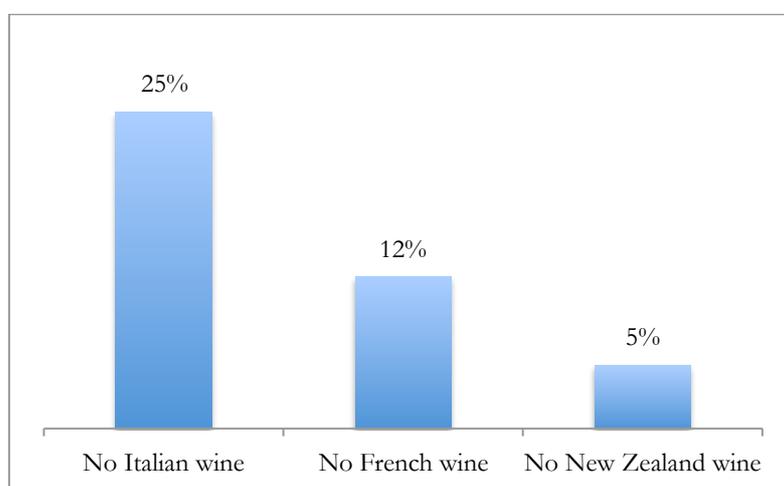
¹⁹ *Presence* is written in italics script since data collected to analysis the Australian On-trade are not objective data, but they come from an empirical research.

²⁰ Restaurants of the sample were chosen according to a Restaurant Guide: Gault & Millau Australia, 'The Yellow Guide' 2014.

	Modern Bistro 2 Modern European 5 Spanish 3	
Contemporary restaurants	Australian 38	Total: 38
Asian restaurants	Chinese 5 Japanese 11 Malaysian 1 Modern Asia 6 Thai 3 Vietnamese 2	Total: 28
Other restaurants	Seafood 6 Steakhouse 3	Total: 9

It is important to give a picture of how many wine lists of the sample do not include Italian wines; therefore, a comparison between the presence of French and New Zealand wines (main competitors of Italian wine) in the wine lists was drawn. As mentioned before, the sample consists of hundred restaurants. The restaurants that have no Italian wines on their wine lists are twenty-five (25%). French and New Zealand wines are not present in seven (12%) and eight (5%) restaurants, respectively.

Chart 24: Presence of Italian wine on the wine lists (Own Elaboration)



Once the aforesaid landscape has been taken into consideration, the presence of Italian wine on the On-Trade Australian market (i.e. HORECA channel) may be examined in detail. In order to pursue this aim, the following paragraphs illustrate the main countries exporting wine to Australia. After a general analysis of wine (without differentiating one type of wine from another), the distribution of red, white, sparkling, dessert and rosé wine between Australia and

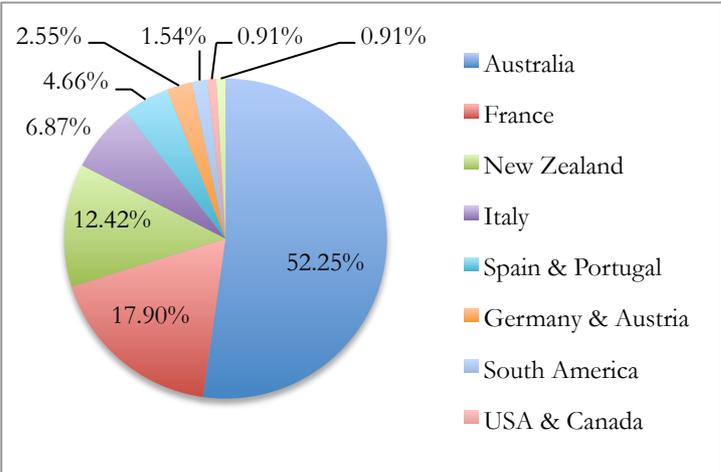
exporter countries will be presented.

The table and chart below underline how the Australian wine market in the On-Trade is divided between Australia and foreign countries. The collected data only partly confirm what the objective figures about the Australian wine market - mentioned in chapter 3 – showed: domestic wine dominates the on-trade market amounting to 52.25% and the three main importer countries remain France, New Zealand and Italy with 17.90%, 12.42% and 6.87% respectively. It is interesting to notice that in On-Trade – unlike the data showed in chapter 2, where the first importer country is New Zealand – France ranks first among the importer countries in Australia. Nevertheless, it is necessary to take into account that New Zealand, compared to France and also Italy, exports mainly just two types of wine: Sauvignon Blanc and Chardonnay. Indeed, only 5% of restaurants do not include New Zealand wine in their lists.

Chart 25: Wine market in the Australian On-Trade by country of origin (Source: Own elaboration)

Country	%
Australia	52.25
France	17.90
New Zealand	12.42
Italy	6.87
Spain & Portugal	4.66
Germany & Austria	2.55
South Africa	1.54
USA & Canada	0.91
Others	0.91

Chart 25: Wine market in the Australian On-Trade by country of origin (Source: Own elaboration)



* Argentina, Chile and Brazil

** Greece, Hungary, Japan, Lebanon, Morocco, Slovenia, South Africa, Turkey and Uruguay

Red wine market in Australia

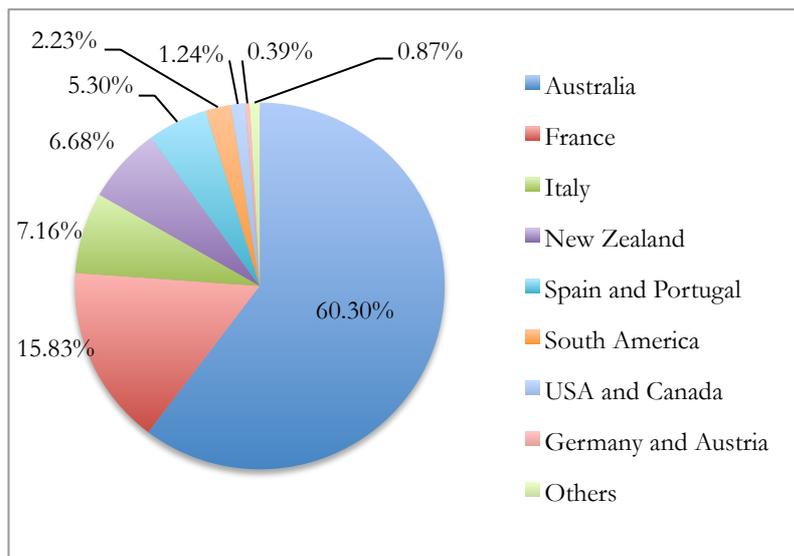
Once illustrated the data referring to the On-Trade in Australia, in the following part the Australian wine market in On-Trade will be further analysed distinguishing among red, white, sparkling, rosé and dessert wine.

As far as red wine in Australia's in On-Trade is concerned, the country has 60.30% of the market and it is followed by France (15.83%), Italy (7.16%) and New Zealand (6.68%). In this case Italy overcomes New Zealand and this trend is not surprising considering that both Sauvignon Blanc and Chardonnay are white wines.

Table 26: Red wine market in the Australian On-Trade by country of origin (Source: Own elaboration)

Country	%
Australia	60.30
France	15.83
Italy	7.16
New Zealand	6.68
Spain & Portugal	5.30
South America	2.23
USA & Canada	1.24
Germany & Austria	0.39
Others	0.87

Chart 26: Red wine market in the Australian On-Trade by country of origin (Source: Own elaboration)



* Argentina, Chile and Brazil

** Greece, Lebanon, Morocco, South Africa, Turkey and Uruguay

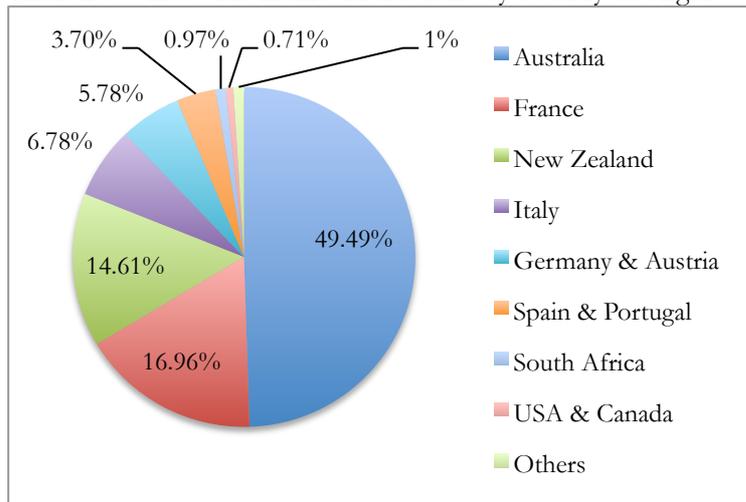
White wine market in Australia

The following chart and table about white wine in Australia confirm the data in the above section on the presence of New Zealand in the Australian On-Trade wine market. As a matter of fact, on the white wine market New Zealand ranks third (14.61%), while Italy is in fourth position (6.78%). Domestic wine covers almost half of the Australian market (49.49%), followed by France with a percentage of 16.96.

Table 27: White wine market in the Australian On-Trade by country of origin (Source: Own elaboration)

Country	%
Australia	49.49
France	16.96
New Zealand	14.61
Italy	6.78
Germany & Austria	5.78
Spain & Portugal	3.70
South Africa	0.97
USA & Canada	0.71
Others	1

Chart 27: White wine market in Australia by country of origin



* Argentina, Chile and Brazil

** Greece, Japan, Lebanon, Slovenia, South Africa, Turkey and Uruguay

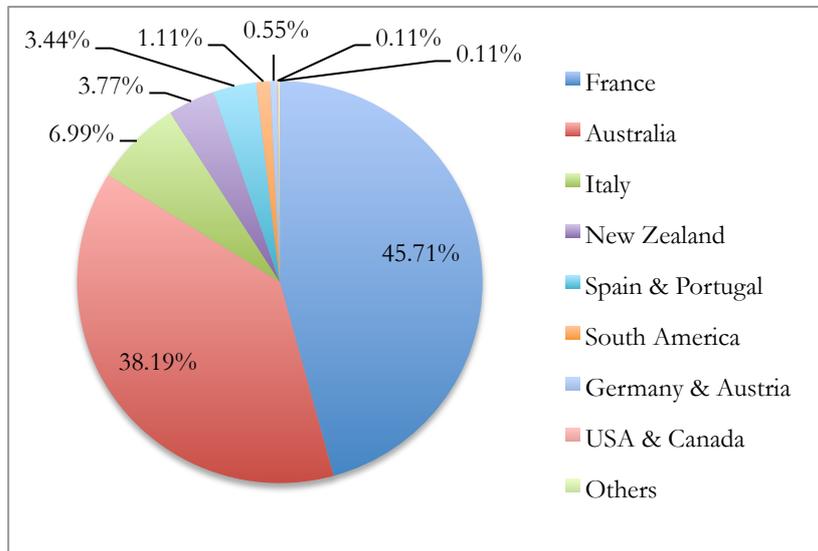
Sparkling wine market in Australia

As to sparkling wine, France dominates the market with 45.71%. It is followed by Australia (38.19%), Italy (6.99%), New Zealand (3.77%) and Spain (3.44%). It is important to remember that the sample is made up of medium- high-quality restaurants. Since Australians perceive Champagne as a really high quality wine, obviously this wine is offered in the majority of the lists.

Table 28: Sparkling wine market in the Australian On-Trade by country of origin (Source: Own elaboration)

Country	%
France	45.71
Australia	38.19
Italy	6.99
New Zealand	3.77
Spain & Portugal	3.44
South America	1.11
Germany & Austria	0.55
USA & Canada	0.11
Others	0.11

Chart 28: Sparkling wine market in the Australian On-Trade by country of origin (Source: Own elaboration)



* Argentina, Chile and Brazil

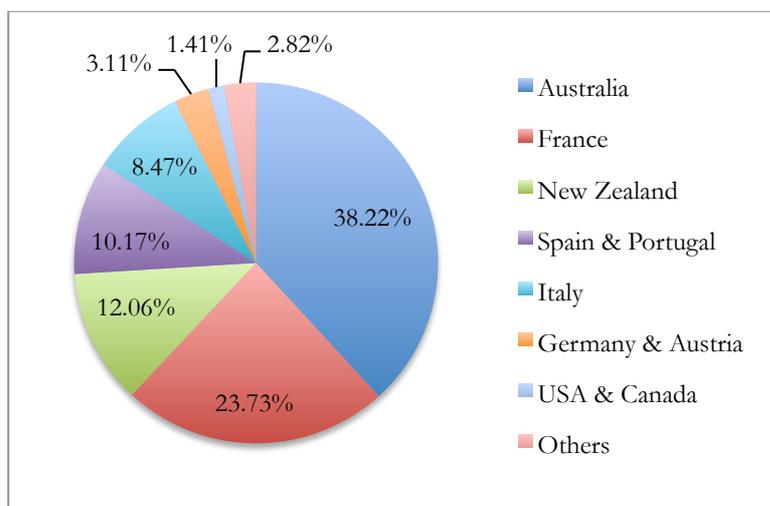
** Greece

Dessert wine market in Australia

Concerning dessert wine in the Australian On-Trade, domestic wine accounts for 38.22% of the market. France remains remarkably present on this market (23.73%) too. New Zealand, Spain & Portugal and Italy represent 12.06%, 10.17% and 8.47% respectively.

Country	%
Australia	38.22
France	23.73
New Zealand	12.06
Spain & Portugal	10.17
Italy	8.47
Germany & Austria	3.11
USA & Canada	1.41
Others	2.82

Chart 29: Dessert wine market in Australia by country of origin



** Greece, Hungary

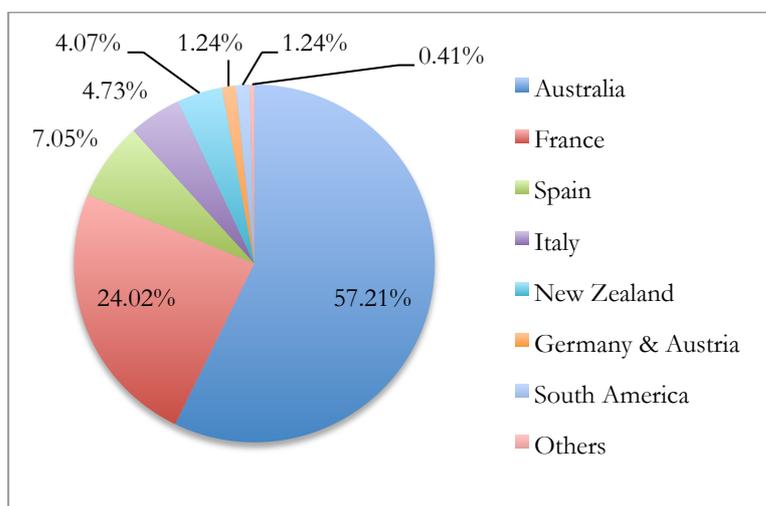
Rosé wine in Australia

Australian producers dominate the market with a share of 57.21%. France ranks second with 24.02%. Spain is in third position with a percentage of 7.05, followed by Italy 4.73% and New Zealand 4.07%.

Table 30: Rosé wine in the Australian On-Trade by country of origin (Source: Own elaboration)

Country	%
Australia	57.21
France	24.02
Spain	7.05
Italy	4.73
New Zealand	4.07
Germany & Austria	1.24
South America	1.24
Others	0.41

Chart 30: Rosé wine in the Australian On-Trade by country of origin (Source: Own elaboration)



** Greece

In order to complete the analysis concerning the *presence* of Italian wine in the Australian On-Trade, the two following charts highlight such *presence* according to both Italian regions and grape variety. The most frequently found Italian regions are Piedmont, Tuscany Veneto, Friuli and Trentino Alto Adige and, as a consequence, the most appreciated Italian grape varieties are Sangiovese, Pinot Grigio, Nebbiolo and Garganega.

Chart 31: Italian wine in Australia by regions (Own elaboration)

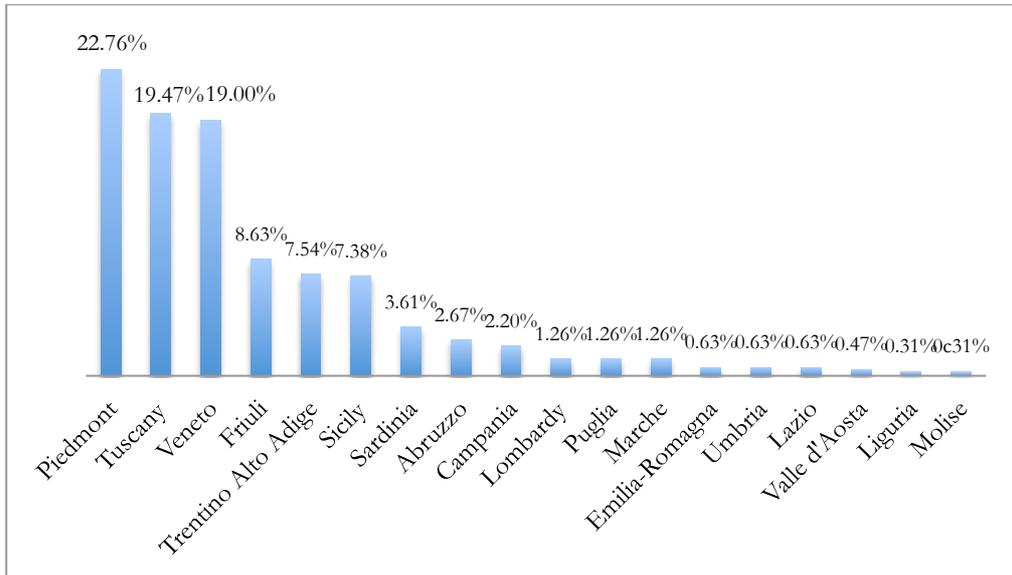
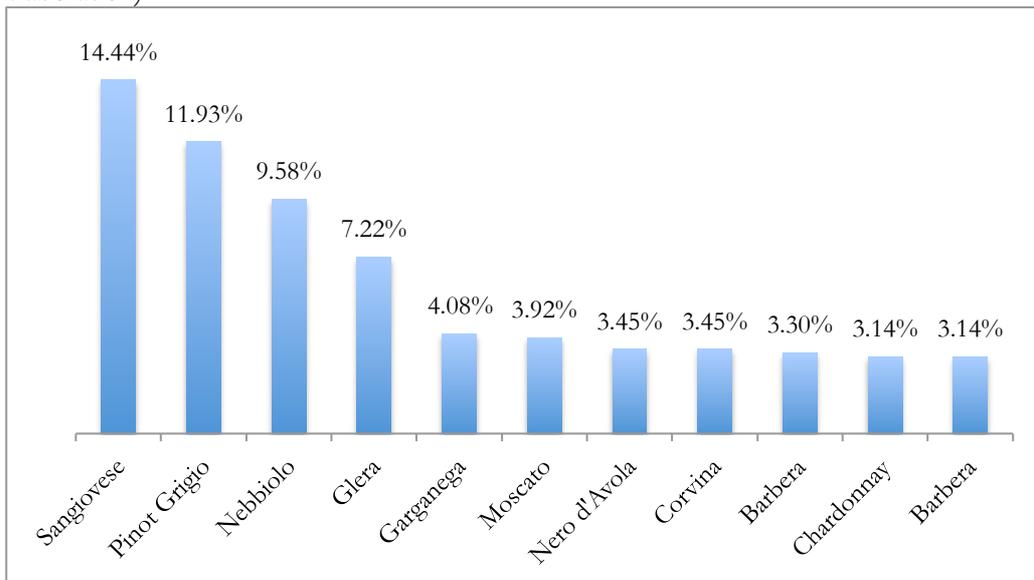


Chart 32: Grape variety of Italian wine found in the lists of restaurants based in Australia (Own elaboration)



4.4.2 The questionnaire²¹

Survey Research

In order to outline a marketing mix as complete as possible a questionnaire was used. The questionnaire was designed to study the Italian wine in the Australian On-Trade in detail. It consists of sixteen multiple-choice questions concerning the reasons that lead medium-high

²¹ All the charts and tables of this and the following paragraph (Analysis of crossed answers) come from the data of the questionnaire.

quality restaurants in Australia – belonging to different cousins – to include Italian wine in their wine lists. It is essential to consider that the restaurants, which form the sample of the questionnaire, are different from the restaurants that compose the sample used for the wine lists analysis set out in the previous chapter.

Before analysing the data obtained through the questionnaire, the following bulleted list will be illustrated in order to carry out a clear and detailed analysis.

1. Aim of the research
2. Sampling
3. Designing the questionnaire
4. Questionnaire layout
5. Limitations of the research

1. Aim of the research

The main aim of the following research was to investigate the reasons that lead medium- to high-quality restaurants in Australia to include a selection of Italian wines in their lists. Specifically, the research was carried out taking into consideration the different restaurants by cuisine (Italian, French, Spanish, European other, Australian, Asian, Wine bar, etc.).

2. Sampling

According to the suggestions of the ICE of Sydney and of an expert in the field (an Australian sommelier), the sample consisted of seventy-eight medium- to high-quality restaurants falling into these cuisine categories:

Italian	20
French	3
Spanish	3
European other	2
Australian	28
Asian	11
Wine bar	2
Other	9
Tot	78

3. Designing the questionnaire

The multiple-choice questionnaire was designed to be addressed to two macro-categories of restaurants: those which offer Italian wines and those which prefer not to include an Italian wine selection in their lists. The questionnaire was made up of sixteen questions; the first part – questions from 1 to 7 – was planned for both macro-categories of restaurants, while the second part was subdivided into two, with specific questions for each macro-category of restaurant. Questions from 8 to 15 were for restaurants that have Italian wines, whereas question 16 was posed only to restaurants which have decided not to offer Italian wines to their guests.

The questionnaire was administered by e-mail through purposely-designed software²².

	Restaurants with Italian wine	Restaurants without Italian wine
Questions 1 – 7	X	X
Questions 8 -15	X	
Questions 16		X

4. Questionnaire layout

Questions for all restaurants

Q1. Area

- Adelaide
- Brisbane
- Melbourne
- Perth
- Queensland
- Sydney
- South Australia
- Tasmania

Q2. Type of restaurant

- Italian
- French
- Spanish

²² Qualtrics is the software used to send the questionnaire.

- European other
- Australian
- Asian
- Wine bar
- Other

Q3. What proportion of your wine list is Italian?

- No Italian wine
- 5-20%
- 20-40%
- 40-60%
- 60-80%
- 80-100%

Q4. How important is to have Italian wine on the wine list?

- Very important
- Somewhat important
- Neither important nor unimportant
- Not very important
- Not important at all

Q5. Do you think Italians who live in Australia drink mainly Italian wine?

- Definitely yes
- Probably yes
- Maybe
- Probably not
- Definitely not

Q6. Which non-domestic source country for wine do you see as being the biggest competitor for Italian wine?

- France
- Spain
- South America
- USA

Q7. In your opinion does import taxation on Italian wine limit its presence in restaurant?

- Definitely yes
- Probably yes

- Maybe
- Probably not
- Definitely not

Questions for restaurants that have Italian wine

Q8. What is the most popular style of Italian wine on your restaurant?

- Sparkling wine
- White wine
- Red wine
- Rosé wine
- Dessert wine

Q9. Who tends to order Italian wine?

- Young people
- Old people
- Higher spenders
- Lower spenders
- More wine knowledgeable customers
- Less wine knowledgeable customers

Q10. Why do you think people order Italian wine?

- Because they appreciate it
- To match the food
- To try something new
- Because they have some Italian heritage
- Because they have visited Italy

Q11. Do your customers have a good understanding of Italian wine?

- Definitely yes
- Probably yes
- Maybe
- Probably not
- Definitely not

Q12. What proportion of your wine sales is Italian?

- 0-20%

- 20-40%
- 40-60%
- 60-80%
- 80-100%

Q13. What is the most common price category concerning Italian wine on your wine list?

- Less than \$50
- \$51-74
- \$75-99
- More than \$100

Q14. What is the most popular supply channel that you use for Italian wine?

- Direct import
- On-line channel
- Off-Trade retailers
- Others

Q15. Please rank the following criteria that you usually take into consideration in order to choose Italian wine.

No. 1 represents the most used criteria.

- Price
- Brand Awareness
- Promotions
- Customer feedback
- Denomination Awareness (Docg, Doc, Igt)
- Distributor suggestions
- Awards
- Other reasons

Question for restaurants that have Italian wine

Q16. Why do you not stock Italian wine?

- Customers do not appreciate it
- It is too expensive
- I do not really know enough about it myself
- Not suitable for the kind of restaurant
- Other reasons

4.4.3 Data analysis of the questionnaire

In the first stage, the data processing of this survey is presented through univariate statistical techniques. It is a descriptive analysis of the phenomena that were studied showing how each variable is distributed among the units that were analysed. For each variable, a histogram will be presented, and the most important results will be commented.

In the second part a crossed analysis between two or three variables will be done. In particular, the analysis will be carried out maintaining the specific type of restaurant as the common variable for each crossed analysis. The restaurants, in this second part, will be merged into four macro-groups:

1. Italian (22)
2. Australian (28)
3. Asian (11)
4. Others (19) which includes: French, Spanish, European other, Wine bar and Others

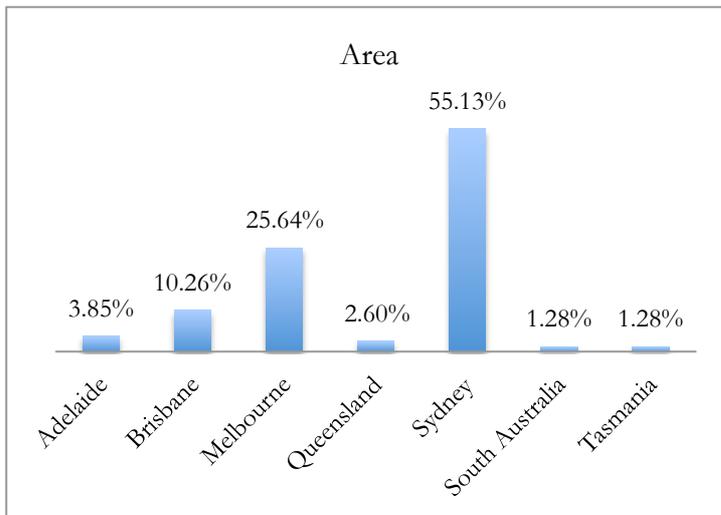
The main results of univariate analysis are presented below.

Q1. Area

Respondents: 78

Answers: 78

Area	Answers	
Adelaide	3	3.85%
Brisbane	8	10.26%
Melbourne	20	25.64%
Queensland	2	2.60%
Sydney	43	55.13%
South Australia	1	1.28%
Tasmania	1	1.28%
Tot	78	100%



As this graph shows, the questionnaire was mailed to different Australian cities. The majority of answers came from the two main Australian cities: Sydney covers 55.13% of the sample (43 answers) and Melbourne represents 25.64% (20 answers). The answers collected from the other cities were hardly significant

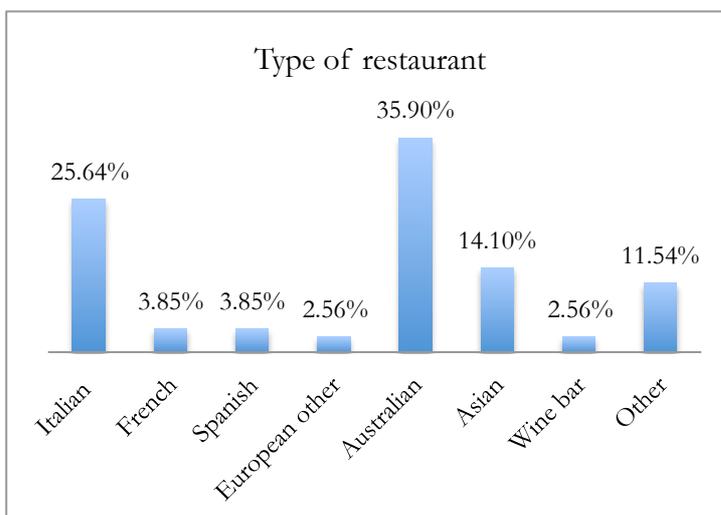
(Brisbane 8, Adelaide 3, Queensland 2, Tasmania 1 and South Australia 1).

Q2. Type of restaurant

Respondents: 78

Answers: 78

Type of restaurant	Answers	Percentage
Italian	20	25.64%
French	3	3.85%
Spanish	3	3.85%
European other	2	2.56%
Australian	28	35.90%
Asian	11	14.10%
Wine bar	2	2.56%
Other	9	11.54%
Tot	78	100%



The types of restaurant that were selected for the sample try to represent as better as possible the Australian picture of restaurants that belong to the medium-high quality category: Australian 28, Italian 20, Asian 11, Other restaurants 19.

As already mentioned in Chapter 1, in Australia there is a big Italian

community. Consequently, this Italian presence also affects Australian food & beverage business (and this does not surprise as the food & beverage sector is one of the main pillars of the Made in Italy). It is important to remember that the two main Australian cities – Sydney and Melbourne – have Italian quarters where the majority of restaurants are Italian: Leichhardt (Sydney) and Lygon Street (Melbourne). Furthermore, Melbourne hosts the biggest Italian community outside Italy.

The presence of Asian cuisine is remarkable as well, as a matter of fact Asian people represent the biggest immigrant community in Australia. During the last years, Australia has developed people-to-people links throughout the countries of Asia. These people-to-people links mean that: firstly, Australia is home to around two million people born in Asia; secondly between two and three million Australians visit Asia every year; and finally, in 2011, about three-quarters of international students attending Australian higher schools were born in Asia. It is clear that Australia is one of the most Asian-oriented economies²³ and this trend has repercussions also on the food & beverage sector.

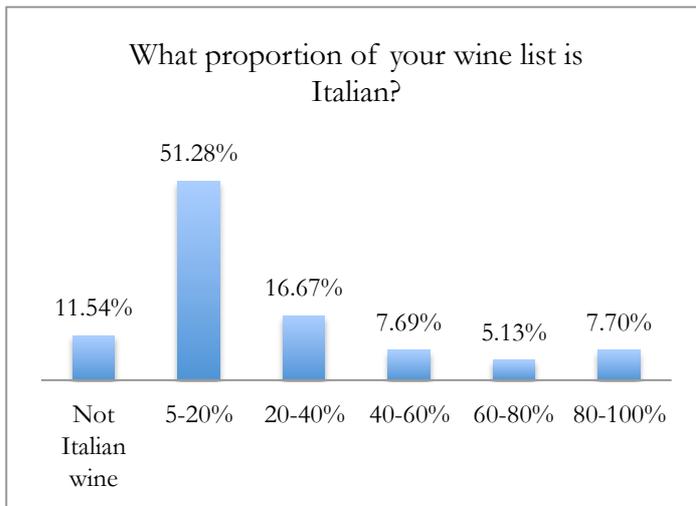
However, the majority of middle-high quality restaurants belong to Australian cuisine, which is usually called modern cuisine.

Q3. What proportion of your wine list is Italian?

Respondents: 78
 Answers: 78

What proportion of your wine list is Italian?	Answers	
Not Italian wine	9	11.54%
5-20%	40	51.28%
20-40%	13	16.67%
40-60%	6	7.69%
60-80%	4	5.13%
80-100%	6	7.70%
Tot	78	100%

²³ Today China, Japan, the Republic of Korea, India and ASEAN (Association of Southeast Asian Nations) neighbours purchase around three quarters of its merchandise exports. Australian diplomacy has had Asia at its centre for six decades. The Australian country has been at the forefront of creating regional institutions from APEC (Asia-Pacific economic Cooperation) to the ASEAN (Association of Southeast Asian nations) Regional Forum and, more recently, expansion of the EAS (East Asia Summit).



Just 9 out of 78 restaurants have no Italian wine on their wine lists (11.54%). This means that Italian wine is pretty present in the on-trade. However, as data show, the majority of restaurants have just 5-20% of Italian wines on their wine lists (51.28%). 16.67% of respondents said that the presence of Italian wine on their wine lists is

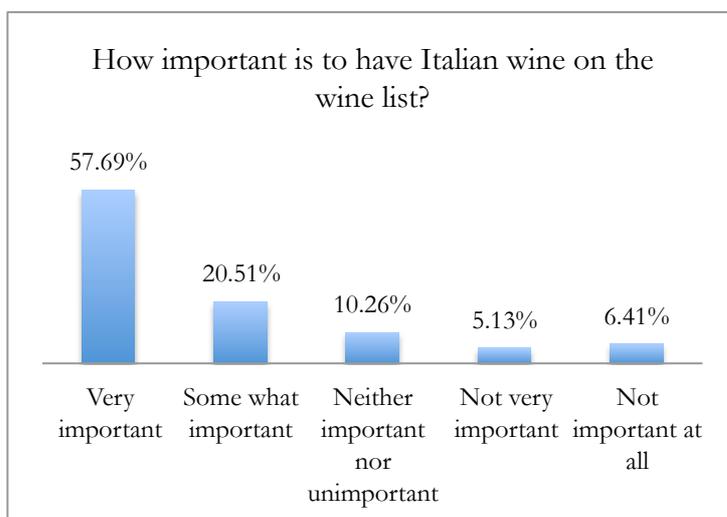
around 20-40%; for 7.70% it accounts for 80-100%, 7.69% answered it represents 40-60%, and finally for 5.13% it is 60-80%. The results highlight that 88.46% of restaurants have Italian wine on the wine lists.

Q4. How important is to have Italian wine on the wine list?

Respondents: 78

Answers: 78

How important is it to have Italian wine on the wine list?	Answers	
Very important	45	57.69%
Some what important	16	20.51%
Neither important nor unimportant	8	10.26%
Not very important	4	5.13%
Not important at all	5	6.41%
Tot	78	100%



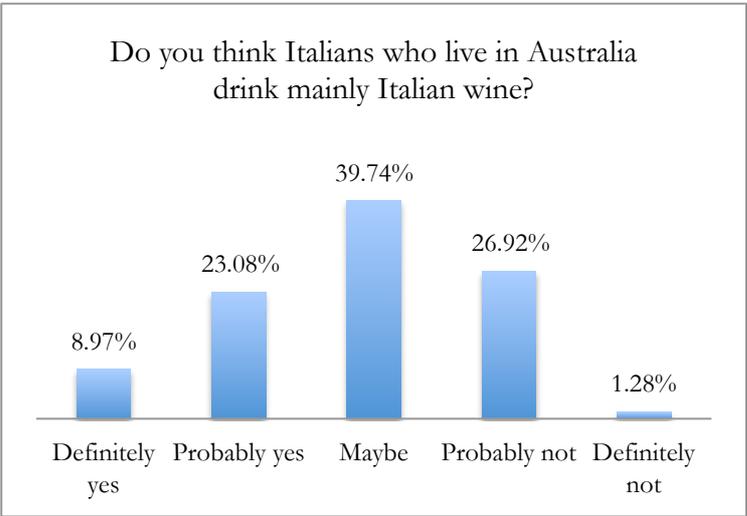
This question investigates the importance to have Italian wine on wine lists. If *very important* and *somewhat important* answers are taken into consideration, 78.2% (61 restaurants) of respondents said that offering Italian wine is important. Interpreting this result together with the answers of question 3, it could be said that

even if 57.69% of respondents think that having Italian wine is very important, just 12.83% offer bottles of Italian wine on their wine lists (12.83% is the result of 5.13% + 7.70%, which refer to 60-80% and 80-100% range respectively – question 3).

Q5. Do you think Italians who live in Australia drink mainly Italian wine?

Respondents: 78
 Answers: 78

Do you think Italians who live in Australia drink mainly Italian wine?	Answers	
Definitely yes	7	8.97%
Probably yes	18	23.08%
Maybe	31	39.74%
Probably not	21	26.92%
Definitely not	1	1.28%
Tot	78	100%



As in Australia there is a strong presence of Italian immigrants and people that have Italian heritage (see chapter 1 and considerations on question 1 in this paragraph), this question was thought to know if most Italian people order Italian wine, or if it is also appreciated by Australians and guests of other nationalities.

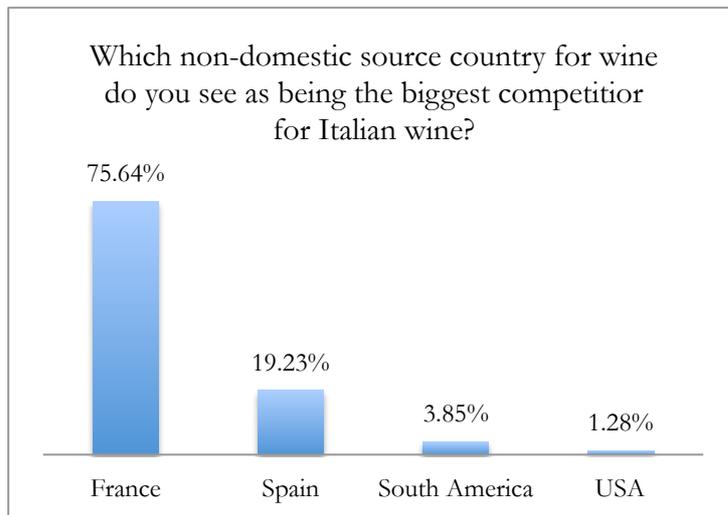
32.05% of respondents said *yes* (the sum of *Definitely yes* 8.97% and *Probably yes* 23.08%), 39.74% *maybe* and 28.2% *no* (the sum of *Definitely not* 1.28% and *Probably not* 26.92%). The results are quite homogeneous; so it could be said that not only are Italians likely to consume Italian wine when eating out, but also guests from other countries.

Q6. Which non-domestic country for wine do you see as being the biggest competitor for Italian wine?

Respondents: 78
 Answers: 78

Which non-domestic source country for wine do you see as being the biggest competitor for Italian wine?	Answers	
France	59	75.64%

Spain	15	19.23%
South America	3	3.85%
USA	1	1.28%
Tot	78	100%



As data highlight, France is considered the main competitor of Italian wine (around 76%). Macroeconomic data, presented in chapter 2, demonstrate that France is the second wine exporter country after New Zealand. Furthermore, the wine list analysis carried out in the previous paragraph underlines that

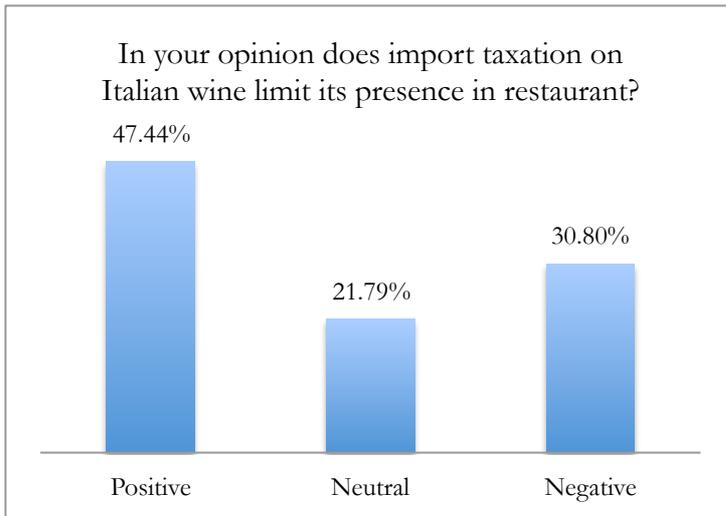
French wine is more present in the On-Trade compared to Italian one (according to the data collected for the wine list analysis, just 7 restaurants out of 100 do not have French wines, while Italian wines are not offered in 25 restaurants).

Q7. In your opinion does import taxation on Italian wine limit its presence in restaurant?

Respondents: 78

Answers: 78

In your opinion does import taxation on Italian wine limit its presence in restaurant?	Answers	
Definitely yes	16	20.51%
Probably yes	21	26.92%
Maybe	17	21.79%
Probably not	20	25.64%
Definitely not	4	5.13%
Tot	78	100%



The issue related to import taxation was presented in chapter 2. As already underlined, Australian import taxation on wine is high, so that the price of a bottle of Italian wine in Australia could be significantly higher compared to the same bottle in Italy.

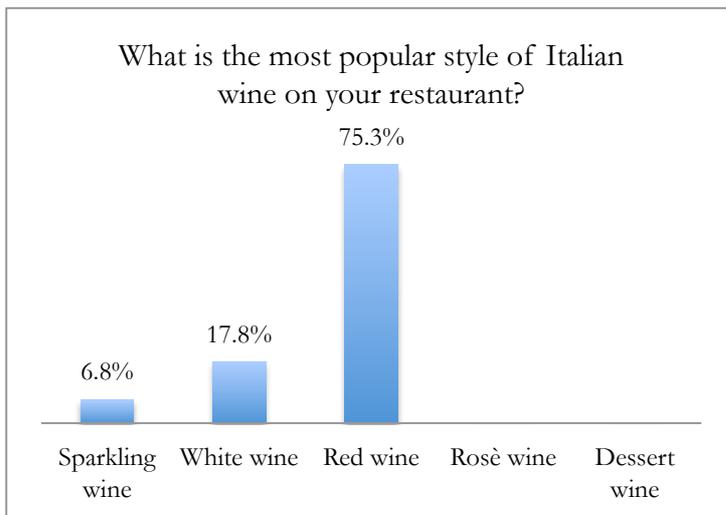
In order to find out if import tariff could be an entry barrier, this question was included in the questionnaire. According to the result, 47.44% of respondents said that the high Australian import taxation could prevent in some way the presence of Italian wine on the market. 30.80% of respondents declared that import taxation does not have negative effects on the imports of Italian wine to the Australian market. Finally, 21.79% of respondents were *Neutral*.

Q8. What is the most popular style of Italian wine on your restaurant?

Respondents: 69

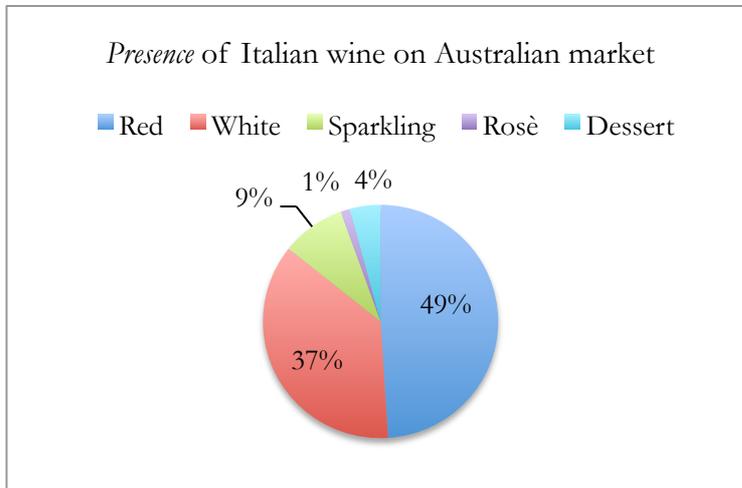
Answers: 73

What is the most popular style of Italian wine on your restaurant?	Answer	
Sparkling wine	5	6.8%
White wine	13	17.8%
Red wine	55	75.3%
Rosé wine	0	
Dessert wine	0	
Tot	73	100%



As already mentioned above, questions from 8 to 15 were only for restaurateurs who offer Italian wine on their wine lists. 75.3% of respondents answered that the most popular style of Italian wine offered on their wine lists is the *red* one, 17.8% said *white* and 6.8% *sparkling*. None of them answered *rosé* and *dessert wine*.

These data are confirmed by the results that come from the analysis carried out for the study of Australian on trade (previous paragraph). The following pie chart highlights which kinds (red, white, sparkling, rosé and dessert) of Italian wines were found in the sample of hundred medium-high quality restaurants (sample that was used to analyse the Italian wine in the Australian on-trade, not the sample of the questionnaire). Italian red wine is the most chosen (49%), followed by white (37%), sparkling (9%), dessert (4%) and rosé (1%).



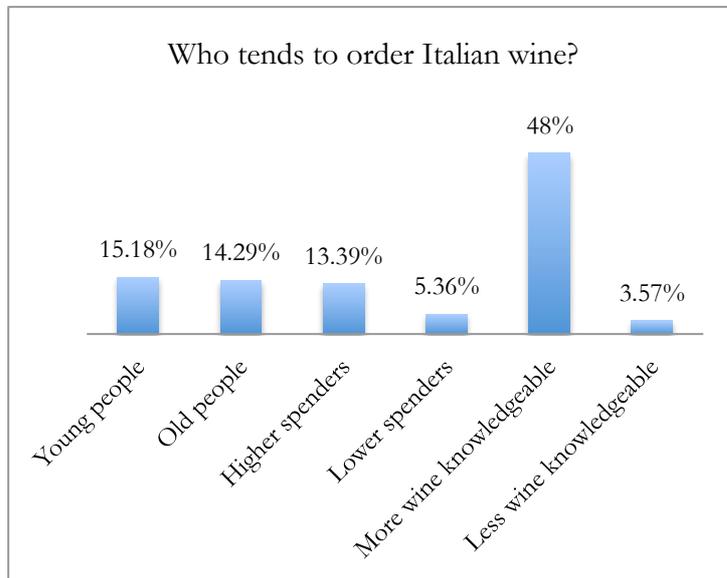
Q9. Who tends to order Italian wine?

Respondents: 69

Answers: 112

Who tends to order Italian wine?	Answers	
Young people	17	15.18%
Old people	16	14.29%
Higher spenders	15	13.39%
Lower spenders	6	5.36%

More wine knowledgeable customers	54	48%
Less wine knowledgeable customers	4	3.57%
Tot	112	100%



The two most important pieces of information, which come from this question, are that mainly *higher spenders* and *more wine knowledgeable* customers order Italian wine in restaurants, 13.39% and 48% respectively.

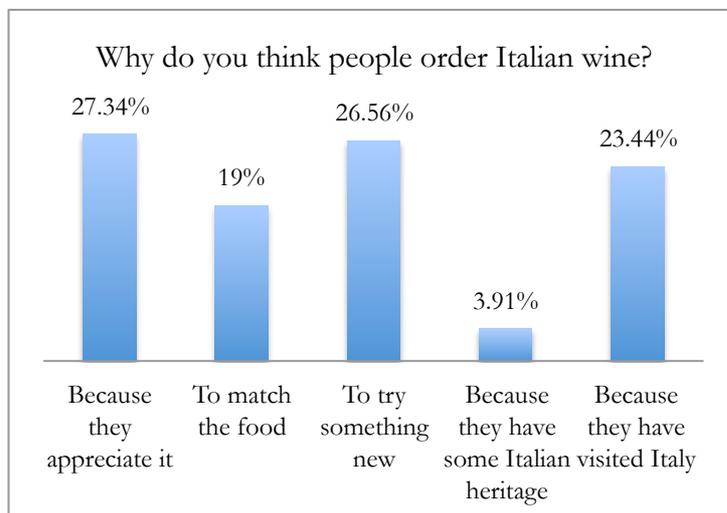
Furthermore, according to these data both *young* (15.18%) and *old people* (14.29%) appreciate Italian wine.

Q10. Why do you think people order Italian wine?

Respondents: 69

Answers: 128

Why do you think people order Italian wine?	Answers	
Because they appreciate it	35	27.34%
To match the food	24	19%
To try something new	34	26.56%
Because they have some Italian heritage	5	3.91%
Because they have visited Italy	30	23.44%
Tot	128	100%



Regarding the answers to the question *Why do you think people order Italian wine?*, the three most chosen answers by respondents were: first of all because guests appreciate it (around 27%), secondly because consumers want

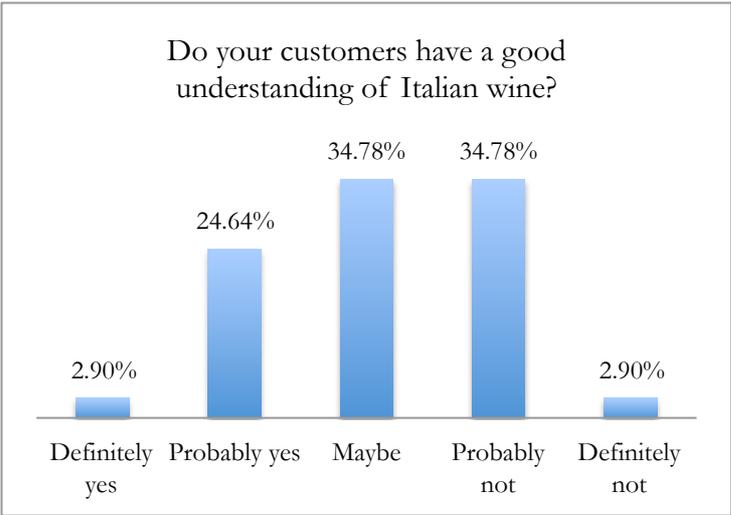
to try something new (about 27%), and finally because people have visited Italy (about 23%). The other two answers represent 19% - to match the food – and around 4% - because guests have some Italian heritage.

Q11. Do your customers have a good understanding of Italian wine?

Respondents: 69

Answers: 69

Do your customers have a good understanding of Italian wine?	Answers	
Definitely yes	2	2.90%
Probably yes	17	24.64%
Maybe	24	34.78%
Probably not	24	34.78%
Definitely not	2	2.90%
Tot	69	100%



This question was included in the questionnaire in order to understand if consumers who order Italian wine know the product. The results show that the majority of respondents (37.68%) answered that usually their guests do not have any knowledge about Italian wine. This could be a key point of communication. As

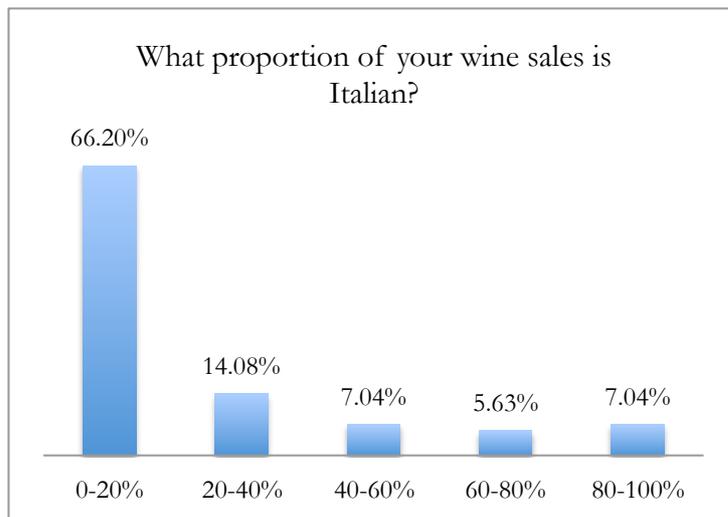
already underlined in a couple of occasions in the previous sections, generally non-Italian guests do not know the Italian appellation system. Through strategic communication levers, this “gap” is likely to become a competitive factor for Italian wine producers. Italian wine makers have to try to convey the message that DOCG, DOC and IGT are acronyms which add value to wine.

Q12. What proportion of your wine sales is Italian?

Respondents: 69

Answers: 69

What proportion of your wine sales is Italian?	Answers	
0-20%	45	65.22%
20-40%	10	14.49%
40-60%	5	7.25%
60-80%	4	5.80%
80-100%	5	7.25%
Tot	69	100%



45 respondents (66.20%) said that their proportion of Italian wine sales is between 0 and 20%. This result is comparable with the answers of question 3, in which 40 respondents (51.28%) said that the presence of Italian wine on their wine list is about 5-20%.

14.08% reported that Italian wine sales fall into 20-40% range; for

14% they amount to 20-40%; 7% answered they represent 40-60%; for 5.63% they are 60-80%; finally, about 7% of respondents declared that their Italian wine sales account for 80-100%.

Q13. What is the most common price category concerning Italian wine on your wine list?

Respondents: 69

Answers: 69

What is the most common price category concerning Italian wine on your wine list?	Answers	
Less than \$50	7	10.41%
\$51-74	29	42.03%
\$75-99	18	26.09%
More than \$100	15	21.74%
Tot	69	100%



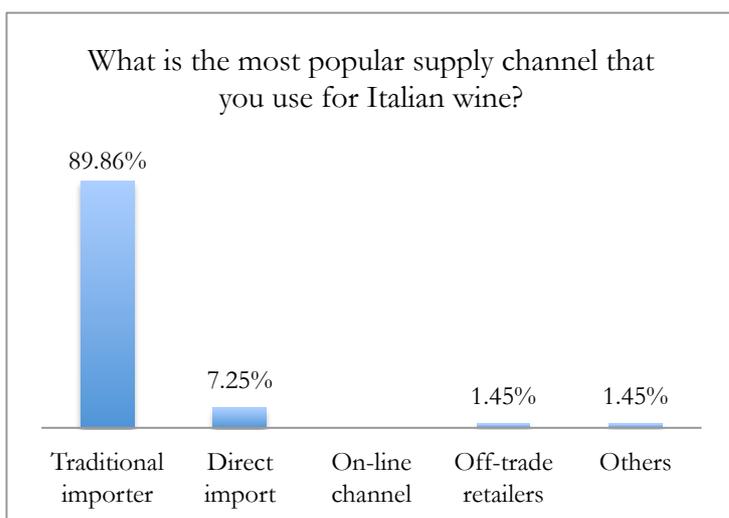
This question was included in the questionnaire in order to know the price category typical of Italian wine on the wine lists of medium-high quality restaurants in Australia. As data show, the majority of respondents (approx. 42%) said that the price of Italian wine is between \$51-74; for about 26% it is \$75-99; around 22% answered more than \$100; eventually, for 10.14% of respondents the most common price category concerning Italian wine on the wine list is less than \$50.

Q14. What is the most popular supply channel that you use for Italian wine?

Respondents: 69

Answers: 69

What is the most popular supply channel that you use for Italian wine?	Answers	
Traditional importer	62	89.86%
Direct import	5	7.25%
On-line channel		
Off-trade retailers	1	1.45%
Others	1	1.45%
Tot	69	100%



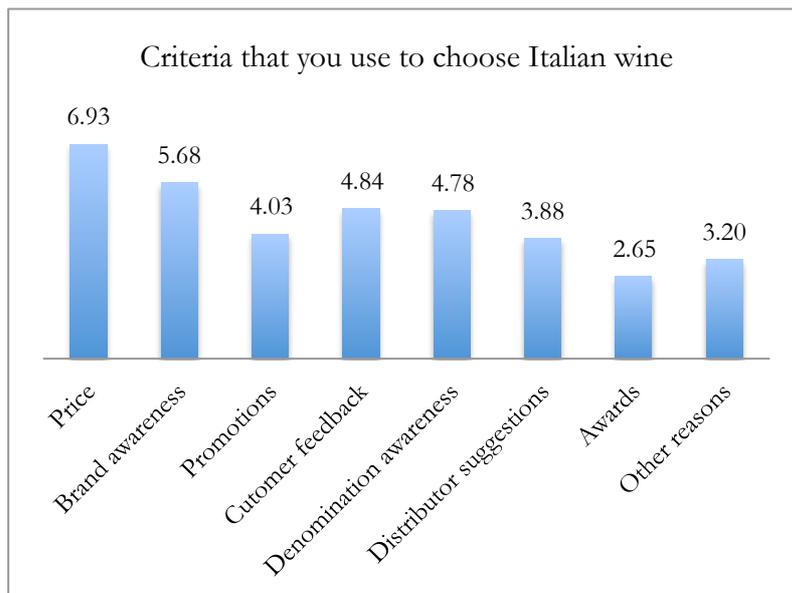
According to the data shown by this graph, *Traditional importer* is the most used supply channel by restaurateurs in Australia (about 90%). *Direct import* accounts just for 7.25%. The other answers were insignificant: *Off-trade retailers* 1.45% and *Others* 1.45%. None of the respondents answered *On-line channel*.

Q15. Please rank the following criteria that you usually take into consideration in order to choose Italian wine. No.1 represents the most used criteria.

Respondents: 69

Answers: 69

Rank the following criteria that you use to choose Italian wine	Weighted average
Price	6.93
Brand awareness	5.68
Promotions	4.03
Customer feedback	4.84
Denomination	4.78
Distributor suggestions	3.88
Awards	2.65
Other reasons	3.20



This is a ranking question. It asks respondents to compare items to each other organising them in order of preference. An average ranking was calculated for each item so as to evaluate which answer choice was the most preferred. The answer choice that shows the highest average ranking is the most preferred choice. The mean

ranking is calculated as follows, where:

w = weight of ranked position

x = number of answers for each answer choice

$$\frac{xw_1 + x_2w_2 + x_3w_3 \dots + x_nw_n}{Total}$$

Weights are in reversed order: the respondents' most preferred choice (which they rank as #1) has the highest weight, and their least preferred choice (which they rank in the last position)

has a weight of 1. In this case, the question presents 8 answer choices, so weights were assigned as follows:

- The #1 choice had a weight of 8
- The #2 choice had a weight of 7
- The #3 choice had a weight of 6
- The #4 choice had a weight of 5
- The #5 choice had a weight of 4
- The #6 choice had a weight of 3
- The #7 choice had a weight of 2
- The #8 choice had a weight of 1

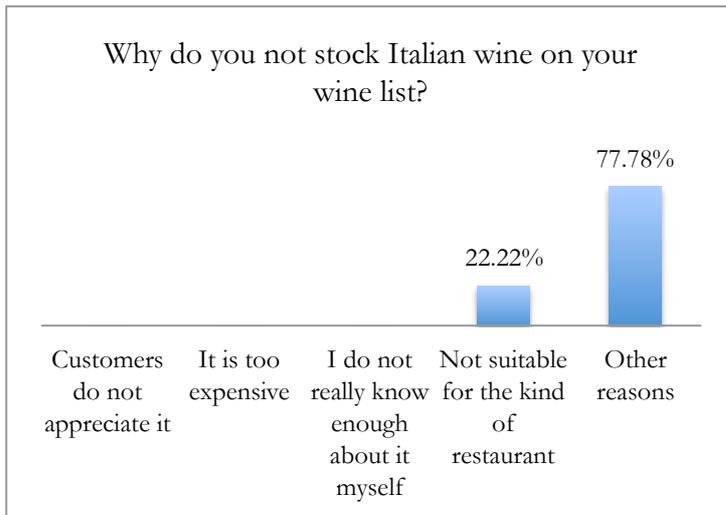
As to question 15 of this questionnaire, the answer choice with the highest average ranking is *Price* (6.93). It means that this variable refers to the most frequent criteria that restaurateurs use when they buy Italian wine. *Price* is followed by *Brand Awareness* (with a median of 5.68), *Customer feedback* (4.84), *Denomination Awareness* (4.78), and *Distributor Suggestions* (3.88). The variable that restaurateurs in Australia hardly ever take into account when purchasing Italian wine is *Awards* (2.65).

Q16. Why do you not stock Italian wine on your wine list?

Respondents: 9

Answers: 9

Why do you not stock Italian wine on your wine list?	Answers	
Customers do not appreciate it	0	
It is too expensive	0	
I do not really know enough about it myself	0	
Not suitable for the kind of restaurant	2	22.22%
Other reasons*	7	77.78%
Tot	9	100%



The last question of the questionnaire was tailor-made to those restaurateurs who have decided not to offer Italian wine on their lists.

None of the respondents answered that they do not include Italian wine on lists because *Customer do not appreciate it*, Italian wine is too expensive and they

(restaurateurs) *do not really know enough about Italian wine*. Around 22% of respondents said that they do not offer Italian wine because it is *not suitable for the kind of restaurant* and approx. 78% answered *Other reasons*. It could be interesting to see which reasons lead restaurateurs to include no Italian wine in their wine lists.

* Other reasons:

We stock South Australian wine (Australian restaurant)

We have Australian and New Zealand wine list (Australian restaurant)

We have Australian wine list (Australian restaurant)

We are French restaurants (French restaurant)

We offer Australian, New Zealand and French wines (French restaurant)

We stock Australian wine (Australian restaurant)

Australian and New Zealand wine list (Asian restaurant)

4.3.4 Analysis of crossed answers

In order to obtain more information that could be useful to outline a suitable marketing mix for the Australian On-Trade, in the following section a crossed analysis of two or three questions will be carried out. The fixed question appearing in each intersection is number 2, that is to say *Type of restaurant*. *Type of restaurant* was chosen as fixed variable to see whether different cuisines require different strategies (i.e. different marketing mix).

Restaurants were grouped into three macro-categories, which were deemed to be the most significant types of cuisine in the Australian high-medium quality restaurant sector:

- Australian: 28
- Italian: 20
- Asian: 11
- Others: 19

First intersection: *Type of restaurant and What proportion of your wine list is Italian?*

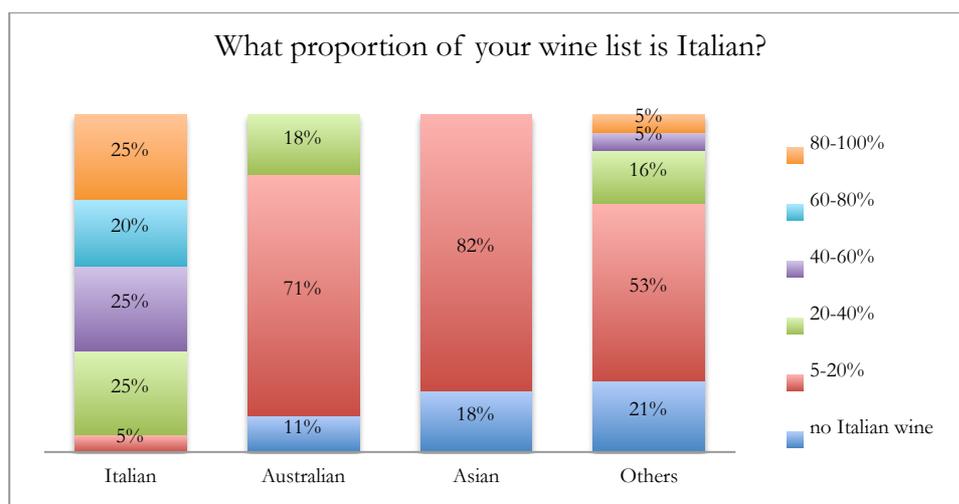
The three following intersections are connected with each other and are aimed at analysing if the view that different types of restaurateurs (sommeliers) hold on Italian wine is comparable to both the sales of such a product and its presence on their wine lists.

Q2: Type of restaurant

Q3: What proportion of your wine list is Italian?

	No Italian wine	5-20%	20-40%	40-60%	60-80%	80-100%	Tot
Italian		1	5	5	4	5	20
Australian	3	20	5				28
Asian	2	9					11
Others	4	10	3	1		1	19

	No Italian wine	5-20%	20-40%	40-60%	60-80%	80-100%
Italian		5%	25%	25%	20%	25%
Australian	11%	71%	18%			
Asian	18%	82%				
Others	21%	53%	16%	5%		5%



This intersection displays which restaurants offer more or less Italian wine on their lists. It is not surprising that basically only Italian restaurants have a remarkable presence of Italian wine:

five respondents said 40-60%, four reported 60-80%, and five declared 80-100%. Five Italian restaurateurs answered 20-40%, and just one said 5-20%.

On the other hand, the majority of Australian and Asian respondents declared that the presence of Italian wine on their wine lists is pretty low: twenty Australian restaurateurs and nine Asian restaurateurs said that Italian wine is offered on their wine list from 5 to 20%. Three Australian respondents and two Asian restaurateurs answered that they do not offer any Italian wine.

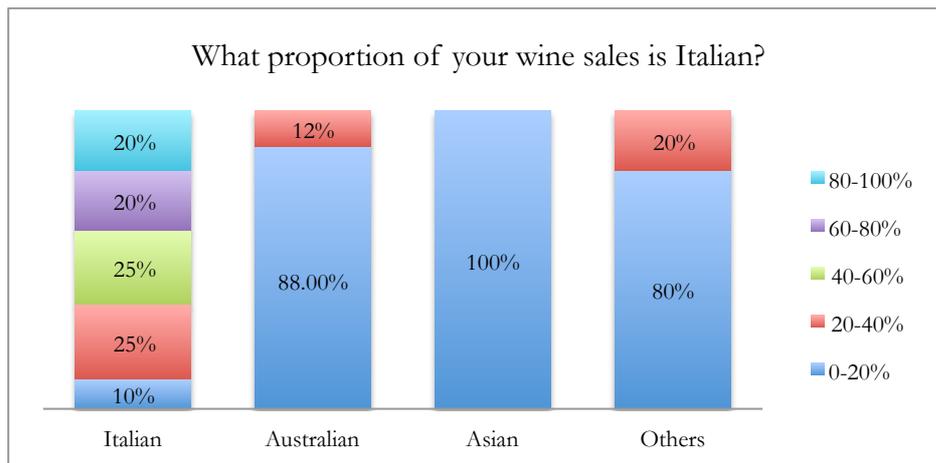
Second intersection: *Type of restaurant and What proportion of your sales is Italian?*

Q2: Type of restaurant

Q14: What proportion of your sales is Italian?

	0-20%	20-40%	40-60%	60-80%	80-100%	Tot
Italian	2	5	5	4	4	20
Australian	22	3				25
Asian	9					9
Others	12	3				15

	0-20%	20-40%	40-60%	60-80%	80-100%
Italian	10%	25%	25%	20%	20%
Australian	88%	12%			
Asian	100%				
Others	80%	20%			



This intersection was included in order to see if the presence of Italian wine on the wine lists – analysed in the previous intersection - compares with its sales. As the tables and chart above show, depending on the types of cuisine, the percentage of Italian wine sales and percentage of

Italian wine presence on the lists are basically the same. Italian restaurants sell more Italian wine (the majority of respondents answered 20-40%, 40-60%, 60-80% and 80-100%), while Australian and Asian restaurants sell a smaller quantity of Italian wine (most of them said 0-20%).

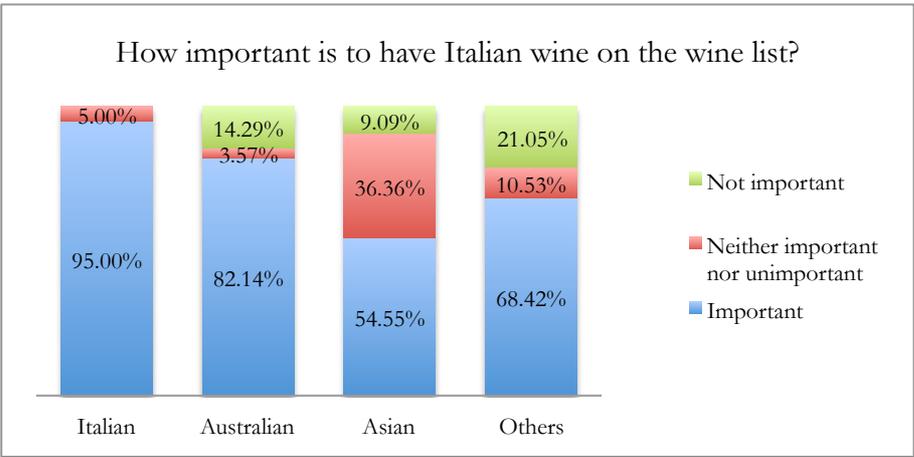
Third intersection: *Type of restaurant and How important is to have Italian wine on the wine list?*

Q2: Type of restaurant

Q6: How important is to have Italian wine on the wine list?

	Important	Neither important nor unimportant	Not important	Tot
Italian	19	1		20
Australian	23	1	4	28
Asian	6	4	1	11
Others	13	2	4	19

	Important	Neither important nor unimportant	Not important
Italian	95%	5%	
Australian	82.14%	3.57%	14.29%
Asian	54.55%	36.36%	9.09%
Others	68.42%	10.53%	21.05%



To complete the two previous intersections, a crossed analysis between *Type of restaurants* and *How important is to have Italian wine on the wine list* should be done. As already noticed above and in the univariate analysis of question 4, the interesting point is that even if the presence of Italian wine on the lists of non-Italian restaurants is just 5-20%, the majority of these restaurants think that having Italian wine is important (82.14% of Australian, 54.55% of Asian and 68.42% of other types of restaurants think that offering Italian wine is important). These

results show that there is a potential margin for Italian wine in the Australian On-Trade, because more types of cuisine appreciate it as well.

Fourth intersection: Type of restaurant, What proportion of your wine list is Italian? And In your opinion does import taxation on Italian wine limit its presence?

As already mentioned above, Australian import taxation on wine is so high that the price of a bottle of non-Australian wine may be exorbitant. According to the results of question 7, 47.44% of respondents said that import taxation limits the presence of Italian wine, 27.79% remained neutral, and 30.80% reported that high import taxation does not influence the presence of Italian wine in the Australian On-Trade. It could be interesting to further analyse these percentages taking into consideration which type of restaurants gave these answers, in order to find out which category of restaurants views high import taxation as an entry barrier.

The following crossed analysis will be done considering three questions: question 2 *Type of restaurants*; question 3 *What proportion of your wine is Italian?*; question 7 *In your opinion does import taxation on Italian wine limit its presence on restaurant?*

In the tables below, the filter was applied to question 7; therefore *Yes, maybe and not* written on the first line of each table represent 47.44% (respondents who think that high import taxation is an entry barrier), 27.79% (neutral respondents) and 30.80% (respondents who see import taxation on Italian wine as an entry barrier) respectively.

Yes (47.44%)						
	Not	5-20 %	20-40 %	40-60 %	60-80 %	80-100 %
Italian			3	4	2	5
Australian		6	5			
Asian		3				
Others	1	5	2	1		
Tot	1	14	10	5	2	5

Yes						
	Not	5-20 %	20-40 %	40-60 %	60-80 %	80-100 %
Italian			30%	80%	100%	100%
Australian		42.86%	50%			
Asian		21.43%				
Others	100%	35.71%	20%	20%		

Maybe (27.79%)						
	Not	5-20 %	20-40 %	40-60 %	60-80 %	80-100 %
Italian		1			1	

Australian	2	5				
Asian		4				
Others		3	1			
Tot	2	13	1		1	

Maybe						
	Not	5-20 %	20-40 %	40-60 %	60-80 %	80-100 %
Italian		7.69%			100%	
Australian	100%	38.46%				
Asian		30.77%				
Others		23.08%	100%			

Not (30.80%)						
	Not	5-20 %	20-40 %	40-60 %	60-80 %	80-100 %
Italian			2	1	1	
Australian	1	9				
Asian						
Others	5	4				1
Tot	6	13	2	1	1	1

Not						
	Not	5-20 %	20-40 %	40-60 %	60-80 %	80-100 %
Italian			100%	100%	100%	
Australian	16.67%	69.23%				
Asian						
Others	83.33%	30.77%				100%

When analysing the data, it is possible to notice that, even though Italian wine is remarkably present on their lists, Italian restaurateurs perceive high import taxation as an entry barrier. As to Asian respondents, none of them thinks that high import taxes on Italian wine do not represent an entry barrier. Therefore, Asian restaurants also believe that import taxation could limit the presence of Italian wine on the Australian market. The only category of restaurants that do not see high import taxation as an entry barrier is the Australian one. As a matter of fact, 9 Australian restaurateurs said that import taxation is not an obstacle to Italian wine in Australia. However, there is a portion of Australian restaurateurs (6 respondents) that have the same idea as their Italian and Asian colleagues.

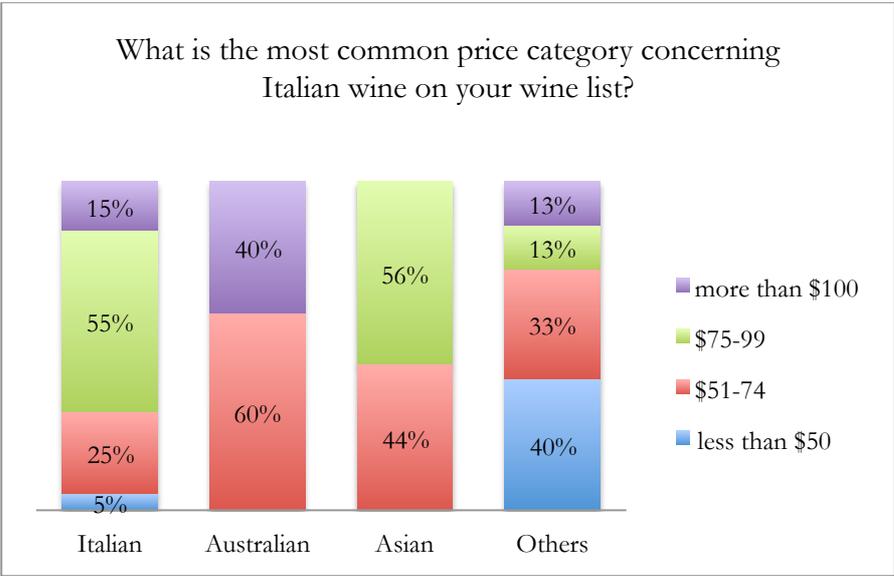
Overall, it could be concluded that high import taxation on Italian wine may represent an entry barrier to the Australian market.

Fifth intersection: *Type of restaurant* and What is the most common price category concerning Italian wine on your wine list?

The last crossed analysis that ought to be done is that between the *Type of restaurant* and the most common price category of Italian wine on the wine lists.

	Less than \$50	\$51-74	\$75-99	More than \$100	Tot
Italian	1	5	11	3	20
Australian		15		10	25
Asian		4	5		9
Others	6	5	2	2	15

	Less than \$50	\$51-74	\$75-99	More than \$100
Italian	5%	25%	55%	15%
Australian		60%		40%
Asian		44%	56%	
Others	40%	33%	13%	13%



As highlighted by the tables and graph above, while Australian restaurants rank Italian wine in the medium low category (less than \$50) and medium category (\$51-74), Italian and Asian restaurants also offer Italian wine at a higher price (\$51-74). Obviously, it is necessary to take into consideration this result during the elaboration of the price strategy later on.

CHAPTER 5

GUIDELINES TO APPROACH THE AUSTRALIAN ON-TRADE: CASA VINICOLA ZONIN CASE STUDY

5.1 Case Study: Casa Vinicola Zonin

5.1.1 Casa Vinicola Zonin: company profile

Casa Vinicola Zonin is one of the leading family-owned wine producer not only in Italy but also worldwide. It makes and distributes a wide range of wines including the fine D.O.C.s and D.O.C.G.s under the Zonin brand label along with those from the ten Estates owned by the family.

Currently, the company possesses about 2,000 hectare vineyards located in some of the best regions in Italy – Veneto, Friuli, Piedmont, Lombardy, Tuscany, Sicily and Apulia – and in the USA, at Barboursville Vineyards in Virginia.

Figure 1: Estates of Casa Vinicola Zonin (Source: Casa Vinicola Zonin website)



2013 data:

- Consolidated turnover: 154 million euros
- Vineyards owned: 2,000 hectares
- Nine Estates in seven Italian regions and one in Virginia, USA
- Bottles produced: 42 million
- Export: 75% - over 100 countries in five continents
- 550 employees, with 250 at Gambellara (Vicenza)

Source: Casa vinicola Zonin website

5.1.2 The internationalisation process of Casa Vinicola Zonin

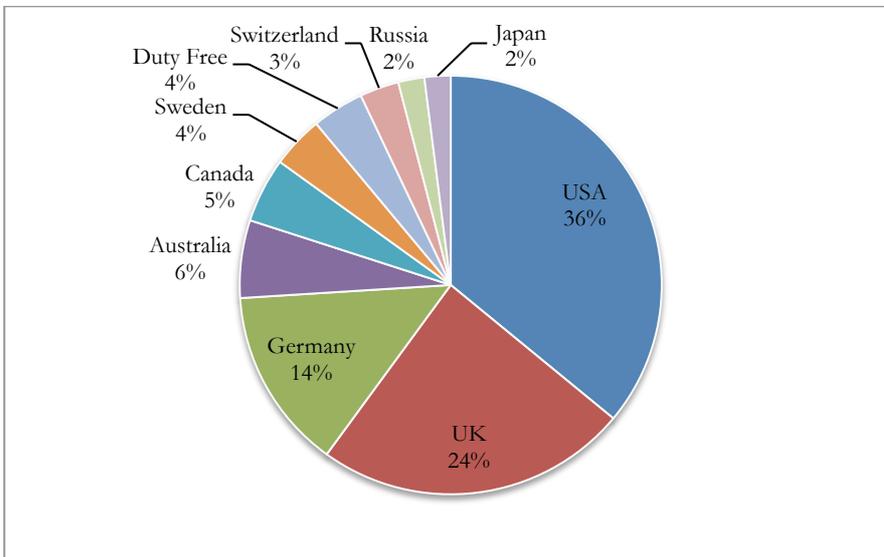
During the last years, the company has made important internationalisation investments, obtaining today 75% of total sales from export. As shown by the map below, it has a considerable distribution network reaching more than 100 countries.

Figure 2: Casa Vinicola Zonin around the world (Source: Casa Vinicola Zonin website)



The key markets served by Casa Vinicola Zonin are the USA, the UK, Germany, Australia, Canada, Sweden, Switzerland, Russia and Japan.

Chart 33: The key markets of Casa Vinicola Zonin (Source: Own elaboration)



Given this background, it could be interesting to analyse the key aspects of the internationalisation path which Casa Vinicola Zonin has decided to undertake.

The internationalisation process began with two import and distribution subsidiaries, one based in the USA (Zonin USA) and the other based in the UK (Zonin UK).

Zonin USA and Zonin UK were established in 2003 and 2006 respectively. These two branches were started as a means to increase control of the quality and distribution of Zonin wines in the United Kingdom. Each of them operates as an independent business unit and performs all the main functions, from sales to marketing, from import to distribution of Italian wines in the US and the UK with the aim of achieving a leadership role in the marketplace. They provide added value to their customers by removing intermediaries between wine producer and distributor. This allows Zonin USA and Zonin UK to effectively monitor and continuously improve their performance throughout the supply chain. They adopt a strategy of organic growth, by reinvesting all the profits generated back into human resources and marketing activities. This unique business model allows the two subsidiaries to focus on their core business offering a complete portfolio of Italian wines to the US and UK markets.

The other markets can be classified under three macro-categories:

- Monopolistic markets
- *Mixed management* markets
- *Exclusive distribution* markets

Canada and the Scandinavian Peninsula are monopolistic markets, in which the Government controls exclusively the wine market through public stores. Casa Vinicola Zonin approaches these kinds of markets with resident managers who promote the products and take care of the company's public relations.

Concerning the *mixed management* category, such as Germany, China and Latin America, the firm works with both distribution companies and resident managers.

Finally, the other markets (Australian market included) are organised through companies that exclusively manage the import and distribution of the company's brands. In this case, Casa Vinicola Zonin tries to share its wine portfolio with different companies depending on the distribution channels in which they specialise.

Casa Vinicola Zonin has dramatically changed its strategy over the past seven years, moving away from the traditionally production driven company model, and following a much more quality and market oriented one. This process has allowed the company to devise an internationalisation business model whose pillars are: global presence, a direct coordination and connection with international sales and marketing force, a deep study of the peculiarity and characteristics of different types of consumers, the creation of a custom-made business plan

for each market, and the improvement of its distribution network forming strategic partnerships.

The winemaker company has started an *across-the-board* approach that gives priority to the communication of its Brands. This perspective has been adopted in order to convey the same message about brand identity and brand values, irrespective of a specific language or a specific market. The integrated marketing communication of the Brand has been reached thanks to an inter-functional coordination among the four departments of the company, i.e. the sales department, the marketing department, the communication department and the Prestige Account Division.

The *across-the-board* approach has been combined with a *multicultural and cross-cultural* approach. The result of this merging is that the company try not only to establish a global identity with a specific positioning inside every single market, but they also attempt to build a link among the different business figures, by sharing, listening and learning. The *cross-cultural approach* includes the study and research of different needs that consumers of diverse markets require, the flexibility to create the suitable product for each market and the capability to put together both innovation and tradition in each single product.

Close attention to international trends and opportunities through marketing strategies tailored to suit each country's requirements has also led the Zonins to invest in the marketplace which is the subject of this research, i.e. Australia.

5.1.3 Past and current situation of Casa Vinicola Zonin on the Australian Market

Casa Vinicola Zonin started to export to Australia in the '90s approaching the market by selling wine to a "traditional" importer who re-sold the products. At that time Italian restaurants, wine shops and other relatively small retailers represented the majority of customer base. This indirect sale strategy allowed the company into the market and was followed for almost ten years. However, it never brought the company to a satisfactory level of distribution coverage.

At the beginning of 2000, after a new analysis of the market, the company realised that in order to meet Australian demand and enhance its presence in the market it should change its way of operating. Casa Vinicola Zonin turned to direct sale, and approached the number one Australian retailer: Woolworth Limited²⁴. This dramatic change meant the end of the

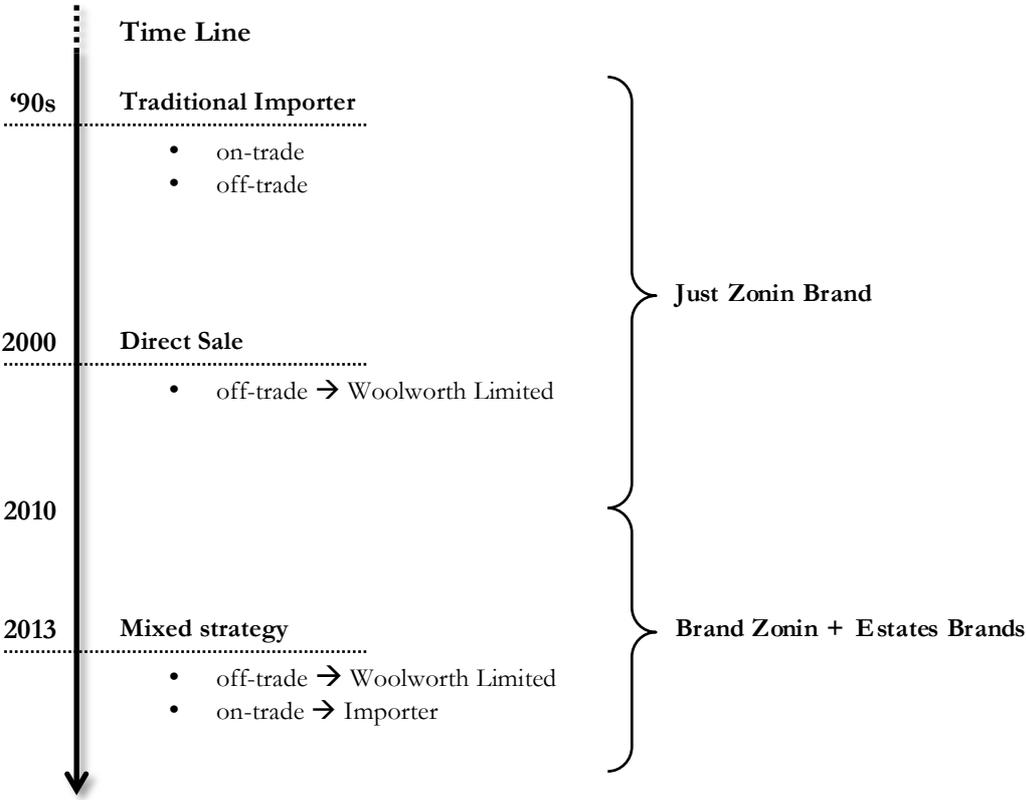
²⁴ Woolworth Limited is a major Australian company with extensive retail interest throughout Australia and New Zealand. It is the largest retail company in Australia and New Zealand by market capitalisation, and the largest

relationship with the traditional importer and the loss of on-trade distribution. On the other side thanks to the consolidation over the years with this important retailer, the Italian winemaking company has played a leading role in the Australian Off-Trade.

For a couple of years, the situation has been a mixture between the two strategies adopted in the past. Together with the Australian key retailer – Woolworth Limited – there is an importer: while the former deals with the off-trade, the latter focuses on the on-trade.

As the time line below shows, until 2010 just wines with Zonin brand were offered to Australian consumers; after 2010 wines with Estates’ brands were also introduced into the market

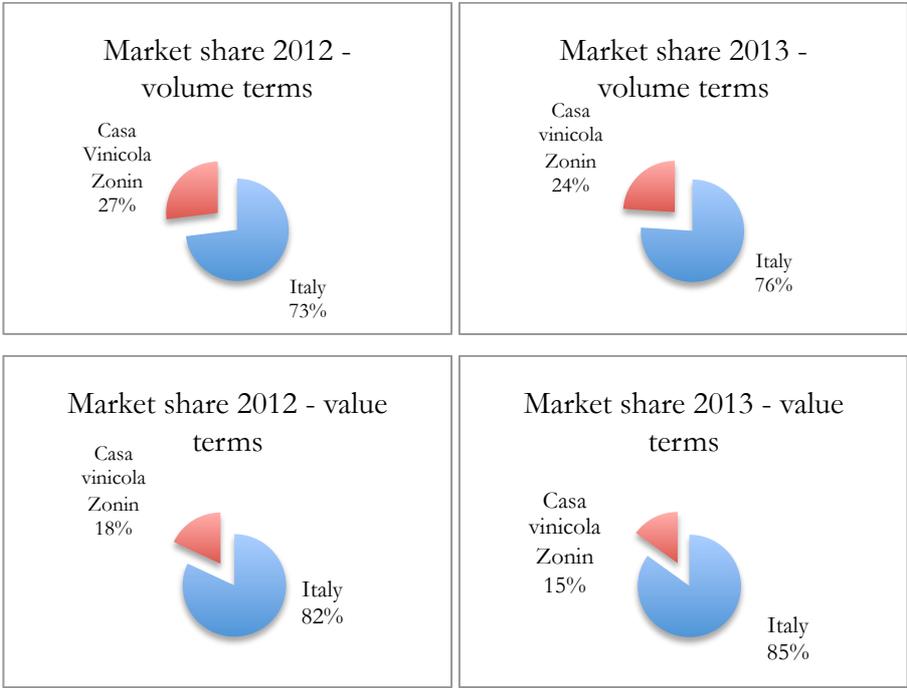
Figure 3: Time Line of Casa Vinicola Zonin in the Australian market



Today Australia is the fourth export market of Casa Vinicola Zonin accounting for over 5 MLN Euros and approx. 200,000 nine-litre cases. These data show that Casa Vinicola Zonin is the leading Italian wine making company in the Australian off-trade, covering a market share of about 25%, as the following graphs highlight.

food retailer in Australia, and the second largest in New Zealand. In addition, Woolworths Limited is the largest takeaway liquor retailer in Australia, the largest hotel and gaming poker machine operator in Australia, and was the 19th largest retailer in the world in 2008.

Chart 34: Australian market share of Casa Vinicola Zonin (Source: Corriere Vinicolo based on Istat data)



It is clear that the Australian market plays an important role in the success of Casa Vinicola Zonin. The charts above highlight the trend over the past fifteen years in both in volume (nine-litre cases) and value terms that the company experienced in Australia.

Chart 35: Casa Vinicola Zonin turnover over the past 15 years (Euros) (Source: Own elaboration)

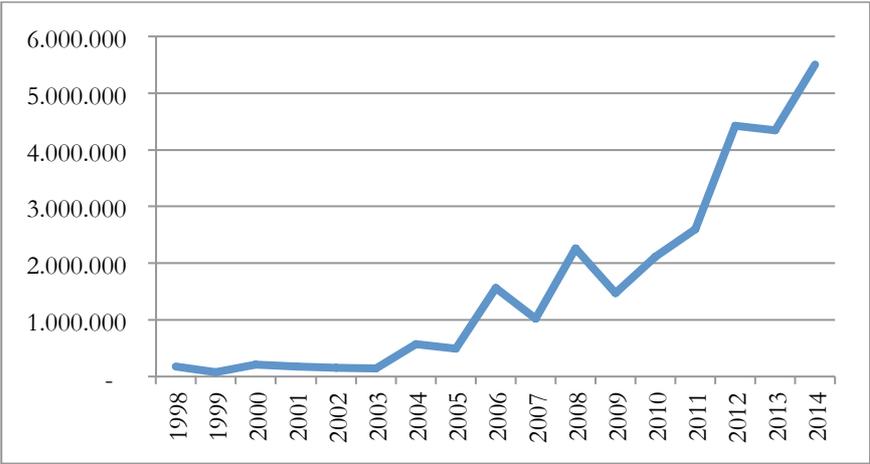
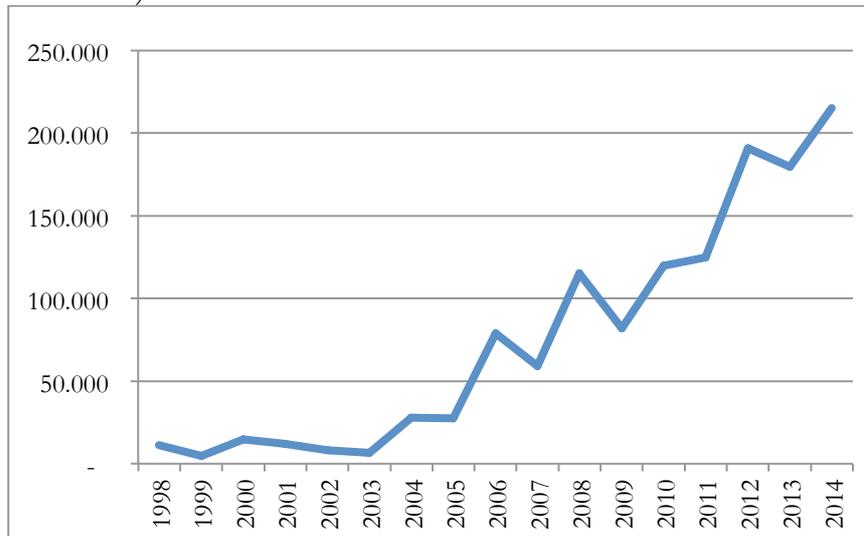


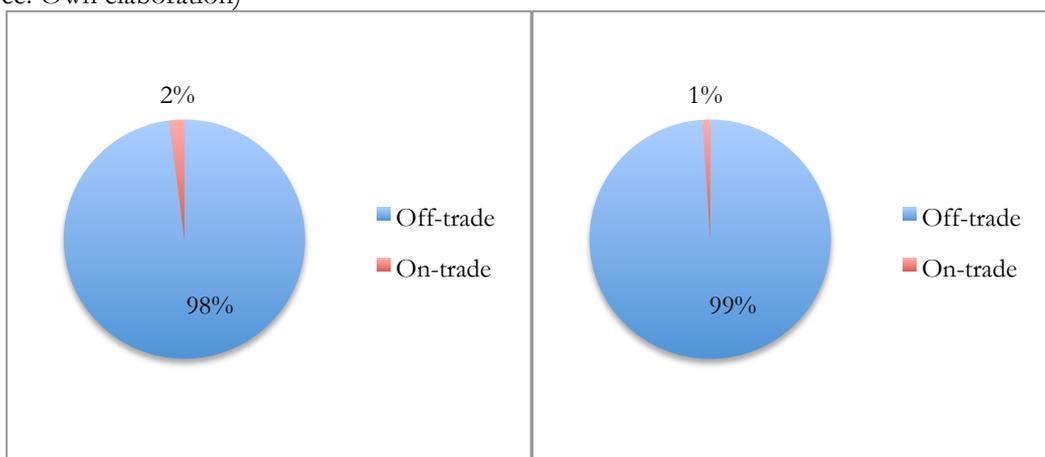
Chart 35: Casa Vinicola Zonin: Australian sales over the past 15 years (9 litre cases) (Source: Own elaboration)



The results that Casa Vinicola Zonin has been able to reach on the Australian market during the last years are really considerable: in ten years (2004/14) its turnover grew from 600,000 to 5,000,000 Euros (+733%), and in terms of volume the sales increased from 27,749 to 215,196 (nine-litre cases) (+675%).

However, if the last two years (2013 and 2014) are taken into consideration - that is when the company started to offer its wines in the on-trade again, it could be noticed that the majority of positive results come from the Off-Trade, as shown in the pie charts below. This means that Casa Vinicola Zonin are experiencing some difficulties in penetrating the On-Trade.

Charts 36 and 37: Off and on trade percentage of Casa Vinicola Zonin on the Australian market (Source: Own elaboration)



Thanks to the data presented until now and the data that will be shown in the next paragraphs, a strategy for the improvement of the Australian On-Trade channel for Casa Vinicola Zonin will be outlined.

5.2 SWOT analysis of the Australian On-Trade for Casa Vinicola Zonin

A SWOT analysis is a straightforward model that analyses an organisation's strengths, weaknesses, opportunities and threats to create the foundation of a marketing strategy. To do so, it takes into account what an organisation can and cannot do as well as any potential favourable or unfavourable conditions related to the company's products or services. The system combines information from the environment analysis and separates it into two components: internal issues (strengths and weaknesses) and external issues (opportunities and threats).

In order to develop a strategy for the Australian On-Trade as complete as possible, at this stage of the research it is useful to tailor a SWOT analysis to suit the needs of Casa Vinicola Zonin. The following table sums up the strengths, weaknesses, opportunities and threats observed thanks to the analysis that has been carried out so far.

Figure 4: SWOT chart to approach the Australian On-Trade from Casa Vinicola Zonin perspective (Source: Own elaboration)

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 1. Remarkable propensity to internationalisation → 75% of turnover from exports 2. Recognised as international player 3. Leadership position in the Australian Off-Trade 4. Leader in the Prosecco category 5. Wine portfolio with all top wine producer Italian regions 6. Ability to cover all price segments 	<ol style="list-style-type: none"> 1. No area manager on the Australian market 2. Presence in the Off-Trade (problem linked with price) 3. Poor know-how to deal with On-Trade is concerned
OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> 1. Australian market is steadily growing 2. Changes of Australians' wine consumption habits 3. Wine sales on the On-Trade are increasing 4. Strong presence of Italian community 5. Australian consumers appreciate Italian cuisine 6. Wine is recognised as a <i>Made in Italy</i> product 7. "Bring your own bottle" phenomenon 	<ol style="list-style-type: none"> 1. Geographic distance between Italy and Australia 2. Role of New Zealand on the Australian wine market 3. Australia is a wine-producing country 4. High import tariff on wine 5. Australian consumers do not fully understand the appellation system for Italian wine (DOCG, DOC/DOP, IGP/IGT) 6. Leader Australian importers already have a full portfolio 7. Importers see agreement between CVZ and ILW as a threat

The first strength worthy of mention is the strong propensity to internationalisation shown by the company (75% of its total turnover comes from foreign markets). As already highlighted above, during the last years Casa Vinicola Zonin has undertaken a considerable internationalisation path that has entailed the presence of the company in more than hundred markets. Thanks to the company's determination to internationalise, today Casa Vinicola Zonin is recognised as an international player.

A further strength is attributable to the firm's top position in the Australian Off-Trade, in particular the leadership role it plays in the Prosecco category. This result allows to get a considerable turnover to reinvest in the Australian On-Trade.

Thanks to the nine Estates that Casa Vinicola Zonin owns in Italy, it has a wine portfolio with all top wine Italian Regions. An important consequence of this wide choice is that the firm is able to cover all the price segments, meeting the needs of each specific market.

As far as weaknesses are concerned, three aspects were identified as critical points. Firstly, the fact that Casa Vinicola Zonin has no area managers in Australia is definitely a drawback, because a professional person who is able to interact directly and continuously with the market may be a competitive advantage for the company.

The second weakness is the presence of Zonin's products in the Off-Trade. The main negative consequence that may derive from this situation is linked with fixing the On-Trade price²⁵. Usually consumers perceive the wines that are selling through Off-Trade as low quality products compared to those offered in On-Trade. As a consequence, consumers could be rather confused and might not be willing to pay a higher price for a product that is available in the Off-Trade as well.

The last weakness that was identified is the poor knowledge about On-Trade data. As already highlighted in this research, On-Trade data are inconsistent, imprecise and difficult to track due to the fact that there is not the same scan code method as for the Off-Trade.

Concerning opportunities, several positive aspects were noticed. First of all, the Australian economy has been experiencing a positive trend during the last years. As set out in chapter 2, Australia has strong growth, low unemployment, reduced inflation, very low national debt and a strong and stable economic system.

²⁵ When considering this aspect, it should be pointed out that prices in on-trade are generally higher than in Off-Trade.

Furthermore, as shown by data in chapter 2, Australian consumers have changed their drinking habits, increasing the consumption of wine over the past years (beer consumption dropped from 75% in 1962 to 41% in 2012; during the same period the percentage of wine rose from 12% to 38%).

Another opportunity is related to the positive figures observed in the Australian On-Trade. As shown in chapter two during the 2007/2012 period, the Australian On-Trade increased by 9.8% in volume terms, and in terms of value there was a growth of 8.6%.

A fourth opportunity that should be evaluated is the marked presence of the Italian community in Australia, which could undoubtedly foster the visibility of Italian wine in Australia.

A further positive aspect that has to be considered is that non-Italian consumers appreciate Italian restaurants, where the wine lists offer a wide selection of Italian wines²⁶.

A considerable opportunity lies in the core product offered by Casa Vinicola Zonin, i.e. wine, recognised as a *Made in Italy* product. This is a crucial aspect in which the firm must invest resources. Australian consumers perceive the *Made in Italy* idea as really positive since this Mediterranean country is thought to be one of the favourite tourist destinations, also due to the wide choice of wine and food that it offers.

The last important opportunity was identified in the *Bring your own bottle* (BYOB) system. The restaurants that decide to adopt this system allow guests to bring their own bottle of wine from outside. The BYOB phenomenon deserves attention as is becoming remarkably common in Australia, also among medium-high quality restaurants.

With regard to threats, a first negative aspect is that Australia is a wine producing country as well. The second threat that may affect an incisive commercial strategy towards Australia is certainly the physical distance between Italy and Australia. Such features provide New Zealand producers with a competitive advantage but they do not seem to damage other European countries. As a matter of fact, France has been able to build a strong brand thanks to the demand for Champagne and the reputation acquired by this wine. The demand for low price wines and wines produced in “alternative” countries has favoured Chilean, Argentinian and South African companies.

²⁶ “Ospitalità Italiana – Ristoranti Italiani nel Mondo” project, supported by the Unioncamere and ISNART, represents a suitable initiative for the promotion of Italian wine in Australia.

Another relevant threat is linked with the perception of high import tariffs on wine imposed by the Australian government as an entry barrier.

The importance attached to the appellation system of Italian wine is very little, mainly due to the limited knowledge of Italy's physical geography. Australian consumers do not fully understand the system of Italian wine certification, which reflects the intrinsic link between wine and Italian regions. This is the reason why this could be classified as a threat. DOCG, DOC/DOP and IGP/IGT certifications do not add extra value to Italian production. However, a targeted communication strategy could easily "educate" Australian consumers and therefore create significant differentiation from the wine produced in Australia.

Another remarkable threat is the fact that the major Australian importers already have a full wine portfolio. As a consequence Casa Vinicola Zonin could find some difficulties in selling their products to these importers.

The last threat is attributable to the negative perception that importers have concerning the agreement between Casa Vinicola Zonin and the big Australian retailer Woolworths Limited.

5.3 Marketing mix for Casa Vinicola Zonin to approach the Australian On-Trade

Thanks to all the data analysed so far (macroeconomic data, wine lists analysis, questionnaire data, Wine Intelligence Report, SWOT analysis, etc.), it is now possible to outline a marketing mix tailor-made to Casa Vinicola Zonin and suitable for the Australian On-Trade.

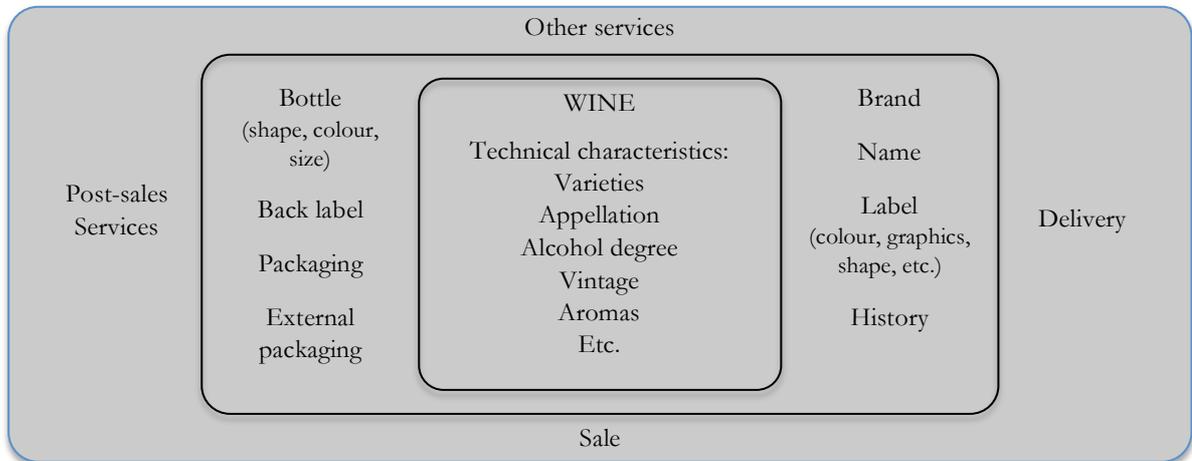
In order to make this part as complete as possible, besides the specific marketing mix concerning the Australian On-Trade for Casa Vinicola Zonin, the general concepts of marketing mix within the wine sector will be set out as well.

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product on the market. For this research the traditional model of marketing mix proposed by Philip Kotler will be used. According to Kotler, the 4Ps form a typical marketing mix – Product, Price, Place and Promotion.

5.3.1 First P – Product

When wine is analysed from a marketing point of view, it is important to remember that it is not only a drink, but it consists of elements which make up the real wine-product.

Figure 5: Wine “product” (Source: the wine-product from a marketing point of view – Emanuelle Rouzet e Gérard Seguin graph - Marketing del vino)



Wine

Wine is the core of the product. However, besides being a drink, wine bears other features; colour, taste-smell characteristics, vineyards, area of production, appellation, vinification, alcoholic degree and vintage.

As Slawka G. Scarco points out in her book *Marketing del vino*, the particular aspect of the wine market is that, compared to other products that have a strong emotional involvement like wine, the hub of characteristics – made of smell-taste sensations of wine itself – cannot be anticipated by consumers before consumption. This is why the other factors need to be considered during the development of the strategy to be adopted.

According to the data collected through the wine list analysis, Casa Vinicola Zonin should penetrate the Australian On-Trade proposing a selection of wines that it produces in Piedmont (Castello del Poggio Estate), Tuscany (Castello d’Albola Estate), Veneto (Zonin) and Friuli (Ca’ Bolani Estate). In actual fact, the majority of Italian grape varieties that were observed on restaurants’ lists in Australia were: Sangiovese, Pinot Grigio, Nebbiolo and Glera. Furthermore, taking into account the Glera variety, from which Prosecco wine is produced, Casa Vinicola Zonin should consider the real boom that they are experiencing in the Off-Trade thanks to this wine and try to take advantage of it to promote the On-Premise.

In this context, the appellation system is worth being highlighted as well. As already mentioned, Australian wines do not have any appellation and non-Italian consumers may not fully understand the Italian appellation system (DOCG, DOC/DOP and IGP/IGT). On the

other hand, by means of suitable communication tools, this aspect might be turned into a competitive advantage that Casa Vinicola Zonin should consider.

Bottle

Choosing the bottle is one of the first variables that can convey a message about wine quality to consumer. This is true for retail trade, but as to On-Trade the bottle is not an element which may influence consumer to buy that specific wine.

The size of the bottle may deserve some analysis, because each market requires specific features. However, the topic has little importance since the needs of the Australian market are the same as in Italy.

Label

The label is the first tool by which a company is allowed to tell the consumer about the content of the bottle more in detail, and generally it is divided into front and back label. Nevertheless, in the On-Trade the role of the label is different from the Off-Trade. While in the former case it informs and “reassures” the guest, in the latter it advises and attracts the consumer.

The Australian government requires specific label features, especially as regards the back label. Obviously, Casa Vinicola Zonin has to take into consideration this aspect, adapting the back label to the specific needs of the Australian market. The following pictures show the differences between an Italian back label and an Australian back label.



Australian back label

1. Information for allergy sufferers
2. Importer's name and address
3. Country (-ies) of origin
4. Alcohol content
5. Volume statement
6. Standard drink labelling
7. Barcode
8. Recycling logo
9. Drink wise logo

Capsule

The capsule covers the top and the bottleneck, and it is used to protect them from polluting agents besides refining the packaging of the bottle, making it more appealing. Sometimes, colour and material can be changed according to a specific market so as to better meet the demand.

Closure

Finally, the other key element of packaging is the top of the bottle, which not only closes the bottle, but also implies several marketing involvements.

Nowadays, the market offers various tops:

- Natural cork
- Synthetic cork
- Glass closure
- Screw-cap

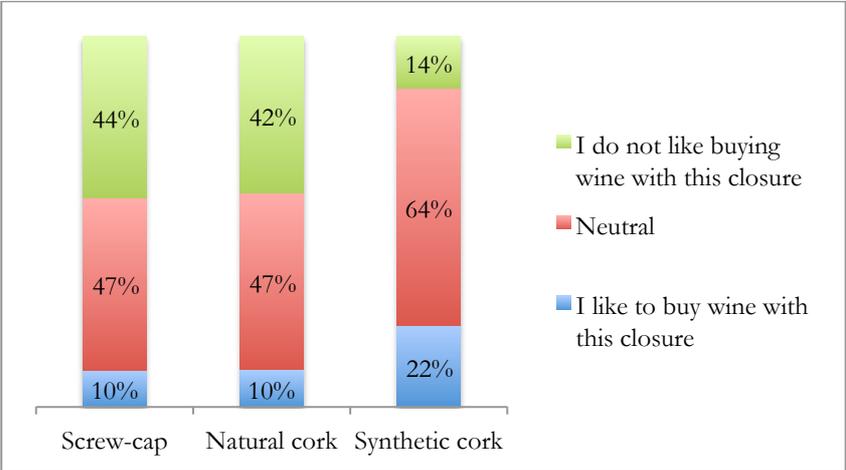


Italian back label

The consequences of this factor are in terms of both positioning and target market. In Italy usually the screw-cap is linked to low quality wine, while abroad (including the Australian market), it is not the same. In reality, the screw-cap allows slower ageing and the use of fewer sulphites. For these reasons many foreign markets specifically require this kind of top. In addition, since 2013 it has no longer been compulsory to use cork for DOCG wines, in order not to limit exports.

In Australia the screw-cap is really common and Casa Vinicola Zonin should adopt also this kind of top for its exports towards this market. As shown by the graph below, the screw-cap has the same attractiveness as natural cork.

Chart 38: Attitude towards closures (Source: Wine Intelligence Report)



5.3.2 Second P – Price

Fixing the price is one of the hardest issues in this sector. Different variables influence the final price. There are no certain and unique solutions, based on a formula which can be applied in order to solve the problem.

The price depends on various elements, such as:

- the positioning of a company and of its wine compared to competitors;
- how a consumer perceives a price. Each person has his/her idea of price: a minimum price lower than what they consider low-quality wine, and a maximum price they are ready to pay. Some factors which affect the sensitivity to price are: product rarity, substitute products, difficulty in making a comparison, price-quality proportion and aging capability;
- company’s aims;

- cost structure.

It should also be underlined that the final price of wine is based on factors which producers have nothing to do with, like the mark-up applied by restaurateurs.

Prices have a peculiar characteristic: the higher the price, the more guests could perceive the wine as a high quality product, especially if they still have not had the opportunity to taste it and therefore assess its features.

An aspect that should also be considered is that as nowadays wine is no longer an indispensable product, but it is a product to which the consumer attaches a value (tradition, status, etc.), the mere application of a premium to cover costs will be rather meaningless on current markets.

In the following section, the most common methods for determining prices in the wine sector will be presented.

The variables that have to be considered so as to determine prices are diverse: firstly, there are fixed and variable costs; secondly, prices of competitors; and finally, the assessment of consumers, which may make certain wine unique.

The different methods for determining prices stress the importance of one of these factors. However, the other variables should always be taken into account.

According to Slawka G. Scarso there are five methods for fixing the price:

1. Total cost method: a mark-up is applied to total costs of production. For instance, this method is used by restaurateurs to fix the price on the wine list. The mark-up may change according to price category: higher for low quality wines, relatively lower for high quality wines.
2. Profit method: an objective profit is set based on an evaluation of demand (and of its price sensitivity).
3. Perceived value method: this method is perfectly suited to the world of wine. The price is fixed in order to match the quality perceived first by the re-seller (wine bar, restaurant, etc.), then by the consumer, taking into account the following mark-ups applied by distribution. Obviously, this price has to equal the real quality of wine, in order to guarantee customers' loyalty.
4. Current price method: the price is determined mainly based on prices of competitors. This strategy could be adopted just for base wine produced by the company.

5. Short-term strategy: initially, for the introduction of a wine into a new market, a company could decide to adopt a low price strategy. However, they have to consider the possibility of increasing the price successively.

According to the data collected through the questionnaire, most of the Italian wines are sold at \$51-74, so this is the price range that Casa Vinicola Zonin should cover for the Australian On-Trade. Thanks to the information gathered by a few Australian restaurateurs and through some on-line research, it was shown that the mark-up applied by the restaurateurs in Australia is about 300%, therefore the price at which the distributor should sell the wine will be between \$17 and 24.67. Furthermore, assuming that the Australian importer's mark-up is about 200%, the EXW (Ex Works)²⁷ price fixed by Casa Vinicola Zonin should be around \$8.5-12.3, i.e. €5.62-8.65.

5.3.3 Place/Distribution strategies

The main distribution channels are subdivided into retailing (which includes direct sale) and wholesaling. As far as the wine market is concerned, retailing includes wine bars, and other more or less specialised points of sale (retailers), large-scale retail trade and the Ho.Re.Ca. channel.

In case a wine producer should decide to reach the aforesaid distribution channels through a wholesaler or an agent, this is called wholesaling.

²⁷ This rule places minimum responsibility on the seller, who merely has to make the goods available, suitably packaged, at the specified place, usually the seller's factory or depot. The buyer is responsible for loading the goods onto a vehicle (even though the seller may be better placed to do this); for all export procedures; for onward transport and for all costs arising after collection of the goods.

Figure 6: Wine distribution channels (Source: Marketing del vino S. Scarso)



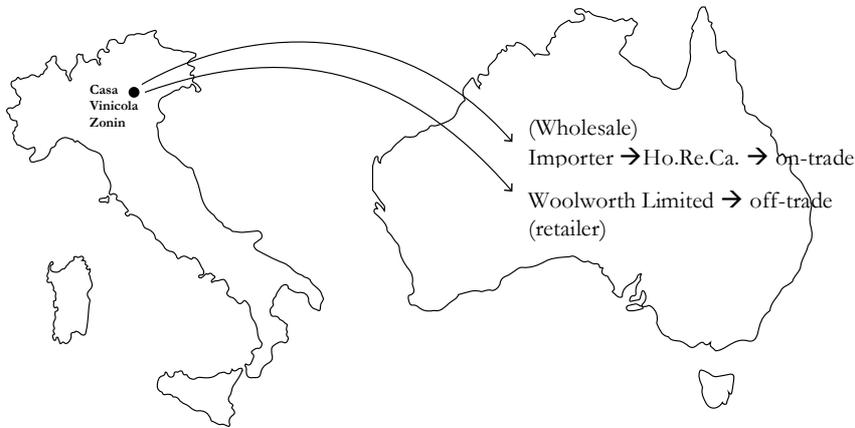
A wine maker could adopt several distribution strategies on the domestic market. However, as the aim of this research is an outline of a strategy for the Australian On-Trade, only the distribution channels important for export markets will be analysed.

Nowadays, as already mentioned, exports are essential for Italian wine makers since the domestic demand of wine is overstocked and decreasing. In most cases, intermediaries act as importers who, like wholesalers, purchase wine to re-sell it on the foreign market as shown in the figure below.

Nevertheless, each market has its own rules and regulations that wine companies will be compelled to follow.

As already said, the current distribution strategy carried out by Casa Vinicola Zonin on the Australian market requires two parties: on the one hand the importer for the On-Trade, on the other hand the strategic retailer Woolworth Limited for the Off-Trade.

Figure 6: Distribution channels of Casa Vinicola Zonin on the Australian market (Source: Own elaboration)



According to the data provided by the questionnaire, almost all the interviewed said that the most popular supply channel that they use to import Italian wine is the traditional one, i.e. the importer. Therefore, the channel that Casa Vinicola Zonin is using to distribute its wines on the Australian market could be the right one.

5.3.4 Promotion/Communication

Communication is one of the major components of the marketing mix in the world of wine that allows the customer to visualise, perceive and get the messages worked out through such a device. Nevertheless, communication is useful provided the product is pinned down and the price is consistent with distribution channels and target customers. A successful communication strategy will answer these questions: what should be said and to whom? To meet what needs? What is the goal? What techniques should be used?

Moreover, when targeting a foreign market, as is this case, it is essential to keep in mind that the communication strategy will have to consider another important variable: culture. Each market requires tailor-made communication strategies; so, before devising any methods, the culture characteristic of that specific foreign market needs to be studied in order to understand and find out the key components which are going to make up communication.

On the wine market, communication is aimed at:

1. achieving “product” fame
2. achieving brand fame

3. strengthening a “product” image
4. strengthening a brand image.

The promotion or communication mix includes a set of tools fitting into four basic categories: advertising, sales promotions, public relations, and personal selling. Though hard to classify, there are more activities that belong to the promotional mix, that is to say, sponsorship, product, placement, events, certain forms of direct marketing, etc.

However, nowadays the role played by social media marketing and the benefits that a company could gain from it should never be undervalued. Social media marketing is changing the way of communicating, introducing the so-called “two-way” communication between companies and customers. Unlike traditional communication strategies in which firms pass their messages on to the audience through “one-way” communication tools, such as advertisements, billboards, jingles, etc., Web 2.0 allows customers to develop their own media platforms so that they can express their opinions about products/brands, establishing a direct dialogue with companies (from this concept comes the expression “two-way” communication). By videos, websites, social networking sites, blogs, forums, etc., consumers share their points of view about product/brand with other consumers and with the companies themselves. Hence, this form of marketing is driven by word of mouth, meaning that it results in earned media rather than pay them. It is clear that today firms cannot exclude social media marketing from their communication strategy, since it may have a central role in the domestic market as well as in foreign ones.

In order to develop the communication strategy that Casa Vinicola Zonin should adopt for the Australian On-Trade, the results provided through the questionnaire were considered. *Price* is the main variable taken into consideration when restaurateurs choose Italian wine. *Price* is followed by *Brand Awareness*, *Customer Feedback*, *Denomination Awareness*, and *Distributor Suggestions*. The variable that restaurateurs in Australia hardly ever take into account when purchasing Italian wine is *Awards*. Surely, the variable in which Casa Vinicola Zonin has to invest communication tools in order to promote its wines within the Australian On-Trade is *Brand Awareness*.

The Italian winemaker company could improve its Brand Awareness in the On-Trade meeting the needs of two different categories: restaurateurs and final consumers. First, the Italian wine

producing company could increase its visibility among restaurateurs by looking to the Australian fairs or events dedicated to wine, such as Vinitaly International and the Norton Street Festival. The final goal of these expositions is to create concrete business opportunities for Italian winemakers, thanks to a personalised agenda of business meetings with importers, distributors and Ho.Re.Ca. actors. Furthermore, the other aspect that Casa Vinicola Zonin should consider in order to improve its brand awareness among restaurateurs is the visibility in Australian wine magazines.

Second, regarding the final consumer side, the company may take advantage of each mediums provided by the communication mix. However, the tools offered by Social Media Marketing seem to be one of best way of promoting Zonin's Brand Awareness among end users in the Australian market, also due to the distance, which is likely to produce a lower degree of control by the company.

CONCLUSIONS

The aim of this research was the development of a strategy suitable for Casa Vinicola Zonin in order to approach the Australian On-Trade. Today Australia represents the fourth export market for this Italian winemaker, accounting for over 5 MLN Euros (+733% compared to 2004) and approx. 200,000 nine-litre cases (+675%/2004). The distribution strategy that Casa Vinicola Zonin has adopted in order to approach the Australian market requires two parties: on the one hand the importer for the On-Trade, on the other hand the strategic Australian retailer Woolworth Limited for the Off-Trade. However, until now the company has obtained positive results from this market, mainly from the Off-Premise.

Casa Vinicola Zonin is one of the Italian leading family-owned wine producing companies at national and international level. Over the last years, the firm has been experiencing a strong internationalisation process based on both an Integrated Marketing Communication strategy and a Cross-Cultural approach. While the former strategy gives priority to the communication of its Brands, the latter approach includes not only the study of different needs from different markets, but also the flexibility to create the suitable product for each market and the ability to combine innovation with tradition in each single product. This important change has allowed the company to approach more than 100 markets, including the Australian one.

As highlighted during the research, Casa Vinicola Zonin could be classified as a Middle Size Multinational Enterprise for the four *international requirements* that it satisfies, i.e. it has about 600 employees, works with two import and distribution subsidiaries (one based in the UK and the other based in the US), has a production plant (vineyard) out of the domestic market (Virginia, USA), and finally is a privately-owned firm. Even if there are several theoretical approaches trying to define the behaviour of firms in the international landscape as regards the internationalisation of MMNEs, there is no theory that may satisfactorily explain the specific feature that lead a company to undertake this path.

The internationalisation process of Casa Vinicola Zonin starts from the two branches, Zonin UK and Zonin USA, each one operating as an independent business unit and carrying out all the main activities, from import to distribution of Italian wines on the UK and the US markets. The company deals with the other foreign markets exercising a lower level of control. Usually for monopolistic markets there are resident managers who promote the products and take care of the company's public relations. Concerning the so-called *mixed management* markets, Casa Vinicola Zonin works with both local distribution companies and resident manager. Finally,

the firm manages the remaining markets through agreements with local companies that exclusively import and distribute Zonin's Brands (as in the case of the Australian market).

Since complete research into a target market does provide the indispensable starting point for all the stages of a successful marketing process (in this specific case the development of a strategy for the Australian On-Trade tailored to the needs of Casa Vinicola Zonin), the economic and financial aspects concerning Australia were highlighted. As shown by macroeconomic data, Australia is a country that is experiencing a positive economic and financial phase: it has a solid economic growth (during 2013 it grew by 3.1%), low unemployment (it is steady at 8.9%), contained inflation (2.2%), very low public debt and a stable financial system (during 2011-2012 net indebtedness was 8.9% and the debt/GDP ratio was 27.9%). This favourable economic and financial context is combined with the increasing interest of Australians in wine. As a matter of fact, during the last years, yearly wine consumption has steadily risen (from 12% in 1962 to 38% in 2012), so as to exceed the consumption of beer (from 75% in 1962 to 41% in 2012), which was the most preferred beverage by Australians until few years ago. Furthermore, with about a per capita consumption of 30 litres of still light wine, Australia ranks 10th worldwide.

Besides these positive trends, there is another remarkable aspect. Mainly due to the continuous appreciation of the Australian dollar, the imported wine gained significant market share, even though Australian wine still dominated the market with 84% of market share. In 2013 Italy with 8.9 million litres of imported wine (considering the two-year period 2011/2013 the increase was of 32.8%), which accounts for 30 million Euros, was in third position after New Zealand and France. New Zealand is the major exporter, above all thanks to both its geographic proximity and the favourable trade agreement that this country has signed with Australia. Taking into consideration the volume side, i.e. 8.9 million litres, the exports of Italian wine towards Australia according to distribution channels are split as followed: 37.4% is for the On-Trade, while 62.6% is for the Off-Trade.

After analysing data on consumption of Australian and imported wine, it was possible to examine the competitiveness of Italian wine on the Australian market in detail.

Talking about the critical aspects that could hinder the presence of Italian wine on the Australian market, a main drawback is that Australia is a wine-producing country as well. It has a thriving and international wine industry and is one of the major exporter worldwide with about 750 million litres of wine exports per year, and only 40% of production set aside for the

domestic market. However, nowadays the Australian wine industry is coping with remarkable challenges including an oversupply of wine grapes, changes in consumer choices, growing competition coming from emerging low-cost wine producing countries (such as Chile, Argentina and South Africa), and finally, as already stressed, an increase in the Australian dollar which produced a slump in demand from key import countries, i.e. the US and the UK. A second critical aspect that could influence an incisive commercial strategy towards Australia is certainly the physical distance between Italy and Australia, which gives a competitive advantage to New Zealand producers, even though it does not seem to damage France. Indeed, France has been able to build a strong brand thanks to the demand for Champagne and the reputation acquired by this wine. This consideration was confirmed by empirical data that were collected through the wine list analysis of restaurants based in Australia²⁸: France with 45.71% of market share leads the Australian sparkling wine market, followed by Australia (38.19%) and Italy (6.99%). The last critical point, which was dealt with during the research, is linked with the appellation system of Italian wines. Australian consumers do not fully understand the Italian appellation system, which reflects the intrinsic link between wine and Italian regions. Docg, Doc/Dop and Igp/Igt certifications do not add extra value to Italian production. However, a targeted communication strategy could easily “educate” Australian consumers and therefore create significant differentiation from Australian wines.

As for the opportunities that Italian wine has on the Australian market, the Made in Italy concept is certainly a great advantage: Australian consumers perceive the Made in Italy idea as really positive since the country is thought to be one of the favourite tourist destinations, also due to wine and food offers. The second opportunity for Italian wine is that usually Australian consumers appreciate Italian restaurants, whose wine lists offer a wide choice of Italian wines. Further, thanks to the big Italian community hosted by the Australian country, in major Australian cities it is possible to find several places which offer the traditional Italian cuisine. The last important chance was detected in the *Bring Your Own Bottle* phenomenon. As this system is becoming more and more common among restaurants in Australia, it ought to be seen as a strategic opportunity.

By focusing attention on the key aspect of this study, since On-Premise data are inconsistent, imprecise and difficult to trace²⁹, in order to see the competitiveness of Italian wine in the

²⁸ The empirical data refers exclusively to On-Trade side.

²⁹ For the On-Trade there is not the precise scan code method as for the Off-Trade

Australian On-Trade, two kinds of research were carried out: firstly, a wine list analysis of a hundred restaurants based in Australia, and secondly a questionnaire which was addressed to seventy-eight restaurateurs who own a restaurant in Australia. While the aim of the first research was to try to portray the competitiveness landscape of wine in the Australian On-Premise by country of origin, the main objective of the second analysis was to determine why and how restaurateurs choose Italian wine. Even if the restaurants that constitute the two samples are not the same, to make the two analyses as much uniform as possible, the restaurants of both researches belong to medium-high quality category. These two analyses were useful not only to see how the Australian On-Premise is divided among countries, but also to outline the marketing mix tailored to the needs of Casa Vinicola Zonin. Concerning on the most important pieces of information gathered about the Australian On-Trade, the empirical data - collected through these two studies - showed that there is a potential margin for Italian wine in the Australian On-Premise. The most appreciated type of Italian wine among Australians is the red one. They enjoy Italian sparkling wine as well, but it has to face the fierce competition coming from both France (with Champagne) and Australia (with a forged Prosecco). Further, the survey revealed that almost all the interviewed restaurateurs appreciate Italian wine, even if the majority of them have few bottles of Italian wines on their lists and perceive the high import tariff on Italian wine as an entry barrier. Another plus point of the Australian On-Premise that was observed is that wine sales in the Australian On-Trade are increasing; during the 2007/2012 period, the Australian On-Trade rose by 9.8% and 8.6% in volume and value terms, respectively.

This is the background that Casa Vinicola Zonin needs to consider in order to approach the Australian On-Premise in a different way. As already mentioned above, thanks to the data provided by the wine list analysis and the questionnaire, it was possible to outline a strategy that the company should adopt for this channel. The plan was devised through the marketing mix model proposed by P. Kotler.

At first, the company should penetrate the Australian On-Trade offering a selection of wines that it produces in Piedmont, Tuscan, Veneto and Friuli, since the majority of Italian grape varieties found in Australian restaurants were Sangiovese, Pinot Grigio, Nebbiolo and Glera. Moreover, Casa Vinicola Zonin will have to suit both the back label - according to the specific requirements imposed by the Australian government - and the top, in order to meet the needs of the Australian market, i.e. combining natural cork with screw-cap.

Secondly, the estimated price range at which the winemaker company should sell its wines to the importer was found through a backward calculation. Thanks to the questionnaire it was noticed that the price of Italian wines on wine lists is approx. \$51-74. Putting together these data with the information on the the mark-up generally applied by restaurateurs in Australia, which is about 300%, it was estimated that the price at which the distributors should sell the wine to restaurateurs might be between \$17 and \$24.67. Assuming that the Australian importer's mark-up is about 200%, the price range at which Casa Vinicola Zonin should sell its wines to Australian importers should be around \$8.5-12.3, i.e. €5.62-8.65.

Thirdly, it was discovered that the distribution channel that Casa Vinicola Zonin has already adopted to approach the Australian On-Trade, i.e. the importer, seems to be the correct one, because almost all respondents answered that the most popular supply channel that they use to import Italian wine is the traditional one.

In the end, concerning the last lever, i.e. communication, the opportunity that Casa Vinicola Zonin should not miss to foster its sales in the Australian On-Trade is *Brand Awareness*. The Italian winemaker company could improve its Brand Awareness in the On-Trade satisfying two types of clientele: restaurateurs and final consumers. On the one hand, concerning restaurateurs Casa Vinicola Zonin could improve its visibility among this level both taking part in Australian fairs and promoting its wines through Australian wine magazines. On the other hand, regarding the end users category, the company ought to adopt every available tools offered by the communication mix. However, the devices provided by Social Media Marketing appear to be one of best ways of promoting Zonin's Brand Awareness among final consumers.

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