Malvasias of the Mediterranean
4th Symposium

Wine Consumption dynamics and Perspectives for Malvasias

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Wine dinamics and Perspectives

A super operative-marketing expert would say to wine producers:

"Listen... wine life-cycle is declining... You can either wait it stops or adopt product innovation such as ... coloured wines, sparkling wines... alcool free wines, chocolate or coffee flavoured ones.... for generations to come in Emerging Countries..."

Typical product life-cicle

Wine dinamics and Perspectives

What about decline causes...???

"...current modern life styles, disappearing of traditional meals consumed at home in favour of out-of-family consumption opportunities..."

(Againl..the super operative expert mkg belowe...)

Wine dinamics and Perspectives

- On the opposite, according to consumption socio-economics:

  “...wine consumption trends and its perspectives may not be understood out of the substantial revolution of the last two decades and the impact of the economic crisis started in 2007 ...”

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- Since two decades and in the next future the demographic barycenter is moving toward Africa, and the urban areas of the developed regions.
- FAO calculation toward 2050 estimates that 66% of people will live in the cities, with a 30% reduction of the active rural population.

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- FAO foresees massive food demand increase... 1 bil tons cereals..., about 200 mio tons meat... 430 mio tons fruit and 370 mio tons vegetables

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- Volumes growth ... Cultivated area development ... Labour productivity increase ... Demand increase ... Environment degradation... Competition from alternative resources uses ...

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... *Land grabbing* through sovereign founds to produce commodities for the use of Emerging Countries...

...Purchase of fertile land not for producing uses (*land banking*) ... just for speculation on foreseen land price rise: actually, a sterilisation of the land potential

Wine dinamics and Perspectives

Most of Emerging Countries will produce and process "*simple food*" for all of the Developing Countries not yet food satisfied

- Or: *"New" producing countries* will mainly supply *"New" consumer countries*, both sharing a common background of poverty, followed by high developing rates and similar consumption patterns, easily to foresee in quantitative and qualitative terms.

Wine dinamics and Perspectives

On the other hand, *Developed Countries market* will be probably supplied with "*complex food*" (added value products,... carefully processed food like cheese and wine) only by *countries with rooted development history,* among the developed ones

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Two big ideal group of food

1. Basic Average Food .... *Internationals Food*
   – From and toward Emerging Countries and populations

2. Valued Food ...... *Regionals Food*
   – From and toward food satisfied population

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- Production and exchange of raw materials and "*standardized international food*" will rapidly adapt to demographic growth.

- Some countries of well rooted development in Europe and Americas will still hold a part of consumption of added value products, and will keep for themselves the production and the exchange of these *regional food and goods*

Wine dinamics and Perspectives

The “wine flow” will be divided:

....partly among “standardized international” wines towards the *compulsive consumer* of Emerging countries (impossible to fidelize to all goods)

.....partly among valued “regional” wines towards the *conscious modern consumer* all over the world (mainly UE and America)

(dailly or occasionally..but still linked to some traditional goods)

Wine dinamics and Perspectives

What’s up for the wine consumption trends?

The data from AgriMer (Fr)* look terrific….

* The only for a 30 yrs period

Wine consumption trends

Table 1 Average consumption variation by Country (1980-2010, %)	
Argentina	- 3.6
France	- 2.3
Italy	- 2.8
Portugal	- 2.2
Spain	- 3.2
Australia	+ 1.0
USA	+ 1.3
The Netherlands	+ 1.7
UK	+ 4.1
Denmark	+ 2.8
Japan	+ 4.2

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- **Was the marketing expert right .... ????**

The information above has generated many analysis about the volume of “lost” and “re-found” wine, about prices, vineyards, ... packaging, distribution... <u>increasing wide, real pessism about wine continuity</u>

Wine dinamics and Perspectives

In general, evaluations about consumption decline *do not help identify* the real variation of *perception among consumers*

It's an old lesson learned by students of *consumption economics* (cfr. Hoolbrook e Hirschmann E.C., 1982)

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Average wine consumption , 1975 vs. 2008 comparison (lit. per capita)

	F	I	SP	ARG	AUS	USA	UK	DEN	CHI	JAP
1975	104	108	74	84	17	5.5	5	12	0.3 (2003)	1.7
2008	49.9	42.1	27.7	26.4	23.1	8.8	20.4	28.8	0.5	1.7

Source: France AgriMer 2010

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Comparative analysis... (...milk, bread....)

- Referred to the turbulent period 1980-2010, with *hyper-consumption economic development*
- For a traditional drink like wine, on the market *since one century* and with a very *high penetration index* among *traditional countries consumers*

So... Wine ??....<u>Almost a normal trend</u>

Wine dinamics and Perspectives

- Consumption reduction actually took place because of the *consumption abandonment* of some consumers

- While a larger part of consumers has *only reduced consumption's volume and drink occasion*

Wine consumption trend in France (1980- 2010; Italy: 1998-2012)

Country			**France**			**Italy**	
Type (*)	1980	1990	2000	2010	1998	2010	2012
Habitual consumer	51	30	24	17	23.6	22	21.5
Non habitual consumer	30	37	43	45	33	31.3	30.4
Non consumer	19	33	33	38	43.1	46.7	48.1

(*) % of total population

Sources
France: France AgriMer, Dec. 2010
Italy: Il consumo di bevande alcoliche in Italia, ISTAT 2012

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French data show that:

A) *Strict non-wine consumers* double during the last 30 years period

B) *Active consumers* still account for 62% of population

C) Despite volume and consumption occasions reduction, *most of French consumers didn't give up wine*

- In Italy half of the population still drinks wine

Wine dinamics and Perspectives

- **The marketing specialist DILEMMA:**
  - **During a (merely apparent) declining period, is it better:**

a) Going after “non wine consumer” by way of new wine-like drink ... ?????

b) Going after “wine consumers” to avoid them abandoning wine ... ??????

Wine dinamics and Perspectives

From data .... to the "best strategies"

(for regional wine producers, even for Malvasia Wines)

1. If the data are

a. non consumers is still a minority

b. consumers still account for the majority

2. The "best" should be

...."trying to stimulate", sustain, convince, those *who still have confidence whit wine*

.... "fighting against" their *fears and incertitudes*

Wine dinamics and Perspectives

Do consumer’s fears (alcol, opacity about contents) hinder wine consumption

Home wine consumption in France (2005-2010)

Wine during meals	Normal meals		Cured meals		Meals with guests	
	2005	2010	2005	2010	2005	2010
Almost alwayas	22	18	32	24	68	67
Often	5	4	7	7	11	11
Sometime	17	14	18	20	11	15
Never	56	64	43	50	10	11

Wine consumption when present at meals	Normal meals		Cured meals		Meals with guests	
	2005	2010	2005	2010	2005	2010
Almost alwayas	60	69	65	68	70	69
1 out of 2	15	13.5	16	13.5	15	14
More rarely	13	13	11	11	10	11
Never	12	10	8	7.5	8	9

Wine dinamics and Perspectives

Wine and <u>social behaviour</u>

... In company people drink more wine

... In company fears are less relevant

... *But incertitude still remain ....*

Opinions about wine in France (2015-2010)

	Consumers agree (%)	
Opinions	2005	2010
Wine is good for health	62	57
I love wine taste	58	57
I am interested in wine	38	37
Only for important occasions	55	62
I can’t imagine a meal without wine	18	15
It’s difficult to choose a wine	75	74

Source: France AgriMer 2010

Wine dinamics and Perspectives

- Consumers' apprehension
  - Classical wine presentation, (*generally complex and articulate) scares consumers*
- Fear for alcool
  - Fear stems from the battle <u>against alcol abuse</u> <u>(</u>*which suddenly became battles <u>against wine use</u>*<u>)</u>
- Fear toward wine *"opacity"*
  - Consumers scared by alcool find no re-assurance when "reading" about wine

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Frustration pathway

- Alcool scare makes daily consumers become an *occasional consumers*
- Wine opacity makes occasional consumer become *sporadic consumer*
- Wine incertitude push *sporadic consumer* finally to *abandons consumption*

Wine dinamics and Perspectives

- Fear fighting
  - *Alcol fear* may be reduced by a communication stressing the difference between *use* and *consumption abuse*
  - In particular the *fear for opacity* can be reduced if the substantial processing nature-like character is stressed, given that the *wine producing technology is the simplest and linear* one among food and beverages, with the least of residuals and additives

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All along, consumer suffers the typical *apprehension about food processing gigantism:*

a. he doesn't know about raw materials,

b. ignoring technology unchains anxiety,

which in turn translates into the search for *nature-like*, *artisanal* and *origin attributes,* *(finally resulting in the exclusion of those wines which cannot show those attributes)*

Wine dinamics and Perspectives

Apprehension, *linked to world food industry gigantism*, may be defeated by outlining that the need to process grapes close to the origin areas imposes *modern artisanal facilities*, widely diffused in traditionally consumer countries for historical and socio-economic reasons, *instead of food' giants.*

Wine dinamics and Perspectives

The fear for too far producers (*not controllable)* may be defeated by the simple assessment that *there is no need to purchase foreign wine* because of the *abundance of local supply*, of any variety, of assured quality, often coming from *the same consumption regions well known by the modern consumer*.

Consumption perspectives

Consumers who still consume wine, even when troubled by modern life styles, are an *extraordinary market* which has no comparison amongst other food and beverages

Wine dinamics and Perspectives

Some changes in "*production style*" and *communication*, to mark the wine attributes such as *natural and artisanal style, with regional origin*, will maintain "regional" consumer fidelity.

The *same wine*, with other logistic and communication small innovations, may get the market in New Consumer Countries for *those minorities of conscious modern consumers*

Wine dinamics and Perspectives

- Briefly about perspectives
  - Consumption perspectives appears negative only if consumption is still conceived in contrast with modern life stiles.
  - If traditional consumption persistence is correctly taken into account, despite subliminal consumers fears, good wine perspective can be foreseen against decline, and appear a real re-launching opportunities for the European products

Wine dinamics and Perspectives

- All European traditional producers have well known and well organized *wine regions*, most of firms has adequate dimensions to assure *modern artisanal production*; technical care can protect and value the *natural character* of the processing technologies.

- Such “European” conditions do non exist in new producer countries. As a consequence, traditional producers may satisfy the *new informed demand,* both domestic and foreign.

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Malvasia wines in Italy and in the Mediterranean area are not "*dominant varieties*" (considered all together, as an homogeneous group, they rank 6th among the Italian varieties)

Actually, the fact that they are divided in more than ten varieties, with very different surfaces, puts them in the category of poorly characterizing vineyards

Wine dinamics and Perspectives

- Malvasia wine types is diversified, with *simple products at popular prices* and, on the other hand, *higher level products*

  (single variety *grappa* and sparkling wines)
- Compared to past years, marketing in Italy has seen increasing Organized Distribution GDO references and enriched supply in specialized distribution channels (Enoteca)

Wine dinamics and Perspectives

- The diversification between Malvasia and sweet sparkling Malvasia wines is now acquired by the producers and known by the consumers

- The perspective of two large Malvasia groups, strictly rooted in the specific *Mediterranean region*, with clear and positive synergies, is within the reach of the producing system

Wine dinamics and Perspectives

Wine consumption crisis has also affected Malvasia, which were not able to react to the adaptation imposed by new consumption styles

Producers did not make information and communication efforts to approach the consumer (18 on 25 Web Site of malvasia producers were not changed within 2009-2013)

Market crisis during the last years has not been faced with the required rationality

Wine dinamics and Perspectives

- Mid term perspectives
  - The only strategy for Malvasia in the mid term consists in acquiring the consciousness of representing one among the regional European wines
  - The final target for these wines may be the whole of traditional, but aware and informed, European consumers

Wine dinamics and Perspectives

These evolved consumers should be addressed by *information* about the specific <u>*natural character*</u> of regional Mediterranean wines, together with messages concerning the <u>*intrinsic artisanal character imposed by the reduced vineyard dimensions*</u>

Wine dinamics and Perspectives

- *Communication technologies* can accelerate the abandoning of *the costly operative marketing*, based on the “mediatique vin”, and its gradual substitution with the *social marketing*, aimed at disseminate the awareness in the context of the *global consumer ecosystem*
- *Marketing of regional wines* for conscious and potentially faithful consumers should speed up the substitution of the GDO distribution channels in favour of the direct sales, both through *experiential wine tourism* and *distance direct sales*