

Introduction Wine sector. Description basic and Evolution.

HISTORY STEP

Changes are usual and ordinary in the greatest part of the markets. To analyze and comprehend a product in its totality it is required to explore the main phases of its development.

In particular the chief character of this paper has specific characteristics which differentiate it from a durable and tangible good; it is not a product invented during last decades of technology development; consumers have different feelings and perceptions with respect to the same product; same product is submitted to changes while the time flows. Wine.

To trace wine to its origin it is required to go back until 7.000 years B.C.: some terra-cotta cases were found in Mesopotamia and dated to that time. In Egypt it was the basic element for every ceremony and once a Pharaoh died five typologies of wine were provided for its grave goods. It was through Greeks that wine arrived in Europe and expanded its presence until the time of maximum diffusion during Roman empire when it became a common good also for people coming from lower social classes.

Christian religion was the main communicator and vehicle for wine diffusion; since from pagan rituals this alcoholic beverage has been a strong symbolic value and it was used to get in contact with divinities. During Middle Ages was allowed to study oenology practices, and through them produce wines, only inside monasteries.

Starting by 1400 – 1500 viticulture was spread all around the world thanks to explorations by sea and the discovery of new lands. The XIX century was characterized by the maximum diffusion of wine in many lands, and for a big part of them the economy was based on this product¹.

¹ “Vino e territorio. Tipicità del vino e gusti del consumatore”, A. Scaccheri, a cura di. FrancoAngeli, 2010 (1.2)

ITALIAN BUBBLE WINE CLASSIFICATION

It is possible to classify wine in two different ways. The first one is related to the typology and method of production, while the second one to the denominations, which imply defined procedures to belong to them.

Usually, common wines could be *white, red, rosé, sweet, Santo and sparkling*. They are made using different types of grape, which give the colour, and following different methods, which give tastes. Specifically to sparkling wines, they could be made using or *Charmat Method* (also called *Metodo Italiano*) or *Champenois method* (or *Metodo Classico*): the difference between them consist in the second fermentation phase which in the first type happens in large steel tanks while in the *Champenois method* it occurs inside the bottles. Sparkling wines should be characterized by the acronym VSQPRD while produced in a specific suitable territory, in fact the abbreviation means *Vino Spumante di Qualità Prodotto in Regione Determinata*².

As said before, wines are also classified by the Italian law which define four classes.

- “*Vini da tavola*” which means wines with low price and not with a certified provenience or quality;
- I.G.T.: *Indicazione Geografica Tipica*; wines coming from a defined region whose name has to appear on the label;

² Legge 10 febbraio 1992, Nuova disciplina delle denominazioni d’origine

- D.O.C.: Denominazione di Origine Controllata. Those wines are controlled by a Product regulation which define name, area where grapes should be cultivated, way of vinification, maximum yield/ha, date on which the wine should be introduced in the market.
- D.O.C.G.: Denominazione di Origine Controllata e Garantita. Same regulation as D.O.C. but those wines are particularly valuable.

Both D.O.C. and D.O.C.G are submitted to strict controls, documentary, inspectional and analytical³, following rules written in Reg. CEE 823/87, in the law n. 164/92, in D.P.R. n. 348/94 and, as said before, in the Production Regulations⁴.

From the consumer's point of view D.O.C. and D.O.C.G. denomination does not mean that the wine is the one with highest quality, but it guarantees that those products are produced under strict control and they are expression of the land they come from.

In Italy D.O.C. wines are the biggest category with 320 typologies having the characteristics to satisfy the requirements; I.G.T. wines decreased their number from 120 to 118 in the last two years due to the raise to the upper category of two products. The smallest group is the one of D.O.C.G., situation in line with the feature of rareness highlighted with this denomination. By now there are 48 wines in Italy belonging to the *élite*⁵.

AGRICULTURAL EVOLUTION

³ “Quelle nuove norme sui vini “denominati”, S. Ferrari e G. Michelon, Vita Trentina, 18 Luglio 2010

⁴ www.tuttomontefalco.it/certificazioni-doc-docg-igt-dop.php

⁵ Dipartimento delle politiche competitive del mondo rurale e della qualità - Direzione Generale dello sviluppo agroalimentare, la qualità e la tutela del consumatore - SACO IX, Comitato Nazionale per la Tutela e la Valorizzazione delle Denominazioni di Origine e delle Indicazioni Geografiche Tipiche dei Vini, Ministero delle politiche agricole, alimentari forestali. Dati aggiornati al 8 aprile 2010

The big number of Italian certified wines present on the worldwide market, 486 in total with an increase by 9,2% from 2005 (when the figure was 445⁶), is witnessing some shifts also in perception, behavior and consumption of consumers with respect to wines, in this case, and food and beverage in general.

There is a systematic and increasing attention of what concern the environment due to climate alteration, adverse events, such as tsunamis, earthquakes and hurricanes, and reduction of forests and green zones within cities.

Due to this reason in agriculture during last decade has taken place the direction to the organic and biodynamic cultivation.

Organic production is an overall system of farm management and food production that combines best environmental practices, a high level of biodiversity, the preservation of natural resources, the application of high animal welfare standards and a production method in line with the preference of certain consumers for products produced using natural substances and processes. The organic production method thus plays a dual societal role, where it on the one hand provides for a specific market responding to a consumer demand for organic products, and on the other delivers public goods contributing to the protection of the environment and animal welfare, as well as to rural development⁷.

Biodynamic philosophy elaborated by Rudolf Steiner (1861-1925), philosopher and esoteric scientist⁸, is more extreme: the main concept is that soil and cultivations are one single system which depends also by moon's phases and potting compost⁹.

6 Dati INEA. Aggiornamento al 31 luglio 2009

7 Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labeling of organic products and repealing Regulation (EEC) No 2092/91

8 "[La Pedagogia di Rudolf Steiner vista dall'UNESCO](#)", da documento Unesco a firma di Heiner Ullrich: [RUDOLF STEINER \(1861-1925\)](#), Ufficio Internazionale dell'Educazione, 2000

Many producers and vine-growers are nowadays following those principles, thus responding to the demand of consumers who look for those types of product to preserve themselves and the earth. In fact those productions are controlled and then certified as "organic" when no chemical elements are used, for example, to prevent or treat plants' diseases.

Customers should recognize those products looking at the packaging: there is a little brand certifying the category. There are many different labels but they are more or less similar: green or yellow with some natural pictures such as an ear of wheat¹⁰.

This way of thinking is in total contrast as what happened in the last century when industrialization took place and enlarge its buildings day by day, starting by 1908 with the Henry Ford's innovation of the assembly line to produce Ford T¹¹. Agriculture and its products are now having their revenge.

TERROIR or TERRITORIO

Avoiding chemical or non-natural substance plants and vineyards, specifically to this paper, need to grow in their natural environment or at least in one which has the same characteristics regarding soil, climate, temperature, altitude, sun facing. Men with their work can help vineyards to better exploit the environment where they live, transferring *terroir's* characteristics into the grapes.

The term *terroir* has taken place in the viticulture jargon and in some other agricultural terminology. It comes from the French word "*terre*", which means land, but actually there is no a perfect translation in other languages or a precise definition so it is used to refer to this concept just as *terroir*.

9 "Community Supported Agriculture", [Katherine L. Adam](#), NCAT Agriculture Specialist Published, 2006 ATTRA Publication

10 <http://www.scienzagiovane.unibo.it/bio/7-marchio.html>

11 "Globalization and Marketing Strategy", M. J. Baker, [Journal of the Textile Institute](#), Volume 87, Issue 3 1996, pages 13 - 23

Some definitions have been attempted. Jonathan Nossiter, writer and sommelier, tried to explain this concept as an "*interaction between a soil and a specific microclimate, together with human practices' effect, traditionally connected with them*"¹².

The main idea vine-growers want to transfer to final customers through *terroir* concept is that the end product is strictly linked with the land it come from, it has a natural origin and it embodies peculiarities and traditions of the locality suitable to its production. There is proverb which states: "*with a wine glass it is possible to taste also the territory*": it is exactly what people should perceive while drinking.

WINE MARKET

Besides small-medium enterprises are in direct competition with large industries producing the same good. Once a wine is bottled and placed on a supermarket shelf it is extremely difficult for the non expert customer to evaluate which product come from a small vinery or from a large industry.

There is a high probability, due to the large amount of production, that big companies are highly standardized and therefore there should be homogeneity in smells and tastes of wines. On the opposite site those companies are submitted to strict control and consumers have confidence in them.

Standardizing processes it is quite evident that there should be a reduction in production costs; this is transferred in an advantage for the final consumers who can buy an optimal wine with a reasonable price.

To compete in this market, small-medium wineries need to follow the product differentiation strategy¹³, which means enhancing and emphasizing the *terroir* and the characteristics, unique and unrepeatable, that differentiate it from the others.¹⁴

¹² "Le vie del vino. Il gusto e la ricerca del piacere", Jonathan Nossiter, Einaudi 2010

¹³ "How competitive forces shape strategy", Michael Porter, Harvard Business Review, 1979

¹⁴ "Vino e territorio. Tipicità del vino e gusti del consumatore." A. Scaccheri, a cura di. FrancoAngeli 2010 (pag.22)

Moreover, market fragmentation is extremely high: talking about sparkling wines in Italy, there are around 600 wineries with at least one product. The total number of the Italian sparkling labels is 2.360, which means that 328.485 million bottles left wineries in 2008.¹⁵

Due to the situation depicted of the market, small-medium wine-cellars should address their capabilities and investments in common projects dedicated to the promotion and communication of their territory; actually this type of activity require large investment both in money and time and it would not be possible if undertaken by a single small company.

CONSUMPTION EVOLUTION

Recently wine has become an expression of oneself. People buy different wines in relations with their behavior, feelings, and lifestyles. This beverage has stopped to be perceived as a *commodity*, as it was some decades ago; it is now a way to express customer's personality.¹⁶ Specific occasions need specific wines: through them a consumer can let other people understand his perceptions with respect to the situation whit this product is tied up.

This alcoholic beverage embodies tangible and intangible aspects, its tasting should be a complete experience for the consumer; he has to perceive and understand culture, territory beauty, tradition, not only taste and smell.¹⁷ It is a product which comes directly from the land and this fact has to be transferred to the consumer.

Personal experiences play an important role while deciding to purchase a wine: someone should be biased with respect a wine that is the favorite one of another consumer. It should depends on a previous episode in which a bottle was defective due to a cork taste; everybody knows that it would be quite

¹⁵ "Consumi e mercati. Sondaggi e indagini dell'anno 2008. Rapporto Annuale 2009", G. Comolli, Osservatorio Nazionale Economico Spumanti.

¹⁶ "Vino e territorio. Tipicità del vino e gusti del consumatore." A. Scaccheri, a cura di. FrancoAngeli 2010 (pag.13)

¹⁷ "Vino e territorio. Tipicità del vino e gusti del consumatore." A. Scaccheri, a cura di. FrancoAngeli 2010 (pag.36)

impossible that all the product from a winery have the same defect but it becomes a mental barrier to purchase it.

Consequently traditional marketing strategies studied for tangible products are inefficacious with wine. It is preferable to move the attention from the original marketing mix with its 4Ps, focused on the company point of view, to the 4Cs approach dedicated to the customer¹⁸.

Product	→	Customer value
Price	→	Cost
Point of sale	→	Convenience
Promotion	→	Communication

Hence, total customer satisfaction is not given merely by the tangible element of wine. Together with bottles and wine's economic values it is extremely important to take in account status symbols expressed by it, connections with traditions, personality that wants to be expressed, specific occasion.

Secondly price has been shift in cost. Further than bottle's price, a consumer is used to have a brief analysis for what concern time consuming in researching the right product and purchasing it. Moreover some wines have an intrinsic value due to their fame or tradition which is an extra economic element.

Then, producers recently have putting their attentions and efforts in creating wines with an advantageous quality-price balance. People look for quality and guaranteed goods but they are not willing to spend exaggerate amount of money. Consumers are now disenchanted and aware of markets' rules; they want be treated honestly and tend to avoid luxury products in wines' environment. In this scenario direct selling by wineries is an important competitive advantage for companies. In this way, private customers should buy wines without raises due to intermediaries.

Finally, promotion is fundamental to introduce and support a product into a highly fragmented market. Beside it, communication is complementary and necessary to compete. Its main objective is to explain the wine through its producer, tradition, *terroir*, vinification method, guarantees, environmental

18 "Vino e territorio. Tipicità del vino e gusti del consumatore." A. Scaccheri, a cura di. FrancoAngeli 2010 (pag.28)

commitment, and eventually the presence of a common brand representing the land.

Introduction History of Franciacorta and TrentoDoc brands

Italian Classic Method

As a result of the explications given in the first chapter it is possible to introduce clearly the products this paper is about.

Franciacorta and *TrentoDOC* are both sparkling wines. Specifically they are produced following *Metodo Classico* dictates; the method is the same that allows Champagne creation, but only in *Champagne* region in France it is possible to refer to it as *Champenoise Méthode*¹⁹.

The north part of the Italian peninsula is where they come from; *Franciacorta* is a Lombardy's area while *TrentoDoc*, as recalled by the name, is from Trento province.

It is not by chance that both brands are produced in areas at around the same latitude as *Champagne* region. Climate, environment and soil, as said before, are extremely important in viticulture.

Referring to Italian denomination about wine, there is a discrepancy between the products starting from 1995. At that time *Franciacorta* has seen recognized the D.O.C.G. denomination by a decree of Agricultural and Forester Minister²⁰, raising the productive area to the upper class of wines. *TrentoDoc* instead is a D.O.C. product. Both of them have their own Product Regulation dictating requirements necessary to belong to the respective *Consortiums*.

¹⁹ Regolamento CEE n°3309/85 del 18 novembre 1985 (confermato nell'articolo 6 del regolamento CEE n°2333/92 del 31 luglio 1992)

²⁰ Legge 10 febbraio 1992, n. 164. Nuova disciplina delle denominazioni d'origine.

TrentoDoc and *Franciacorta* are collective brands; they have been created to gather together sparkling wines' producers from particularly suitable *terroir* in *Consorziums*, having as main objective the communication of sparkling wine as the leader product of their land and consequently its peculiarities. Both are born during last years of XX century: 1990 for the Lombardy region and 1984 for Trentino.

They are the two most important Italian denomination with regard to *Metodo Classico* productions. The path of their grow would be the same, actually results are different in particular for what concern brand awareness.

CLASSIC METHOD DISPATCHED - 2008	ITALY	WORL D
<i>DOC Trento</i>	7.650	8.020
<i>Oltrepo' pavese, Alta langa, Alto Adige, Friuli and different DOC</i>	1.800	1.800
<i>Quality Sparkling wines (VSQ), Sparkling wine (SQ)</i>	4.100	4.200
<i>DOCG Franciacorta</i>	8.750	9.670
<i>Total</i>	22.30	23.690
	0	

Table n. 1²¹

Table 1, referring about Italian *Metodo Classico* sold in 2008, depicts that *Franciacorta* sold 1.100 bottles more than *TrentoDoc* for what concern Italian market. First column is about sales in Italy while the second explains the amount of bottles dispatched around the world, counting also Italy. It positions Lombardy at first place in this category and it is easy to see that the two brands count little less than 75% of the world market sales and 73,5% in Italy.

Even if sales are differentiated for a reasonable amount considering the lower number of Trentino's producers (101 vs 27), it is remarkably the distinction in brand awareness.

²¹ "Consumi e mercati. Sondaggi e indagini dell'anno 2008. Rapporto Annuale 2009", G. Comolli, Osservatorio Nazionale Economico Spumanti.

Based on a ISTAT survey which focused on the knowledge of Trentino's products by the Italian population, only 2,1% of interviewees answered spontaneous *TrentoDoc* as a typical product of this region (population interviewed: 47.431.775)²².

Actually, *Franciacorta* brand, is recognized at international level as a leader in sparkling wines, together with *Champagne* from France and *Cava* from Spain.

On 29 April 2002, the European Union decreed this wine should be labeled just as *Franciacorta*²³; that means that is possible to avoid other requirements or specifications on labels, such as D.O.C.G.²⁴ Translating this rule in practical tip, *Franciacorta* brand has such a big influence and importance which is superfluous to mention other descriptive elements.

22 Economia Trentina – Dossier prodotti agroalimentari., Camera di commercio industria, artigianato e agricoltura di Trento. 2006. Dati ISTAT 2001.

23 Reg. CE 753, 29 aprile 2002, Commissione delle Comunità Europee

24 Consorzio per la tutela del Franciacorta - Cartella stampa 2010