



Revenue Management in the Austrian Wine Industry

Bachelor Thesis for Obtaining the Degree

Bachelor of Business Administration

Tourism and Hospitality Management

Submitted to MRes Florian Aubke

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Vienna, 31. May 2010

Preface

This work is a result of the contribution and commitment of several people I want to acknowledge. Firstly, I want to thank my supervisor MRes Florian Aubke for his constant support and guidance, and that he encouraged me to write this thesis. As my lecturer he continuously challenged my knowledge and his critical thinking played an essential role in the development of the paper. Special thanks goes to the wineries which took their time for interviews and discussions and contributed to the paper through their ideas. These include Rudi Pichler Jr., Johannes Soell, Mag. Wolfgang Hamm, Fritz Wieninger and the winery Heinrich. I am as well very grateful for the number of colleagues, who reviewed the drafts and contributed to my final work through critical remarks. Finally, I want to acknowledge the patience and support of my family and friends, throughout my entire studies. My deepest gratitude goes to my beloved father, who always believed in me and guided me in every respect. I also want to dearly thank my understanding mother for supporting me and never being doubtful about my success.

Declaration of Authorship

I declare that this dissertation is my own unaided work. I have not included any material or data from other authors or sources, which are not acknowledged and identified in the prescribed manner. I have read the section in the exam regulations on plagiarism and understand that such offences may lead the Examinations Board to withhold or withdraw the award of Bachelor of Business Administration. Secondly, the question how Austrian wineries can survive in an always more competitive global market is aimed to be answered. Furthermore, the potential for RM in the wine industry and its convenience is intended to be illustrated.

Date

Signature

Abstract

Although Revenue Management (RM) is not widely applied in the wine industry, certain strategies are necessary to stay present in the continually growing, competitive market. The main problems of the Austrian wine market are the lack of segmentation, absent demand forecasts and insufficient pricing and marketing strategies. Furthermore, the little attention which has been given to literature concerning the usage of RM tactics in the wine industry has resulted in an international sales problem and the lack of information and knowledge about RM. Therefore, the purpose of this research is to develop a better understanding of the necessity and implementation of RM in the wine industry, in order to be successful in the international market.

Data was collected through expert interviews and field documentation, without predetermined hypotheses or assumptions. The final sample comprised five Austrian wineries, situated in the provinces Lower Austria, Burgenland and Styria. The wineries were chosen for the reasons of region, size, grape varieties and level of recognition. The data analysis was undertaken by summarizing the key facts in descriptive cases relating to each winery.

The qualitative results identified a great potential for RM approaches in the Austrian wine industry. The wineries implemented the strategies to a certain degree, mainly in the area of pricing and channel management. The estates mainly focus on national marketing activities, and in some cases marketing is even more important than certain RM strategies. In order to create an international reputation, the wineries have to be more actively engaged in segmentation and international marketing. The wine industry needs to apply tactics concerning demanding customers, fluctuating demand, increasing competition and variety of distribution channels. Finally, the implementation and understanding of the value of each RM approach is essential to succeed in today's global market.

Table of Contents

Preface	i
Declaration of Authorship.....	ii
Abstract.....	iii
Table of Figures.....	vi
Table of Tables	vi
Chapter 1 Overview of the Thesis.....	1
1.1 Introduction	1
1.2 Problem of the thesis.....	2
1.3 Purpose of the thesis	3
Chapter 2 Literature Review	4
2.1 Revenue Management.....	4
2.1.1 Development of Revenue Management.....	5
2.1.2 Segmentation	6
2.1.3 Channels of Distribution.....	7
2.1.4 Forecasting Demand	9
2.1.5 Competitive Analysis.....	10
2.1.6 Pricing Principles	11
2.2 Wine Management	13
2.2.1 Pricing.....	13
2.2.2 Supply.....	14
2.2.3 Distribution	15
2.2.4 Wine Consumer.....	16
2.2.5 Wine Branding.....	17
2.3 Austrian Wine Market.....	18
2.3.1 Introduction	18
2.3.2 Structure	20
2.3.3 Wine Growing Regions.....	21
2.3.4 Regulations.....	22
2.3.5 Production and Export	23

Chapter 3 Methodology	25
3.1 Research Design	25
3.2 Sample Selection	25
3.3 Procedure	26
3.4 Limitations	28
Chapter 4 Research Results	29
4.1 Case Design	29
4.2 Klosterneuburg Monastery Winery	30
4.3 Winery Rudi Pichler	33
4.4 Winery Heinrich	36
4.5 Winery Wieninger	39
4.6 Winery Soell	42
Chapter 5 Discussion	44
5.1 Findings	44
5.1.2 Segmentation	45
5.1.3 Channels of Distribution	46
5.1.4 Forecasting Demand	48
5.1.5 Competitive Analysis	49
5.1.6 Pricing Principles	50
5.2 Conclusion	52
Bibliography	53
Appendices	57
Appendix A – English Interview Guideline	57
Appendix B – German Interview Guideline	58

Table of Figures

Figure 1: Developing a framework for measuring physical distribution service quality of multi-channel and “pure player” internet retailers.....	7
Figure 2: Producing Regions of the World.....	14
Figure 3: Wine Regions.....	21
Figure 4: Import and Export (quantity).....	23

Table of Tables

Table 1: Positioning of Austrian Wine.....	24
Table 2: Summary of held interviews.....	27

1 Overview of the Thesis

The following part introduces the reader to the topic of the thesis. Furthermore, the purpose and problem of the paper are stated.

1.1 Introduction

Based on its rich history dating back to around 6000 BC (Berkowitz, 1996), wine was always playing an important role in many ancient cultures, in ceremonial life as well as in business (Knoll, 2000). These days wine became a popular and important beverage that accompanies and enhances social life (Barber, Almanza & Donovan, 2006).

Even if Revenue Management (RM) is not yet widely established in the wine industry, certain strategies can be applied to this sector. On the one side, RM is needed to make wine more attractive for the consumer and on the other side, it is essential for many wineries to stay present on the market. A contemporary example for this Management need is the aging of wine. Through the long aging process, many wines have the ability to potentially improve in quality, value and prestige. This and the fact that a wine's quality cannot be accessed until consumption, distinguishes wine from most other consumable goods and arouses increasing public interest. For instance, a rare super-premium wine (Wittwer et al., 2003, cited by Harrington & Ottenbacher, 2008) may sell for thousands of dollars per bottle, which according to Nicholson (1990, cited by Barber et al., 2006) symbolizes the status and power of the buyer. Furthermore, wine is more than just a physical product. Its value is enhanced by tradition, grape variety, country of origin, brand and production method as well as the consumer's level of knowledge and attitude towards wine (Gurău and Duquesnois, 2008).

These are two among many reasons, why vintners need to discover and as well apply Revenue Management.

1.2 Problem of the thesis

Cross (1997) states that the most common problem of all businesses is the (growing) uncertainty. Vintners most of the time work with uncertainties regarding the weather, grape volume, unforeseen newcomers, changes in customer taste and costs. According to Knoll (2000) and Prial (2003) the Austrian wine industry has also a sales problem. The wines would be internationally demanded, but as a result of insufficient pricing and marketing strategies the wineries lack international reputation and attentiveness. Furthermore, the wineries do not segment their market and due to missing forecasts the produced quantity is often too less for the global market.

Secondly, the reason for the lack of implementation is the very little attention which has been given to literature concerning the usage of RM in the wine industry. The availability of specific information concerning individual actors in the market is very limited. For instance, segmentation of the wine industry by price or the effects of various distribution channels have not been researched. The available material is limited to a few articles in academic papers or specialized trade magazines (Cross, 1997). The insufficient literature poses a problem as it comes to education and information of the vintners. RM is rather seldom in the wine industry, due to the fact that wineries are not aware of the tactics, their advantages and often do not know how to incorporate these into their existing strategies.

1.3 Purpose of the thesis

The objective of this study is to point out the need and prevailing lack of certain RM strategies in the wine industry. The explorative study aims to better comprehend and apply RM, since very few studies were conducted so far. Secondly, the question how Austrian wineries can be successful in an always more competitive global market is aimed to be answered. Furthermore, the potential for RM in the wine industry and its convenience is intended to be illustrated.

On this account, the general idea and researched concepts of RM, such as segmentation, channels of distribution, forecasting demand, competitive analysis and pricing principles will be defined. Furthermore, a literary insight into the wine market will be provided, including the most important facts. The RM approaches will then be researched in five specific Austrian wineries and illustrated in form of cases. The evaluation of the collected data should prove the absence and resulting need of RM in the Austrian wine industry. The approaches will be analyzed by means of their feasibility, productivity and usage. Finally, the strengths and weaknesses of implementing these strategies will be assessed and recommendations will be provided.

2 Literature Review

The paper's literature review consists of three parts. The first section examines the researched RM approaches. The second and third part provide an insight into the wine Management and the Austrian wine market.

2.1 Revenue Management

A wide range of definitions exist for the term Revenue Management, also known as Yield Management.

Kimes (1989) describes RM as the idea of selling the right inventory to the right customer, at the right time, and for the right price. Yield Management is a process with the purpose of balancing demand, controlling capacity and increasing revenues (Pfeifer, 1989). According to Cross (1997), RM is an effective method to manage supply and demand in advance and understand the complexity of today's diverse and rapidly changing marketplace.

2.1.1 Development of Revenue Management

Kimes (1989) considers the airline industry as the birthplace of RM. In 1978, the Airline Deregulation Act was signed into law, with the main purpose of removing the government control over market entry and exit (of new airlines), fares, routes and mergers (Smith Jr. & Cox, n.d.). As a result of the Act, traditional carriers such as American Airlines had to deal with a great number of new low-cost competitors and fierce pricing wars (Cross, 1997). In the early 1990's, Yield Management then established itself in the tourism industry, especially in the hotel sector. Examples for the successful implementation of RM tactics are the Marriott hotels which generate over \$100 million annually, National Car Rental which grows at a 20% annual rate after bankruptcy and American Airlines which makes \$500 million per year (Cross, 1997).

As stated by Kimes (1989) and Tranter, Stuart and Parker (2009), RM techniques are applicable if there is a fixed and perishable inventory, if demand is fluctuating, if the market can be segmented, if inventory is sold well in advance and if marginal sales costs are low and marginal production costs are high. All these criteria apply to the wine industry, especially the fixed inventory, fluctuating demand and high marginal production costs. Besides, it is also important to understand the consumer's motivation and behavior related to the product.

Tranter et al. (2009) note that Yield Management is an essential business practice for every kind of industry, especially through its focus on a company's long-term revenue growth and not on cost-cutting or downsizing (Cross, 1997). Relating to the wine industry, most of the wineries strive for a sustainable growth and increase little by little. According to Cross (1997), businesses which apply RM have revenue increases between 3% and 7%, without huge capital expenditures. The key to permanent profitability is to deal effectively and proactively with the constantly changing market.

The following section will shortly define the researched RM theories, including segmentation, channels of distribution, forecasting demand, competitive analysis and pricing principles. Furthermore, the explanation of RM and the relating examples will point out the need of these tactics in the wine industry.

2.1.2 Segmentation

One of the basic pillars in RM is segmentation. Tranter et al. (2009) describe segmentation as the practice of dividing a large market into distinct segments sharing homogenous characteristics.

As markets consist of buyers and buyers differ in many ways, market segmentation allows businesses to tailor their marketing strategies to the unique needs of each customer segment (Kotler, 2008). An example from the wine industry is the fact that some consumers prefer heavy and full-bodied red wines and others fresh and fruity white wines. As a result, the winery can divide the market into two individual segments, and either target both markets or focus solely on one group.

Segmentation is useful if the segments are measurable, differentiable, substantial in terms of profitability and accessible through communication and distribution channels (NetMBA, 2007). Relating to Kotler (2008), an organization has to take three important factors into account while evaluating the different market segments: segment size and growth, segment attractiveness and company objectives and resources.

Each customer has different needs, and it is impossible to satisfy all consumers by treating them alike. Kotler (2008) explains that customer markets can be segmented on the basis of four primary characteristics: *Demographic* segmentation divides the market into groups based on variables such as age, gender, occupation and education. *Psychographic* variables are related to lifestyle, personality, interests, social class and values. *Geographic* characteristics include city, country, region and population density. *Behavioral* factors relate to usage patterns, loyalty and frequency of purchase. The optimal segmentation base is determined by the particular business, market research and industry trends.

Cross (1997) points out that the objectives are the recognition of potential markets, understanding of customer needs, establishing individual segments and responding to each segment opportunity.

2.1.3 Channels of Distribution

Distribution is becoming one of the most critical factors for the competitiveness and profitability of an organization (Buhalis&Laws, 2004). According to Tranter et al. (2009), channel management is the process of choosing the best channel(s) to sell the inventory to the most profitable market segment. A channel consists of a chain of intermediaries (wine shop), which bring the producer (vintner) with the end-consumer together. As described by Wanhill (1993, cited by Buhalis&Laws, 2004) the role of these intermediaries is to create new markets, make already existing markets more efficient and expand market size.

The success of channel management is depended on channel type(s), analysis and selection.

As shown in Figure 1 channel types may be direct or indirect, and electronic or nonelectronic (Tranter et al., 2009).

Direct channels consist of the direct contact of the manufacturer to the end customer, without any intermediaries (see third column in Figure 1). According to Gurău & Duquesnois (2008), this includes sales by mail, on the internet or at wine fairs and excludes sales to restaurants, export companies or commercial organizations. Indirect distribution comprises the involvement of intermediaries, such as resellers (Viniflhor, 2006, cited by Gurău&Duquesnois, 2008) and the consumer normally has no contact to the manufacturer (see first column in Figure 1). Nonelectronic distribution relates to the traditional trade at a physical site, like a wine shop. Tranter et al. (2009) explain electronic distribution as the sale of inventory via the computer, comparable with a warehouse.

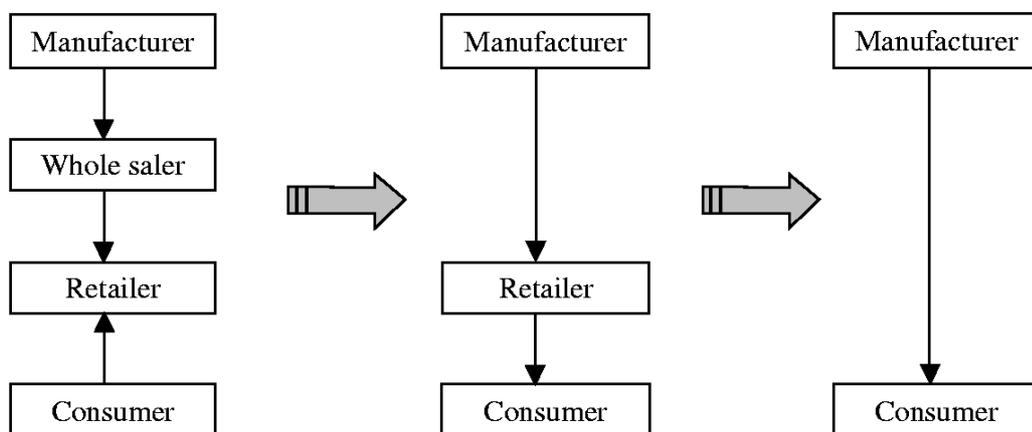


Figure 1: Developing a framework for measuring physical distribution service quality of multi-channel and “pure player” internet retailers. Source: Xing & Grant (2006).

Channel analysis comprises market research and segmentation, identification of key customers and analysis of the cost-contribution value. Another component is the evaluation of the channel production and efficiency in regard to the number of transactions/sales (Tranter et. al, 2009).

According to Coulson – Thomas (1992, cited by Buhalis&Laws, 2004) the selection of the appropriate channel(s) depends on various factors, such as company strategy, customers, costs and the market. Therefore, channel selection includes the establishment of an optimal segment mix, purchasing rules and restrictions for resellers, the determination of price levels for every unit of inventory and the cost analysis for each distribution channel. Furthermore, the channel with the greatest customer worth has to be determined. The total customer worth ($TCW = (\Sigma PR + AR - AC) * Propensity Y$) is resulting from primary revenue plus ancillary revenue minus acquisition cost times probability of return (Tranter et al., 2009). Relating to the wine sector, this would be wine sales plus presentation/fair/tasting sales minus vineyard costs times probability of repeated purchase.

2.1.4 Forecasting Demand

Archer (1994, cited by Frechtling, 2002) describes demand forecasting as the process of predicting the most probable demand that is likely to occur under known circumstances. It is simply a systematic way of organizing information of the past, in order to predict the future demand and counteract seasonality imbalances. Many businesses have seasonal fluctuations throughout the year. Wineries for instance have peak times in spring and autumn until Christmas, therefore January, February and the summer months are significant off-peak periods.

By forecasting certain future events, companies reduce the risk (Frechtling, 2002) of false decisions or failure of desired objectives. Besides, an important factor is the distinction between uncontrollable external events, such as economy, competitors or weather conditions, and internal controllable events, including staffing, financial decisions or distribution channels (Makridakis, Wheelwright & Hyndman 1998).

Relating to Armstrong and Green (2005), demand forecasting is used for pricing decisions, assessing future inventory requirements, evaluating market conditions and analyzing the actions of key decision makers such as suppliers, competitors or distributors. Furthermore, Makridakis et al. (1998) note that forecasting also supports effective planning and undertaking of the appropriate actions.

As explained by Tranter et al. (2009), the first step in demand forecasting is to determine the overall demand for the certain market or product. Historical performances and analysis should as well be taken into consideration. After evaluating past customer behavior and demand the competition has to be reviewed. Each strategy and action of the competition affects future supply and demand of the organization's products (Tranter et al., 2009). The following chapter will define the competitive analysis.

2.1.5 Competitive Analysis

The expanding Internet has changed the new global marketplace (Tranter et al., 2009) in terms of competition. Cross (1997) notes that today's organizations have to compete on a local and regional scale as well as globally. Companies must identify and understand their customers and competitors on an international level. For instance, in the past a winery knew that his competitor was the vineyard a few miles away and possessed the necessary information to compete with him. Nowadays the competition is often indefinite, and due to the global degree also unclear and nearly impossible to compete with.

Tranter et al. (2009) further note that competition can be direct and indirect. Direct competitors are suppliers which are chosen, if the preferred seller cannot provide the desired service. These primary competitors are defined as the competitive set, such as Burger King and McDonald's or Coca Cola and Pepsi. The set is based on a variety of factors, such as location, price level, customer service, quality and facilities (Tranter et al., 2009). In addition, each company should keep track of their indirect competition, since they someday could become direct competitors. Examples are the airline and railway industry or wineries and breweries.

Relating to Cross (1997), possessing key information the competition does not have is an organization's competitive advantage which maximizes profits. Kotler (2008) defines the competitive advantage as the ability, gained through competencies or resources, to perform at a higher level than the competitors do in the same industry or market. As pointed out by Kahaner (1997), the essential information is gained through competitive intelligence. Thereby, an organization conducts primary research and analyzes secondary data, in order to understand current or potential competitors and their capabilities (Tranter et al., 2009). In addition, the SWOT analysis determines the internal factors strengths and weaknesses and the external factors opportunities and threats of an organization and its competitors (Kotler, 2008).

2.1.6 Pricing Principles

Cross (1997) points out that customer demand, product quality, availability of alternative products, seasonality and market situation are critical factors in price determination.

This section will examine the principles of price differentiation, pricing with constrained supply and dynamic pricing.

Price differentiation is one of the most fundamental concepts of pricing and revenue optimization in RM. According to Phillips (2005), it is the practice of charging diverse prices to different buyers, for exactly the identical product or for a slightly changed version. An example from the wine industry is the wine Flat Lake, which is sold for €3.99 at the discounter Hofer. This wine is produced at the premium winery Leo Hillinger, which sells the Hill wines at the wine shop Wein&Co for €11.99. The primary goal of the concept is to improve profitability through additional sales in various markets. The strategy is to create an “inferior” or “superior” variant of an existing product, in order to divide the customers into different price segments, depending on their willingness-to-pay (Phillips, 2005).

The key measurement of price differentiation on consumer welfare is the consumer surplus. The surplus is the difference between the consumer’s maximum willingness-to-pay and the actual purchase price (Cross, 1997). For instance, Super Bowl tickets cost averagely \$250 by the National Football League. In the secondary market exactly the same tickets cost up to \$1,450, resulting in a consumer surplus of \$1,200.

As stated by Phillips (2005), there are 3 degrees of price differentiation. The (artificial) perfect price differentiation, known as the *1st degree*, relates to the concept that every customer is charged the maximum willingness-to-pay. The *2nd degree* refers to the self-selection concept, meaning that all prices are visible to the buyer and he can choose the most suitable segment. Besides, this concept is mostly used in the wine industry. The *3rd degree* differentiation relates to the approach of group pricing, where segments are created on the basis of observable criteria and group membership cannot be chosen.

Tranter et al. (2009) point out three fundamental approaches to pricing out. Under the *cost-based* method the organization calculates the overall costs of production and adds a markup increase to achieve the final selling price. The *value-based* pricing incorporates the consumer’s willingness-to-pay and perceived value. The *market-based* approach enables suppliers to use competitors and market prices to determine the own price level. Additionally, consumers can easily compare the prices.

However, Phillips (2005) as well notes that price differentiation has its limitations. These constraints include imperfect segmentation, cannibalization and arbitrage. Cannibalization refers to the problem of high willingness-to-pay customers purchasing the lower priced products (Phillips, 2005; Tranter et al., 2009). Arbitrage is explained as the problem of buying a product at a lower price and reselling it in another segment for a higher price (Phillips, 2005).

Phillips (2005) states that suppliers need to set prices in a dynamic, uncertain and constrained market. Pricing with a constrained supply especially appears if the product is scarce, not replenishable or can only be produced in a certain amount during a particular period. Besides, all these factors also apply to the wine industry, and therefore the need for RM arises. One can also differentiate between hard and soft constraints (Phillips, 2005). A *hard constraint* cannot be changed at any price, such as a Picasso painting or the remaining quantity of a Château Latour, 1961 wine. A *soft constraint* in contrast can be changed in the long-term, like an airplane fleet or the grape varieties of a vineyard. As a result, supply is fixed and constraints are not related to demand.

Dynamic (Variable) pricing occurs when a seller with constrained supply adjusts prices due to expected demand changes, in order to maximize return from fixed capacity (Phillips, 2005). Furthermore, variable pricing segments the market into a group with strong preferences and into an unresponsive group. Through utilizing the differences in customer preferences, suppliers can create demand to meet fixed supply and use prices to shift demand from peak periods to off-peak periods and vice versa (Cross, 1997). According to Phillips (2005), the conditions for dynamic pricing are fluctuating demand with a predictable pattern, fixed short-run capacity, perishable inventory or expensive to store and the ability to adjust prices due to demand/supply imbalances. All these characteristics also apply to the wine industry and demonstrate the need for dynamic pricing.

2.2 Wine Management

The following pages briefly present pricing, supply and distribution issues in the wine industry. Furthermore, the characteristics of a wine consumer and the concept of wine branding are covered.

2.2.1 Pricing

As stated by Costanigro, McCluskey & Mittelhammer (2007), wine is an ideal example of an experience good, since quality cannot be assessed before consumption. Therefore, there is always a risk in buying wine, which is lower for inexpensive wines, higher for middle-priced wines, and again lower for expensive premium wines. The reason for this classification is that risk increases as the price of the bottle increases, but decreases as information is available before the purchase. Connoisseurs, who buy expensive wines normally know the wineries and have a certain degree of knowledge about the wine (Costanigro et al., 2007). Furthermore, for the consumer price is often a quality indicator (Hall et al., 2001, cited by Costanigro et al., 2007).

Concerning pricing there are various approaches. Peter and Olsen (2002, cited by Priilaid&van Rensburg, 2006) link price to a producer-customer model, stating that the price is determined by business costs and customer costs. According to Rosen (1974, cited by Costanigro et al., 2007), the price of a wine is the function of the quality the bottle contains. By establishing the price, the quality influences the equilibrium price including supply and demand, costs and willingness-to-pay (Nerlove, 1995, cited by Costanigro et al., 2007). In order to create different price segments, Freeman (1993, cited by Costanigro et al., 2007) explained that (1) demand and supply must be different across the segments, and (2) buyers from one segment should not participate in other segments.

As a result of globalization, product diversity and oversupply of wine it is difficult to assess the average price of retailed wine. According to the Economist (1999), prices are generally decreasing due to the large amount of newcomers entering the market. For instance, a couple of years ago 61 % of wine sold worldwide was priced under €3 (Marty, 2004, cited by Pike&Melewar, 2006). In the United States the lowest price segment is under \$5 and accounts for 70 % of the entire wine sales. In contrast the premium wine market, priced from \$15 to \$25, amounts to 10 % of the sales volume (Thach&Cuellar, 2007). There is a slight increase in consumer interest for higher priced wines, but at a slow pace.

2.2.2 Supply

Currently, the international wine market covers around 7.6 million hectares vineyards and produces 265 million hectoliters of wine (OIV, 2009). In 2005, 47% of the wine sold in the United States was red, 43% was white and 10% was blush wine (Tinney, 2006, cited by Thach&Cuellar, 2007).

Over the past years the wine market has gone through major changes, as a result of global overproduction (Masson, Aurier & D`Hauteville, 2008), increasing competition through new market entrants, innovative technologies and evolved channels of distribution (Jenster & Cheng, 2008).

Due to the arising focus on businesses with larger entities, lower costs and economies of scale, the wine production and distribution moved out of the traditional wine market Europe (Jenster & Cheng, 2008). The New World wines originate mainly from South Africa, the United States, Chile, Argentina, New Zealand and Australia.

However, in overall the wine industry is dominated by small and medium-sized wineries, and there are only a few global estates. A study in Australia showed that in 2005 just seven wineries accounted for 75% of the total grape production, out of 2000 producing vineyards. This proved that small and medium-sized wineries represent the major business size in the wine industry (Charters et al., 2008).

Additionally, consolidations and mergers, such as the takeover of the British wine and spirits group Allied Domecq by Pernod Ricard (Pike&Melewar, 2006), cause a greater concentration of market power and smaller estates struggle to compete on the market.

To provide an overview, Figure 2 illustrates the major wine producing countries of the world.

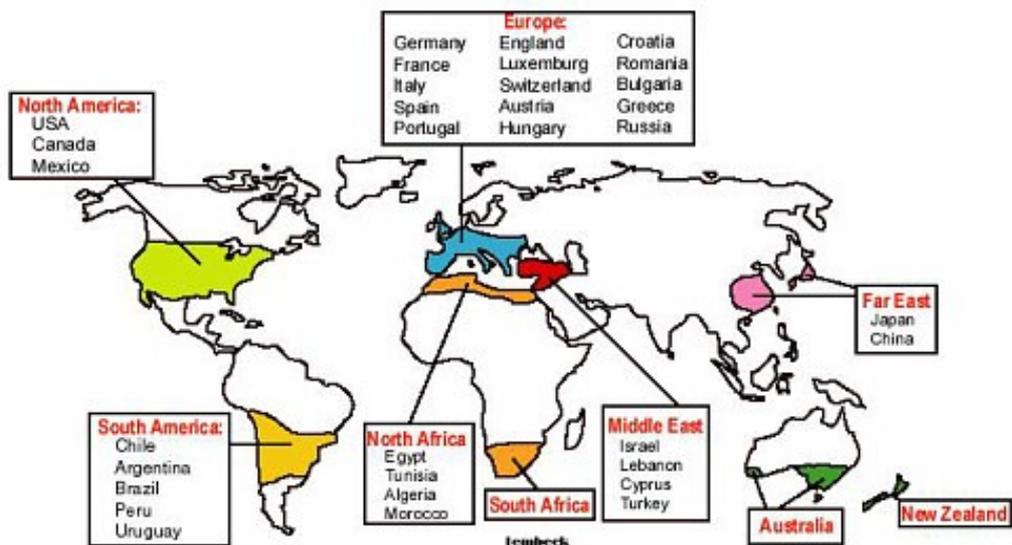


Figure 2: Producing Regions of the World. Source: Passion Vines (2010).

2.2.3 Distribution

Distribution of wine has developed in two directions: mass distribution and increased competition. Therefore, wineries have to identify and understand all available sale channels and consider pricing and volume issues (Gurău&Duquesnois, 2008).

According to Taplin (2006), the concentration of distributors has increased over the past years. Especially in the United States the wineries sell to distributors, which then wholesale the wine to retailers and restaurants. In this system smaller vineyards have a disadvantage as they lack the production quantity and the manpower to manage the various channels and be part of the distributor's portfolio (Taplin, 2006). Therefore, smaller wineries focus on direct sales, small (wine) shops, trade fairs and sales per mail (Gurău&Duquesnois, 2008).

Regarding sales, retail accounts for 67% in France (Euromonitor, 2006, cited by Pike&Melewar, 2006) and in England for 83% (Mora, 2006). The wines are mainly sold in supermarkets, which made wine accessible and affordable to a large number of people (Gurău&Duquesnois, 2008). Supermarkets are mostly dominated by larger wineries and have a significant power in setting prices and influencing the consumer's buying decision. This is attained through special offers, promotional tastings and the wine's positioning in the shelf (Murray&Demick, 2006).

According to Mora (2006), online sales amount to 17% in England and are steadily increasing. Besides, the internet is mainly used to seek information and compare prices. The main barrier for a successful online business is still the missing trust into the internet (Quinton&Harridge-March, 2008).

Concerning direct distribution, the United States had a value of 1 billion dollars in direct sales in 2006 (Heald and Heald, 2007, cited by Gurău&Duquesnois, 2008). The advantages of direct channels are the control over inventory, image and pricing and the enhanced consumer loyalty. The disadvantages are the high costs and the required experience and knowledge in marketing issues. Furthermore, Gurău & Duquesnois (2008) state that factors such as the geographical location, the country's legislation and the creation of a homepage may limit the success of direct sales.

2.2.4 Wine Consumer

Today's consumers seek for greater variety and change while purchasing a wine (Mueller 2004; Waters, 1998, cited by Harrington & Ottenbacher, 2008). Each buyer has different preferences and approaches towards wine. However, for all types there are four key factors influencing the purchase decision. Costanigro et al. (2007) define these as the previous experience and knowledge, the price itself, the occasion in which the wine will be consumed and objective cues such as brand or label.

According to the Wine Market Council (WMC 2005, cited by Thach&Cuellar, 2007), in the United States only 32.6% consume wine, 24.7% consume beer or spirits and 42.7% do not drink alcohol at all. Even though 32.6 % is rather low, the percentage of wine drinkers steadily increases.

As defined by the WMC (2005, cited by Thach&Cuellar, 2007), the consumption frequency is divided into two different groups: (1) core wine drinkers and (2) marginal wine drinkers. The core wine drinkers (42%) consume wine at least once a week and the marginal wine drinkers (58%) consume wine two to three times per month or less. The gender distribution is 46% male and 54% female as core drinkers and 43% male and 57% female as marginal drinkers (WMC, 2005, cited by Thach&Cuellar, 2007).

As described by Mora (2006) wine consumers can also be classified into four main market segments: students (51%), connoisseurs (25%), bulk drinkers (14%) and new consumers (10%). Whereas, the group of bulk drinkers is declining and first consumers are increasing (AWMB, 2009). The average percentages depend on whether the market is a New or Old World wine producing country. The New World consumers are more interested in specific brands or grape varieties and the Old World buyer is used to habitual benchmarks such as appellations (Mora, 2006).

Furthermore, wine consumers have three main reasons for consuming wine: (1) wine matches well with food, (2) wine tastes good, and (3) family, friends and coworkers also drink wine (Olsen et al., 2006, cited by Thach&Cuellar, 2007). The image of wine is associated with relaxation, healthy, sensual, sophisticated and natural.

2.2.5 Wine Branding

Given that the wine industry is extremely fragmented and has countless many brands without a real global brand such as Coca-Cola or Veuve Clicquot Ponsardin (The Economist, 1999), consumers have a very poor brand recognition and loyalty (Wilcox et al., 2008). Therefore, it is essential for vintners and retailers to know what makes the consumer buy a certain wine in preference to another.

According to the Economist (1999), three key factors guide a consumer: country of origin, variety of grape and brand. Brands serve as a benchmark for the consumer, which then has to invest less in the information research and purchasing process (Mora, 2006). Furthermore, a brand offers a purchase starting point for new consumers, consistency, reliability and a kind of guarantee that one will receive what one is paying for (The Economist, 1999). Although the vintners already intend to create branded wines, the difficulty is to provide consistent quality and flavor. Grapes are complex ingredients, due to the fact that they taste different when grown in diverse places. Additionally, a global wine requires large quantities of the same grape, and often national regulations prohibit the mixture of grapes from different regions for the usage in a single bottle (Mora, 2006).

2.3 Austrian Wine Market

This section provides an overview on the history, structure, wine growing areas and production of today's wine industry in Austria. By reasons of limited data sources, most information and dates were taken from the website and publications of the Austrian Wine Marketing Board (AWMB).

2.3.1 Introduction

Already more than 60 million years ago wine was cultivated along the Danube River and towards the northwest (Knoll, 2000). Viticulture experienced its first period of prosperity under the Romans, as Emperor Probus lifted in 228 AD the ban on cultivating vine north of the Alps.

In the 13th century, the first wine-growing estates were officially named in documents, including Kremser Sandgrube and Steiner Pfaffenberg (AWMB, 2009).

In the 14th century, Vienna became the centre for viticulture and wine trading. The first wine taxes were introduced in 1359 by Duke Rudolf IV, also called the "donator" (Knoll, 2000).

In the year 1499, the first "Moststuben"¹ were built and consequently the annual per capita wine consumption rose to 180 liters. According to the AWMB (2009), today's per capita consumption is less than 30 liters per year.

In the 18th century the wine industry revived again, especially as Empress Maria Theresia and Joseph II introduced the general drinking tax, in order to harmonize various existing taxes. In August 1784, an imperial degree permitted all vintners to sell their in-house products throughout the whole year (AWMB, 2009), which was the hour of birth of the "Heuriger"².

As Knoll (2000) describes, in 1872 the "grape pest" destroyed the majority of Europe's vineyards. Afterwards, viticulture associations and educational institutions emerged. For instance, the first and nowadays oldest wine school of the world was opened in Klosterneuburg (province Lower Austria). After World War I Austria evolved to the third largest wine-producing nation worldwide (AWMB, 2009).

¹ A Moststuben is a traditional Austrian wine tavern, where wine-growers serve their most recent year's wine and offer Austrian food from the buffet.

² See Moststube.

In 1985, the Austrian wine market was once again devastated by the wine scandal. Some vintners mixed the forbidden substance diethylene glycol, an antifreeze agent, into their wines in order to make them sweeter, more full-bodied and more expensive (Goldberg, 2008). The consequences of the scandal were the total collapse of Austrian wine exports and the damage of Austria's wine reputation and image. In 1986, the Austrian Wine Marketing Board was created as a response to the wine scandal. The Board is nowadays in charge of supporting, coordinating and maintaining the quality and sales of Austrian wine (AWMB, 2009).

2.3.2 Structure

Small in quantity but huge in quality – these few words simply describe the Austrian wine market. In relation to the international wine industry, Austria has with approximately 52,500 (AWMB, 2009) hectares only a small share of the total market. Therefore, the Austrian viticulture distinguishes itself from other countries through its diversity, quality and experience.

The wine-growing areas are predominately situated in the East and Southeast of the country, wherefrom white wine has the larger share of 66%, including 22 different white wine varieties. Nevertheless, in the recent years the red wine assortment increased to 34%, and totals now to 13 different types of red wine (AWMB, 2009). In total, Austrian wine growers offer a diversity of 35 assorted (permitted) grape varieties.

Austria has approximately 23,000 small and mainly family-run vineyards. More than half of the wineries hold over 5 hectares cultivated area, and are therefore the country's primary exporters (AWMB, 2007). In addition, the Austrian wine market is already shifting from smaller estates towards larger business entities. Vineyards with a size of 200 hectares, which is considered as an international standard, are rather unusual in Austria (Knoll, 2000). As a result, the production volume of a single vintner hardly justifies excessive marketing and pricing strategies. Moreover, numerous wineries which do not have their own producing facilities, sell their grapes to grape purchasers or other vintners (AWMB, 2007). Beside, several associations have been founded in order to produce and sell a wine typical for a region under a general brand (trademark). An example is the Pannobile group in the province Burgenland, which still will be clarified in the case of the winery Heinrich.

2.3.3 Wine Growing Regions

As shown in Figure 3, Austria has four major wine-growing regions and 16 wine areas.

(1) “*Weinland Oesterreich*”, including the provinces Lower Austria and Burgenland; (2) “*Steirerland*” comprising South-East, Southern and West Styria; (3) the region around “*Wien*” (Vienna) which accounts for 700 hectares; and (4) “*Bergland Oesterreich*”, known as the federal provinces Tyrol and Vorarlberg, where predominately small wineries are scattered. The federal state Lower Austria, is divided into the wine regions Wachau, Kremstal, Kamptal, Traisental, Wagram, Weinviertel, Carnuntum and Thermenregion. Burgenland includes the wine areas Lake Neusiedl, Neusiedlersee-Hügelland and Middle and South Burgenland (Goldberg, 2008; AWMB, 2009).



Figure 3: Wine Regions. Source: AWMB (2009).

2.3.4 Regulations

Austrian wine law established in 1985 and afterwards (1995) adapted to European standards, is one of the strictest wine legislations worldwide (AWMB, 2009). The legislation contains the main pillars of quality descriptions and controls, controlled origin and capped yields (AWMB, 2007). On the one side the regulations encourage the usage of modern technologies, and on the other side they protect the traditional wine production.

Wine quality is defined by the sugar content of the grape must and is categorized into: Tafelwein (table wine), Qualitaetswein (quality wine) and Praedikatswein (“certified” wine). Tafelwein is the lowest quality designation. All wine label descriptions (excluding Tafelwein) must include origin, varietal, vintage, quality designation, alcohol content, residual sugar, official control number, producer and bottler (AWMB, 2009). Regarding quality assurance, Qualitaetswein and Praedikatswein are controlled twice by state laboratories, including a chemical analysis and a commission tasting.

In 2003, Austria supplementary introduced the DAC³ (Controlled District of Austria) label, indicating superior quality wine, whereas the origin is more important as the grape variety. The origin descriptions are divided into generic wine-growing regions, named after the Austrian provinces (e.g. Lower Austria or Styria) and 16 specific wine-growing areas (e.g. Carnuntum or Wachau). Down to the present day, 5 wine-growing areas have reached the DAC status, including Mittelburgenland (province Burgenland), Weinviertel, Traisental, Kremstal and Kamptal (province Lower Austria). In September 2010, the Eisenstadt area (province Burgenland) and Leithaberg (province Lower Austria) will join the DAC group (AWMB, 2009).

³ Latin: Districtus Austriae Controllatus.

2.3.5 Production and Export

In 2009, the average grape harvest amounted to approximately 2.3 million hectoliters, wherefrom 75% were solely consumed in Austria (Statistik Austria 2008, cited by AWMB, 2009). To draw a comparison, France produces about 65 million hectoliters annually. One hectoliter is also comparable with 11 wine cases, whereof Austria exports about 3 million a year, less than some of California's larger vineyards (Prial, 2003).

In Austria, the gastronomy sector is the main purchaser of (Austrian) wine with 58% (AWMB, 2008). Especially, the sale of more premium wine by the glass increased the consumption in the gastronomy. Regarding the domestic use, consumers purchase more and more wine at retail and wine shops, instead directly at the winery.

Despite the slight decrease in 2005 and 2006, exports increased over the last ten years, as one can see in Figure 4. According to Statistik Austria (2008, cited by AWMB, 2009), total exports for the year 2007 added up to 56 million liters of wine, with a value of €105 million. Austria's main export country is Germany, where Austrian wine has a market share of 3.4%. Switzerland and Lichtenstein are ranked second and the United States third.

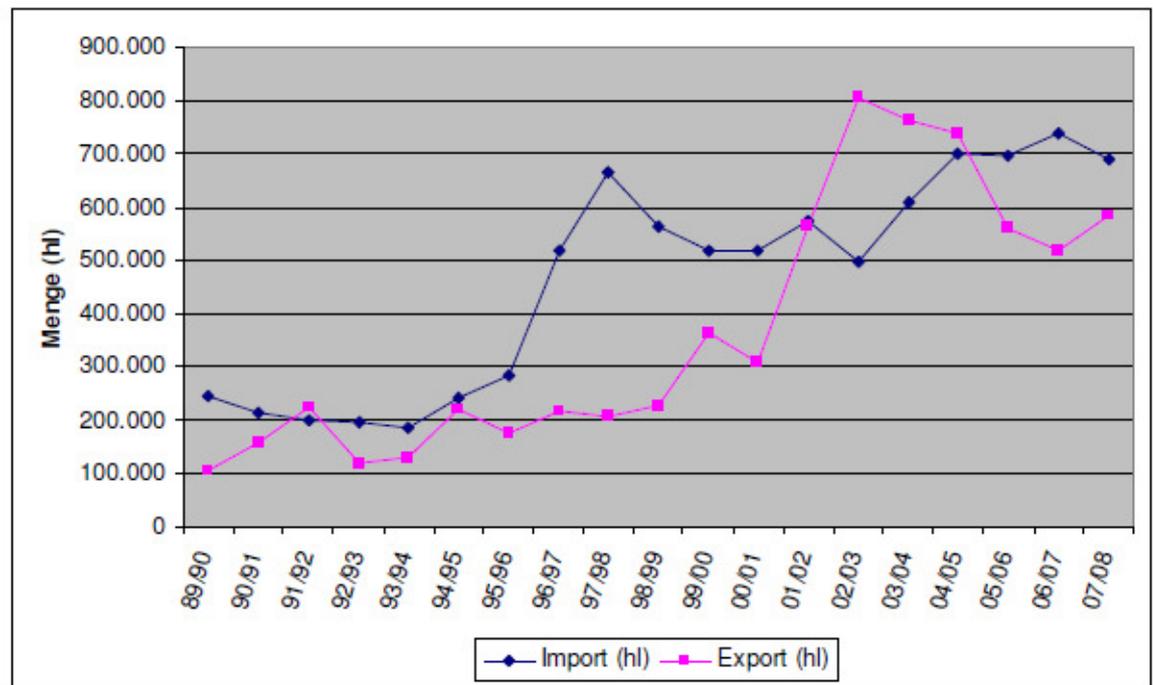


Figure 4: Import and Export (quantity). Source: Statistik Austria (2008).

A key reason for the strong exports is the 30% increase in high value bottled wine. Furthermore, viticulture has a long tradition in Austria and the grape varieties are unrivalled worldwide. The combination of traditional wine-making practices with the newest technology also enhanced the quality and image of Austrian wines. In addition, Austrian wineries focus on different wine varieties, high-level products and target a higher market segment (AWMB, 2008).

The following table lists the main characteristic and image factors of Austrian wine in comparison with the positioning of international wine.

Austrian wine	International wine
original	commercial
manual	industrial
family-run	corporate group
full of unique character	uniform
natural	technical

Table 1: Positioning of Austrian Wine. Source: AWMB (2009).

3 Methodology

Following the research design, sample selection and data gathering and analysis procedure are described. A table illustrates the most important facts of each individual interview. Finally, the limitations of the study are stated.

3.1 Research Design

The qualitative results were gathered through expert interviews and field documentation, without predetermined hypotheses or assumptions. The questionnaire, which can be found in English and German in the appendices, was based on open-end questions. Thereby, the interviewer had a much stronger directive function with regard to excluding irrelevant topics. The semi-structured questionnaire was produced in beforehand, based on the literature review and pre-existing knowledge of the researcher. Since each winery is individual, the questions were fully developed and redefined during interviewing, in order to gain a greater depth of information. In addition, issues were added as they would be interesting and contributing to the research.

3.2 Sample Selection

The data collection was conducted at five Austrian wineries, located in the provinces Lower Austria, Burgenland and Styria. The vintners were chosen for the reasons of region, size, grape varieties, level of recognition and special characteristics (which are later specified in the cases):

- (1) **Monastery Klosterneuburg.** With an age of 900 years, Klosterneuburg Monastery Winery is the oldest wine estate in Austria and as well the largest one. The winery is nearby Vienna and internationally known for its red variety St.Laurent. Furthermore, the winery is actively engaged in marketing, is recognized as Austria's first carbon neutral vineyard and sells additional products.
- (2) **Rudi Pichler.** The family-run winery is located in the famous wine region Wachau (Lower Austria) and produces only white wine. Despite the 15.5 hectares vineyards and hardly any marketing activities, the winery has 40% exports and is member of various respected vintner organizations, such as Vinea Wachau.

- (3) **Gernot Heinrich.** The red wine specialist (97% of the production) is situated in Gols (Burgenland). The winery comprises 70 hectares and mainly focuses on the national market. In addition, the vineyard is part of the respected Pannobile group and co-founder of the export company Premium Estates Austria.
- (4) **Fritz Wieninger.** Viennese wine and Wieninger go hand in hand. The 45 hectares big winery is located in Vienna's surroundings and internationally known for its white wine Gemischter Satz. The vintner cumulates export countries and targets mainly fine restaurants and specialty (wine) shops. Furthermore, the winery applies biodynamic agriculture and is member of the WIENWEIN group.
- (5) **Johannes Soell.** The vineyard is located in Gamlitz (South Styria) at the wine route and consists of 8 hectares. Since the winery has a rather low level of recognition and is not anymore active in channel distribution, marketing or pricing activities it was selected as a contrast to the other wineries. Furthermore, the estate aims to reduce the size of its vineyards and gain independence.

The focus of the research sample was on small and medium sized, family-run businesses. In 4 of 5 cases the interviewee was the owner and also the winemaker. Simply, the interviewee of the Klosterneuburg Monastery Winery was the General Manager without any equity in the company. Besides, the only female interviewee was in the case of the vineyard Heinrich.

The wineries varied in size from a production of 45.000 bottles up to 900.000 bottles per year. Apart from the wineries Klosterneuburg Monastery and Soell, which produce a variety of additional products, all wineries only produce and sell wine.

3.3 Procedure

All interviews were carried out at the particular winery, excluding a tour through the estate. Each interview was tape recorded and transcribed. In addition, detailed field notes were made. The data analysis was then done by establishing descriptive cases relating to each of the five wineries. The cases were developed in a narrative way summarizing key information and providing outside readers a complete and mutual understanding of all facts. Through the following cross comparison of the cases and analysis of the expert's knowledge, the reader should gain an understanding for the need of RM and why certain strategies would be effective.

The following table will provide specific information about the particular interviews, concerning date, location, duration, interviewee and language.

	Date	Location of Interview	Duration	Interviewee	Language	Website
Monastery Klosterneuburg	4. March 2010, 1:00pm	Klosterneuburg Monastery Winery Stiftsplatz 1, 3400 Klosterneuburg, Lower Austria	38 minutes 14 seconds	Mag. Wolfgang Hamm, General Manager	German	www.stift-klosterneuburg.at
Rudi Pichler	5. March 2010, 10:30am	Winery Rudi Pichler Marienfeldweg 122, 3610 Woessendorf, Lower Austria	31 minutes 06 seconds	Rudolf Pichler Jr., owner & winemaker	German	www.rudipichler.at
Heinrich	26. March 2010, 11:00am	Winery Heinrich Baumgarten 60, 7122 Gols, Burgenland	29 minutes 43 seconds	Anonymous	German	www.heinrich.at
Wieninger	13. April 2010, 5:00pm	Winery Wieninger Stammersdorfer Straße 80, 1210 Vienna	39 minutes 48 seconds	Ing. Fritz Wieninger, owner & winemaker	German	www.wieninger.at
Soell	21. April 2010, 3:00pm	Winery Soell Steinbach 63a, 8462 Gamlitz, Styria	46 minutes 21 seconds	Johannes Soell, owner & winemaker	German	www.weingut-soell.at

Table 2: Summary of held interviews.

3.4 Limitations

The present paper has certain limitations that need to be taken into account regarding the study and its findings.

The first limitation is the external validity, or the generalizability of the research. The findings are limited due to the small number of explored wineries and the fact that only Austria was taken into account. The methodology design was not proposed to create results that account for the entire industry, as for instance hypothesis-testing studies do. However, the research generated relatively clear outcomes, which can be applied to design further hypothesis-testing studies, in order to verify and expand the findings. These results then should be more likely to be generalizable to a larger range of (international) wineries.

The second limitation is related to convenience sampling, since the researcher knew 3 of the 5 vintners already previously. The findings are limited, as a result of the partly non-random sampling and the underrepresentation of larger wineries. Since the results are not representative enough, the researcher cannot make generalizations about all wineries from this sample. However, all estates matched perfectly to the predefined sample and could answer all questions adequately. In addition, the method provided a gross estimate of the results, without incurring the costs or time required to select a random sample. These findings can be used to design a fully random sample, in order to represent further strategies on an international scale.

As a result of the underrepresented sample, the data was biased due to selection. Qualitative research often tends to be biased, in the sense that the researcher has the possibility to influence the interviews and bring his own perspective to the study. Furthermore, the sample is usually smaller and non-randomly chosen. However, a larger sample would not have affected the survey bias, because a larger size would not correct the methodological problems, such as undercoverage or nonresponse bias. Since, every question intended to measure something, each question was clearly and precisely formulated. The purpose that each respondent understood and interpreted the meaning of the research individually was achieved.

4 Research Results

The following chapter includes the data analysis of the researched wineries, in form of cases.

4.1 Case Design

The cases are chronologically ordered, starting with the first interview partner Monastery Klosterneuburg Winery. All cases are structured into different parts covering a specific RM approach. At the beginning of each case, the winery is shortly presented including the most important facts, such as location, size, grape varieties and annual production. Afterwards the RM topics channels of distribution, segmentation/market, pricing principles, competitive analysis and forecasting demand are covered. In addition, marketing and promotional activities were researched, in relation to the distribution channels and presence at the wine market.

4.2 Klosterneuburg Monastery Winery

The 1114 founded Klosterneuburg Monastery Winery is with 108 hectares and 4 wine growing areas the biggest and oldest winery in Austria. The winery is situated in Klosterneuburg, in the province Lower Austria. The estate belongs to 100% the Monastery Klosterneuburg and has 25 permanent employees and several seasonal workers. The annual average production amounts to 800.000 bottles of wine and an additional 100.000 bottles of sparkling wine.

The winery has 25 hectares directly in Klosterneuburg, where the white varieties Riesling, Gruener Veltliner and Sauvignon Blanc are cultivated. Another 25 hectares are located in Vienna, mainly in the Kahlenbergerdorf and Nussberg. There the Burgunder varieties are grown, including Gewuerztraminer, Chardonnay, Pinot Noir and Weissburgunder. The winery has additional 5 hectares in Gumpoldskirchen, where the white autochthonous varieties Neuburger, Zierpfandler and Rotgipfler are at home. Finally, most of the vineyards are situated in Tattendorf (55 hectares), where the monastery's signature wine St. Laurent is predominant with 40 hectares. The remaining 15 hectares are divided into the red varieties Zweigelt, Blaufraenkisch, Merlot, Cabernet Sauvignon and Franc. One can enjoy the St. Laurent in four different variants: the St. Laurent Stiftswein-a fresh and fruity version, the St. Laurent Ausstich with a full and silky note, the velvety St. Laurent Barrique which matures for 14 months in 225 liters oak casks, and finally the limited edition St. Laurent Reserve, a full-bodied and opulent wine.

Moreover, the winery sells grape and cloudy apple juices, "Klostersekt"⁴, "Mathäi Brut"-produced after the traditional champagne method and hard liquors. Additionally, specialties such as wine aspic, St. Laurent vinegar, grape seed oil, chocolate or pralines are produced and sold.

In 2009, Klosterneuburg was certified as the first carbon neutral winery in Austria. For example, the vineyard works primarily with regional suppliers, introduced biodiesel for the tractors and has an in-house biomass power station which provides the entire winery with green electricity and heat energy. As Mr. Hamm stated in the Interview (2010, pers. comm., 4 March) climate protection is a permanent process and starts with small changes.

⁴ A sparkling wine produced from the white varieties Gruener Veltliner and Welschriesling.

The Monastery Klosterneuburg sells 80% of their wine in Austria and has 20% exports. The national and international top seller is the St. Laurent Ausstich. The winery's direct sales amount to 20% and approximately 25% are sold in supermarkets, whereof the principal wholesalers are the chains REWE and Spar. However, the majority of the wine is distributed to gastronomy resellers. The winery has in each province a particular reseller who covers the market, such as in Vienna DelFabro. Export countries include nearly total Europe with Germany, Switzerland, Great Britain and Holland as the main markets. Emerging export markets are the United States, Canada, China and Japan.

The winery does not conduct any market research, since they gain a lot of customer information through the premise's wine shop. Although the winery does not actively apply segmentation practices, in Austria the primary segment are connoisseurs and wine enthusiasts, mainly between 40 and 60 years. The second market includes consumers who live directly in Klosterneuburg and surroundings, including Vienna. These are aged between 30 and 40, wealthy and appreciate the possibility to buy directly and uncomplicated from the wine shop. Thereby, the customer receives expert advice and is indirectly at the winery, without having to make an appointment with the vintner or feeling forced to buy some wine.

The international target markets are fine wine shops and the gastronomy. The choice of the importer or reseller is based on his marketed segment.

In regard to pricing, the winery tries to keep their price level relatively stable. In the interview on 4th March 2010, Mag. Hamm stated that the estate is absolutely not interested in zigzag pricing. Prices are adjusted to the quality of a wine and increases in general costs (e.g. energy or personnel). Additionally, the winery keeps track of the overall market situation and the competition in order to match the prices. The various distribution channels are not decisive for the price setting, since they are solely responsible for the resale price.

Concerning the competitive analysis, the winery actively observes the national and international competition. However, according to Mag. Hamm (2010, pers. comm., 4 March) in general all Austrian wineries do not see themselves as competitors. They see each other as a team, which has the common goal to improve and strengthen the international image of Austrian wine. Since Austria plays a rather small role in the international wine market it has to gain in importance. In addition, there is still so much place for Austrian wine at the world market.

The Monastery Klosterneuburg is very active with regard to promotional and marketing activities. The winery participates in various wine fairs, such as the ProWein⁵, VieVinum⁶ and the International Wine Festival in Meran. The vineyard's magazine *Nautstich* is published twice a year and an English Pdf version is sent via Email to all international partners. An electronic newsletter is sent monthly to all customers and resellers. Additionally, the winery has a double page in the monastery journal *Stiftszeitung*. Press releases are mainly national and on a regular basis as well international.

Since 2005 the winery operates an online shop, however the turnover is rather low. Every online sale is an important step in acquiring a customer: first the consumer heard about the wine or already tasted it, then he orders some bottles via the internet as a sample and if he was satisfied a visit at the winery follows. Finally, the wine shop is a good source for customer retention through tastings and personalized service and as well specific customer information.

Demand forecasting is not necessary for the vineyard, since sales are quite stable and the wine production is not quickly changeable on a grand scale. Normally, the vintner calculates the required personnel, costs and wine volume yearly. This analysis is based on historic grape harvest, sales and distributed quantity of wine to each particular reseller. In addition, the winery cultivates its vineyards in 3 systems: the category A stands for good quality, B for very good quality and C symbolizes premium quality. On the basis of these categories the winery calculates the needed quantities. If the vineyard has insufficient grape amounts, it buys grapes from partners as adjustment. Furthermore, the Monastery Klosterneuburg does not really have seasonality concerns. January and February are the quietest months of the year, in March the new white wine vintage is introduced. In spring the sales generally increase, in summer they slightly decline and in autumn until December the winery has again a sharp increase in sales. In the months of decreasing sales the wine shop organizes different events, such as tastings and in all areas the winery employs less staff.

⁵The international trade fair ProWein takes place every year in Duesseldorf, Germany. ProWein is the most important communication and purchase platform for the wine and spirits industry, with more than 3.000 international exhibitors.

⁶ The wine festival VieVinum, takes place every 2 years at the Hofburg in Vienna. It is Austria's largest and most important wine event. The fair offers a wide range of Austrian and international wines, numerous side events and tastings on up-to-date themes.

4.3 Winery Rudi Pichler

The family-run winery Rudi Pichler is located in Woesendorf/Wachau, in the province Lower Austria. The main building is in possession of the Pichler family since 1884 and was turned over to many generations. In 2004, Rudolf Pichler Jr. constructed new cellars, a working area meeting all modern quality standards and a tasting room.

In the beginning, the winery had a size of 4.5 hectares, and currently consists of 12.5 hectares. Additional 3 hectares are utilized through contracts with other local vintners. The vineyard has 4 permanent employees, including the parents of Rudi Pichler, and during vintage additional workers are hired. The winery only grows white wine varieties and the annual production averages 100.000 bottles of wine. Thereof, 65% represent Gruener Veltliner, 30% Riesling and the remaining 5% are Pinot Blanc. All these varieties are part of the Codex Wachau⁷ quality categories Steinfeder, Federspiel and Smaragd. The winery is member of the Vinea Wachau (Vinea Wachau Nobilis Districtus), an association founded in 1983 by the regional vintners. The main principles are the legally defined wine-growing areas and the commitment to quality, purity and origin (Vinea Wachau, 2006).

Due to the Vinea Wachau group, the vineyard does not really have regional competitors and does not conduct any competitive analysis. According to Mr. Pichler Jr. (2010, pers. comm., 5 March), there is no competition because all vintners are one active group which assist one another and have a common goal: to produce a natural quality wine.

Direct wine sales amount to 20%, but only on request. In February/March the vintner sends the new price list to all private customers, which then can order the desired wine(s). Reserved wines are only held back until September, in order to resell not picked up wines to customers on the waiting list. The winery also sells 40% via various distribution channels, including exclusive wine shops, gastronomy partners and resellers in all 9 provinces. The remaining 40% represent exports to 19 different countries. The most important markets are Germany and the United States, where the winery has its own importer. Moreover, the allocation of the capacities is self-regulating, and therefore not active.

⁷ The Codex Wachau includes the main pillars of the Vinea Wachau. It regulates the natural wine production without artificial concentrations, aromatization and fractionation. Furthermore, the grapes come exclusively from the Wachau wine-growing area, are harvested by hand, late in season and bottled in the Wachau (Vinea Wachau, 2006).

As a result of stable quality, longtime existence and successful co-operations, (new) resellers and gastronomy partners come without any marketing efforts. Besides, in the interview on 5th March 2010, Mr. Pichler Jr. explained that interpersonal relationships are the road to success with all his partners. In order to maintain the exclusive image and the gastronomy partners, the winery has written agreements which prohibit the selling of its wines in supermarkets.

The reasons of choosing the wine shop Wein&Co⁸ as one of the main distributors was that (1) it covers whole Austria, and (2) reaches a market segment, which otherwise would be hard to attract. The shop especially addresses young clientele, new tempters, international businesspeople, and customers which do not possess the time to visit the vintner themselves. Relating to young and new consumers, Wein&Co provides the possibility of tasting the wine and receiving a professional advice, without having to buy the wine.

The winery does not actively research or segment its market, because the price already determines the customer groups. Based on the wide price range (direct selling: 8€ - 34€; Pricelist 2010) the wines attract on the one hand young customers, and on the other hand cultivated connoisseurs. According to Mr. Pichler Jr. (2010, pers. comm., 5 March) these consumers have a certain lifestyle and for them wine is a cultural drink. Besides, the vineyard focuses more and more on the young clientele because they are tomorrow's customers.

The prices are determined by means of wine quality and price changes are only adjusted upwards. However, these price alterations are minimal, and the winery does not set the price due to the availability of a wine, market conditions or because of a poor harvest. Each reseller and partner has a price minimum at which he has to sell the wine, in order that the wine remains in a certain price category. As a result of the extremely high production costs, resellers (only) receive a 20% discount on the direct selling price.

⁸The fine wine shop Wein&Co is represented 18 times in Austria and five shops run a corresponding wine bar. The range of products includes the best Austrian and international wines, sparkling wine and various delicacies.

Concerning marketing and promotional efforts the winery maintains a low profile. In exception of the homepage, the winery has absolutely no online business, meaning the customer cannot buy any wine via the internet. 98% of all the operations are handled via email and the rest directly at the winery. In 2010, the winery published a press release for the first time solely because it received a very good rating in the American trade journal Wine Spectator. Naturally, the vineyard is present at important wine fairs, such as the VieVinum and the ProWein. A core principle of the winery is to stay always present and cultivate each business connection.

However, the biggest promotional activity is the Wachauer Weinfruehling⁹ (the Wachau Wine Spring), which takes place every year in the beginning of May and approximately 100 vintners have open house. The winery Rudi Pichler has around 1000 visitors in these few days and all wines can be tasted and as well purchased. The tastings are for free, the guests only have to enter their contact details in a list, in order that the winery can contact these (potential) customers with new information and price lists.

Finally, the vineyard does not undertake any demand forecasts. Mr. Pichler Jr. (2010, pers. comm., 5 March) holds that it is his daily business and he has a feeling for the right thing. Besides, sales are rather constant throughout the year and the vintner does not attempt to increase sales through additional promotional activities. Furthermore, journalists and sommeliers are nowadays market-dominating and the winery has numerous loyal customers and partners.

⁹ Homepage: www.vinea-wachau.at/veranstaltungen/en/weinfruehling.php

4.4 Winery Heinrich

The winery Heinrich is located in Gols, in the province Burgenland near the Neusiedler Lake. Gols is with 1500 hectares vineyards the largest viticulture municipality in Austria. Besides, the vintner Gernot Heinrich can be considered as one of the country's best red wine producers.

The family run estate has a size of 70 hectares, and ranges from Gols and surroundings to the Leitha Mountains. The winery has 25 employees and during grape harvest additional employees are hired. The vineyard produces around 500.000 bottles of wine, wherefrom 97% are red wines and only 3% are white wine, such as Chardonnay (1%) and Pinot Blanc (2%). The red wine varieties include Pinot Noir with the share of 5%, St.Laurent (10%), Zweigelt (22%), Blaufraenkisch (47%), and the international variety Merlot with 13%.

The winery is a member of the Pannobile group, which was founded in 1994. The group consists of 9 local vintners and the philosophy is to produce a wine typical for the region, sold under the name "Pannobile. Thereby, the image of the region should be strengthened. The group has distinctive regulations, including the allowed varieties, the origin of the grapes and the requirement of regular quality tastings. However, all wineries still have their own Cuvée and so each winery has its individual Pannobile. In 2006, the association "Pannobile sozial" was set up with the purpose to arrange charity events, whereof the entire revenue is then donated to regional organizations or projects (Pannobile, 2006). As a result of the Pannobile group there is a very strong vintner community in the region, and therefore the winery does not have direct competitors or actively observes the market. In addition, the vintner holds that Austria has to enhance the international image and recognition of its wines.

The winery sells 73% inland, wherefrom 10% of the wine is directly sold to the customer. Besides, direct selling is only possible with an in advance reservation by telephone. Exports sum up to 27%, with the key markets Germany, the United States and Benelux. In regard to distribution channels the winery mainly focuses on wholesalers which work together with the gastronomy. In addition, the vintner caters to the gastronomy in the immediate vicinity and has several national wine shops in his portfolio, such as Wein&Co or Unger und Klein¹⁰.

¹⁰ The wine shop/bar Unger und Klein is located in the first district of Vienna. The small bar is a unique piece of interior architecture, with wine bottles being the paneling. A great selection of Austrian and international wines, sparkling wines, spirits and delicacies is provided.

The vineyard allocates its capacities actively, in terms of equal distribution to the partners and serving all markets, in order to stay competitive. Several wines are only available upon reservation, and therefore restricted to certain customers.

Furthermore, the vintner forecasts/calculates the annual wine production and reserves the required quantity of wine for each particular reseller. For example, the western ski-regions require many premium wines in the winter months, which has to be considered in the distribution.

The winery was co-founder of the export company Premium Estates of Austria in 2004. The cooperation was established to facilitate the international trade of Austrian wines. The focus lies on the development of the market and customer service in Europe, the United States and the Asian-Pacific region. The company represents all 6 partner wineries at wine fairs, tastings and by international exporters (Premium Estates, 2007).

Regarding segmentation, the estate does not actively segment their customers, due to the fact that the price regulates the group of buyers. For instance, the rich Salzberg¹¹ is direct sold for 56€, and therefore attracts a more experienced and wealthier clientele than the light red¹² does. Besides, the purpose of introducing the red in 1996 was to establish a market with the focus on the chic gastronomy, young consumers, as well as routine beer drinkers which taste a glass of wine due to the outstanding design of the bottle.

Relating to the aspect of pricing, the vineyard has fixed price lists. These are differentiated into the categories: whole sale, wine shops, gastronomy and end consumer. The prices are calculated through the production costs and revenue. The prices are increased every three to four years, adjusted to costs and inflation, but not to the overall market, competitor's prices or enhanced quality of the wine. The vintner also has extra agreements concerning bulk discounts and early buyers. In addition, through the Pannobile group all price categories are covered and marketed.

¹¹ The classical and heavy red wine consists of 50% Merlot, 30% Blaufraenkisch and 20% Zweigelt.

¹² The young and light red wine consists of Zweigelt, Blaufraenkisch and St.Laurent.

The vineyard applies two different strategies regarding the entry to a market and the positioning of its wines. The first approach is to enter the market with lower priced, lighter wines in order that the consumer tastes an assortment of wines until he ends up by the higher priced, classical varieties. The second strategy is to penetrate the market right from the start with premium wines and the customer then tries the lower priced wines due to curiosity and taste for the wines. In the beginning the vineyard introduced the three classic red wines Zweigelt, Blaufränkisch and St. Laurent, followed the first top seller Gabarizza¹³. Subsequently, the Pannobile was presented, afterwards the red, and finally the premium Salzberg.

Concerning advertisement activities, the winery heavily relies on the Pannobile group and word of mouth. The vintner does not produce any print media, except the information booklet in form of a bookmark, which is only available directly at the winery. In order that the winery's image and position on the market stays powerful, Heinrich does not conduct any online business on its homepage. Certainly, the winery is present at particular wine fairs, such as the VieVinum and the ProWein. The biggest promotional event is the so-called "Pannobile Day", which takes place on every first Saturday of the month. All Pannobile wineries are open to the public and each wine can be tasted and directly purchased.

Regarding seasonality issues, the winery has throughout the year quite constant sales. Therefore, the vintner does not conduct any demand forecasts and does not perform any additional activities to increase sales in a certain period. In spring the main focus is on sales, wine fairs and tastings. In autumn the vineyard is occupied with the harvest and production and the winter months are the strongest selling season for red wines.

¹³ The voluminous red wine consists of 50% Zweigelt, 25% Blaufränkisch and 25% Merlot.

4.5 Winery Wieninger

The winery Wieninger is located in Stammersdorf, nearby Vienna and is in family possession since over 100 years. Fritz Wieninger Jr. can be described as a pioneer of today's Viennese viniculture, its international reputation and demand.

The estate possesses 45 hectares and cultivates a total of 55 hectares vineyards. The average production amounts to 300.000 bottles a year. 30% are red varieties, including Zweigelt, Pinot Noir, Cabernet and Merlot. The remaining 70% are white wines with the main varieties Gruener Veltliner, Chardonnay and Gemischter Satz. Besides, the Gemischter Satz received the Slow Food Foundation for Biodiversity award, in the so-called Presidio category. The winery has 8 to 10 permanent employees and in autumn up to 25 workers. The employment is very variable as a result of the strong seasonality in the wine industry.

The vineyard sells 70% inland, whereof only 5 % are direct sales. The winery caters mainly the fine gastronomy, the wholesale, specialty retailers and wine shops, such as Wein&Co or Unger und Klein. The vineyard does not supply supermarkets, except for Meinel am Graben. The remaining 30% are exports in 26 different countries, with Germany, the United States, Sweden, Norway, Switzerland and Poland as the primary markets. In total, the wine estate works with over 100 trade partners worldwide. According to Mr. Wieninger Jr. (2010, pers. comm., 13 April), he collects export countries due to passion, pleasure and will and not because of the revenue. Besides, the winery is as the winery Heinrich part of the export company Premium Estates of Austria.

Up to the present, the winery does not sell its wine online, as Mr. Wieninger Jr. (2010, pers. comm., 13 April) holds the view that he does not want to be a competitor of his own resellers. As a result of the internet, everyone can compare the diverse prices. However, the winery has the purpose to develop an online business, by adjusting the prices to the market and if necessary as well to increase the prices in order to omit the competition. Additionally, the winery forms with 9 other regional differing vintners the group "Tu Felix Austria". The organization, to which also the winery Rudi Pichler belongs, has the objective to establish a comprehensive and diversified assortment of Austrian wines in Germany.

The winery does not conduct any market analysis. The primary market is the fine gastronomy, since this market caters to a large and diverse clientele. Furthermore, this market has the needed WOM¹⁴-effect to create awareness and a brand. The targeted segment includes consumers with a profound knowledge of wine and skilled connoisseurs. For Mr. Wieninger Jr. (2010, pers. comm., 13 April) it is a challenge to satisfy their tastes and convince them to buy his wine. The winery does not target a specific age group, but prefers younger customers since they are the future purchasers. However due to the prices, the majority is over 30, wealthy and often brand/image related buyers.

With regard to price setting the winery follows one primary principle: price is a quality question. The winery assesses the categorization of the wine in comparison with competing wines. The prices are kept relatively constant, only minimal price increases are made. The winery for instance is since 3 years engaged in biodynamic and will be certified in 2011. As a result of the restructuring to a biodynamic vineyard, the costs increased and consequently as well the price per bottle. The more bottles the winery stocks the less the prices increase, sometimes they even decrease in order to sell the large quantities. As soon as, a wine is highly demanded and already scarce in quantity the price might slightly increase. Besides, bulk discounts are not based on fixed or transparent regulations and are seldom rebates, more often goodies. Moreover, the winery has very good trading margins for their resellers, which amount to 50% discount on the direct selling price, exclusive taxes.

Regarding competition the vintner states that competitors stimulate the business, but he sees them more as combatants. Furthermore, the wine market is big enough for all wineries and Austria's wine industry is a big family, which helps and strengthens each other internationally. Especially, in Vienna a strong collaboration exists through the WIENWEIN association. The group consists of 6 vintners from Vienna's surrounding vineyards and produces 50% of the Viennese quality wine. The purpose is to set new quality standards for the Viennese wine and market its unique character on the international market (WIENWEIN, 2008).

¹⁴ Word-of-mouth.

The winery's philosophy concerning advertisement is always to stay active on the market and present the Viennese wine internationally. Especially, through diverse vineyard activities, press releases, tastings, media efficient appearances and vintner organizations the winery gains a lot of advertisement and promotion. Certainly, the vineyard is present at various wine fairs, such as the VieVinum, ProWein and several smaller (international) presentations. The winery also works closely with Wien Tourismus¹⁵, in order to create new (culinary) appeals for Vienna.

The vineyard does not undertake any demand forecasts. Sales normally decrease after Christmas, in January and February and in the summer months July and August. However, the winery does not organize additional events in these times, since the vintner does not want to stimulate the off-peak seasons and overwhelm the people with various events.

¹⁵ Homepage: http://www.wien.info/en/shopping-wining-dining/wine?set_language=en

4.6 Winery Soell

The winery is family run and located in Gamlitz, in South Styria. Gamlitz is the biggest wine municipality in Styria and part of the wine route. The vineyard is in possession of the family since 1993 and includes a wine tavern and a small guesthouse.

The estate began with 10 hectares leased vineyards and owns 8 hectares today. The winery has 3 to 4 permanent employees and during harvest up to 15 workers. The average production adds up to 45.000 bottles per year, whereof the majority are vintage wines. White varieties make 80% up of the production, including Sauvignon Blanc, Chardonnay, Welschriesling, Gelber Muskateller and Scheurebe. The remaining 20% represent red wine, such as Zweigelt and Machrima consisting of Zweigelt, Chiraz, Merlot, Blauer Wildbacher and Cabernet Sauvignon. Furthermore, the winery sells appointed amounts of grapes to regional wineries.

The vineyard also produces juices and hard liquors, however these products are mainly for private use of the vintner. Besides, the vintner was under the Top 10 distiller's worldwide.

Direct sales are represented with 90% and include the personal delivery to the consumers. The winery began with this individual service in 2006, due to financial issues and the aim to care personally for the consumer. The remaining 10% include small retailers, delicatessen Meini am Graben and the fine gastronomy, predominately in Vienna, Salzburg, Tyrol and Upper Austria. In addition, the vintner caters small amounts of wine to South Germany and has one trade partner in Germany. As soon as Croatia is part of the European Union the winery will consider exports, because of the strong demand and potential. As Mr. Soell (2010, pers. comm., 21 April) explained, the reason for the limited exports and distribution channels is the fact that the produced quantity is far too little for larger retailers. Furthermore, he does not want to increase his production or winery anymore. For him wine is a philosophy of life and he is vintner due to passion and not for the money. Besides, these are also the reasons why the winery does not have any competitors, and therefore does not actively observe the market.

The winery does not segment its market, and according to Mr. Soell (2010, pers. Comm., 21 April) he never even thought about identifying a target group. The winery is too small to work on the market and the customers result from the price. Due to financial reasons, the consumer does not buy anymore in the long term and therefore the vintner "targets" everyone.

Concerning pricing, the vineyard has relative stable prices. The prices are adjusted to the quality of the wine, the market and the other wineries. The prices are not regulated by the costs, since it is impossible to calculate and offset the accurate costs. Bulk discounts are only made in individual cases, since the vintner does not have a regulated discount policy. In the case of a low demanded wine with a large quantity the prices are decreased. If a wine is scarce, has an excellent quality and is highly demanded the prices are accordingly increased.

Until a few years ago the winery was present at wine fairs, such as the VieVinum. Nowadays, the vintner is not interested anymore in fairs, presentations or articles in various magazines, due to the imbalanced price-performance ratio. Another reason is the fact that the participating wineries only try to take the customers away. Certainly, the vintner still participates in private tastings and wine presentation. However, several times a year the vintner sends an electronic newsletter to his customer files, including the new pricelist, novelties in the vineyard and announcements of the delivery in a specific region. By reason of the importance of the internet, the winery operates an online store since several years. The online sales amount to 5% and are mainly private customers in Austria and Germany.

Finally, the vineyard does not conduct any demand or production forecasts. According to Mr. Soell (2010, pers. Comm., 21 April), he often does not know his next step, because many successful strategies occur through coincidences. In addition, the vintner accepts not having a 100% production in the end.

Regarding seasonality, the winery deals with statistics and discovered that April and May are the peak months. Furthermore, in November the vintner makes approximately 25% of the annual turnover. In general, the winery does not actively stimulate the off-peak times or attempts to shift the times.

5 Discussion

The following chapter covers the evaluation of the cases and provides recommendations. The results are concluded and future research questions are proposed.

5.1 Findings

Although RM is applicable and required in the wine industry, the conducted research showed that RM is rather limited in Austrian wineries. In general, the studied estates just applied certain pricing tactics and channel management to their overall strategy. Naturally, the extent of such approaches depends on the vineyard's size, production volume, resources and objectives.

This section is divided into the specific RM strategies according to the literature review. The approaches are shortly revised and adjustments and recommendations are provided after each finding.

5.1.2 Segmentation

Segmentation is the practice of dividing a large market into distinct segments sharing homogenous characteristics. The objective is to tailor marketing strategies to the unique needs of each customer segment.

The researched vintners do not actively segment their market, due to the fact that the price defines the segment. For instance, Soell never considered identifying and targeting a specific segment. In contrast, the winery Wieninger and Rudi Pichler focus more and more on young consumers, but in general the attracted market is wealthier, over 30 and more experienced with wine. This results from the fact that (quality) wine has a certain price and an “aging” image. In addition, wine is perceived as a feminine beverage (Barber et al., 2006) and is not such a fashionable and visible product as sparkling wine, vodka mixers or cocktails. The second target market includes the fine gastronomy, retail and wine shops. This market covers all four segmentation characteristics (demographics, psychographics, geographics and behavioral). However, the existing segments are not measurable or differentiable due to the fact that the wineries only have maximal two target segments.

In order to assess the real consumer’s willingness-to-pay, establish clear price segments and adjust individual marketing activities, the wineries have to narrow their segments down. I also hold that as a result of the insufficient segmentation the wineries do not exploit the full consumer surplus. This can be seen as an output-oriented opportunity cost, since the wineries miss potential revenue through additional sales to different/new segments. For example, when focusing on younger consumers the winery needs a different pricing and distribution strategy as for connoisseurs. How should a vineyard tailor its marketing activities, establish an appropriate price and assess the most efficient distribution channel for this segment without identifying it?

5.1.3 Channels of Distribution

Channel management is the process of choosing the best channel(s) to distribute the inventory to the most profitable market segment. A channel consists of a chain of intermediaries, which connect the producer to the end-consumer.

It seems that the majority of the investigated wineries does not understand and identify all available distribution channels, as well as the usage and opportunities of these channels. As a result, except for the winery Soell (90%) direct sales account for not more than 20% and the vintners do not aim to increase these. Furthermore, exports are also rather low (maximal 40%) in all five wineries which derives from the lack of global reputation, the rather small-scale productions, excess supply and insufficient marketing activities.

Up to the present, Austrian wineries mainly serve the fine gastronomy, wine shops and delicatessen. Therefore, it appears that Austrian supermarkets and discounters are underserved by (reasonable priced) Austrian quality wine. By serving these markets, the wineries would reach a much larger clientele, and as a result brand awareness and consumer convenience would also be enhanced. Naturally, the vintners have to base their channel selection on factors such as long-term objectives, costs, target market and demand for the particular wine.

The supply of these new markets could be achieved through the introduction of an “off-brand” wine, where an inferior version of the standard/quality wine is created. By offering this product line at a lower price, a new customer segment would be targeted, the vintner would keep his image and possibly the bottom line would also increase. In order to keep a certain price level and image the wineries have to determine clear and (rather) constant prices throughout the channels. Additionally, purchasing rules and restrictions for resellers have to be formed. The winery Rudi Pichler for example, set a price minimum for his resellers in order to remain in one price category and avoid cannibalization.

I also hold that, through an extended usage of channel management exports could increase, especially in the larger wineries. One of the biggest problems, as already stated in the literature, is the international sales and image problem of Austrian wine. Active selling and marketing are essential for the success on the international market. These aspects in turn are only achieved through direct and indirect distribution channels. In addition, online presence and trade are necessary to stay present at today’s continuously growing market.

Certainly, a 100% internet approach should be avoided, but this medium would attract new, young and international consumers, which is particularly difficult for a product such as wine. Klosterneuburg Monastery Winery, for instance, uses its online shop as customer acquisition and retention. Further, if the winery Heinrich would start to conduct online business and publish its prices on the homepage, I am convinced that exports and direct sales would apparently increase. In contrast, the winery Wieninger considers introducing an online shop, in order to enlarge its export market. Besides, the establishment of an online business and its challenges in the wine industry would provide a potential research question.

In my opinion, the wineries should as well focus more on direct sales. This channel produces the lowest costs, establishes a personal relationship to the consumer and the vintner has the absolute control over the inventory and price. Certainly, direct sales do not cover the entire market, are more time consuming, involve a higher workload and include possible higher marketing costs.

5.1.4 Forecasting Demand

Demand forecasting is the process of predicting the most possible demand that will occur. Furthermore, it is the systematic way of organizing information of the past, in order to predict the future demand and counteract seasonality imbalances.

Despite the importance of demand forecasts the wineries do not conduct such, since sales are rather stable in all five cases. Certainly, they calculate the required personnel, costs and grape volume for each year. The wineries explained the absence of such forecasts due to the particularity of the wine industry. As a result of high unchangeable production costs and fixed supply, pricing decisions do not really depend on demand forecasts. Prices are mainly based on quality and costs, and not on demand. Although the vineyards experience small seasonality, they do not intend to counteract these imbalances. Except Klosterneuburg Monastery the wineries are not interested in shifting demand from off-peak periods to peak periods or vice versa. A problem of shifting demand is the appointed and not really adjustable harvest and production period of wine. Consequently, the demand is high in the spring months and in autumn until Christmas.

However, in order to assess future inventory requirements and evaluate potential market demand the wineries need to perform demand forecasts. These forecasts could reduce the risk of a false market entry or exit, avoid over- or underbudgeting and establish a suitable sales/market focus. Besides, I hold that the international sales problem regarding too less quantity could also be solved. Selling and distribution costs can be monitored and possibly reduced by reviewing past expenditures and accurate (demand) pre-planning.

5.1.5 Competitive Analysis

Nowadays, companies must know and understand their customers and competitors on an international level. Firms need to identify direct and indirect competition, acquire a competitive advantage and perform at a higher level than the competitions does.

In regard to competitive analysis all studied wineries have the same point of view: the Austrian wine market is big enough for all wineries and the goal is to enhance the international image of Austrian wine. This target is only feasible if all vintners work together and do not see themselves as competitors. Moreover, Austria still has a very small share in the international wine market. Klosterneuburg Monastery is the only winery which actively observes the competition and the winery Wieninger states that competitors stimulate the business but their more combatants.

Nevertheless, it seems that all wineries observe their competitors and as well see them as such. Possibly they do not conduct a SWOT analysis or evaluate secondary data. The wineries certainly perform a kind of primary research, such as comparing prices, assessing the competitor's wine and production methods, evaluating different distribution channels and observing the international market. Furthermore, through constant improvements and adjustments the vintner aims to perform at a higher level than the competition does, which is defined as the competitive advantage. In my opinion, the wineries should extent their competitive analysis, in order to identify primary competitors and determine prices.

5.1.6 Pricing Principles

Dynamic (Variable) pricing occurs when a seller with constrained supply adjusts prices, in order to maximize return from fixed capacity. Three fundamental pricing approaches exist: the cost-based method, value-based pricing and the market-based approach.

Price differentiation is the practice of charging diverse prices to different buyers, for exactly the identical product or for a slightly changed version. There are 3 degrees of price differentiation: the perfect price differentiation (1st degree), the concept of self-selection (2nd degree) and the approach of group pricing (3rd degree).

The concept of dynamic pricing is not efficiently adapted enough in the researched wineries. Although all estates have a constrained supply, only the winery Soell and Wieninger adjust their prices to scarcity or too much remaining quantity. In contrast, the winery Rudi Pichler would never set the price due to the availability of a wine.

Regarding price setting each vintner uses a combination of the approaches, whereby four estates adjust their prices to quality. The cost-based and market-based methods are applied in three cases. The winery Wieninger and the Klosterneuburg Monastery Winery employ a mixture of all three approaches together.

In a broader sense, all wineries apply the concept of price differentiation. By establishing various distribution channels, diverse prices are charged to different customers. For example, a wine purchased at Wein&Co is more expensive than directly bought at the winery. This price difference occurs as a result of the consumer's willingness-to-pay for the comfort not having to visit the winery. However, many vintners do not recognize the potential consumer surplus, and therefore wines are often underpriced.

The visibility of the prices and the possibility to select the purchase location, refer to the 2nd degree of pricing. Generally, the 2nd degree pricing is beneficial for the consumer but for the vintner group pricing would be more productive.

In general, all five wineries should apply pricing strategies in a more developed way. Especially, in regard to dynamic pricing the wineries still have a great potential. For instance, due to the constrained supply in the industry, the wineries could start pricing their wine depending on availability and demand. Additionally, demand could be shifted and seasons expanded. In return, this would save storage and wastage costs and distribute working hours more equally.

Concerning price differentiation the wineries have to segment their market in a more appropriate way, in order to identify clear price segments. The categorization into Tafelwein (table wine), Qualitaetswein (quality wine) and Praedikatswein (“certified” wine) is a first approach of price and product differentiation. However, in my opinion the wineries can still establish expanded/additional price categories, in order to target new consumers. On grounds of the continuously changing market, the grouping of all three pricing methods with a slight focus on market-based pricing is the most efficient for sellers and buyers. In this case, consumers have the possibility to compare prices, perceive value for their money and are charged after their willingness-to-pay. On the other side, the vintner covers the costs, generates income and remains competitive due to the possibility of adjusting prices to the overall market.

5.2 Conclusion

Revenue Management is applicable in almost every industry, so as well in the wine industry. Wineries do not need rocket science to adapt RM strategies. Revenue maximizing approaches can be easily discovered by observing customer patterns and forecasting reactions to price and availability changes. In today's fragmented, rapid changing and growing wine market RM is necessary to convert uncertainty into probability and probability into profitability. The issue of uncertainty can be reduced through gathering and analyzing detailed information about consumers, competitors, demand and costs.

In general, a great potential exists for RM in the Austrian wine industry. Simply, few improvements regarding a more extensive implementation can still be made. The wineries adapted the strategies to a certain degree, especially in the area of pricing and channel management. The qualitative research proved that channel management, traditional pricing methods and self-regulated segmentation are mainly applied. In regard to pricing the concepts of price differentiation and price setting are primarily implemented. Demand forecasting is hardly exercised, as the demand is rather stable and the wineries are not interested in shifting or extending seasons. Moreover, the wineries mainly focus on national marketing activities, and in some cases marketing is even more important than certain RM strategies. However, in order to create an international awareness and reputation, the wineries have to be engaged in global off-and online marketing more actively. Moreover, the design, development and impacts of a marketing plan for a specific winery would be an interesting study. Finally, the concept of competitive analysis is rather seldom integrated. Possible reasons are the small size of Austria's wine market, the missing international image and the industry's aim to be an entity on the surface.

The key to success is the constant presence on the market, innovative ideas and the possession of a competitive advantage. Furthermore, the implementation and understanding of the value of each RM approach is fundamental in today's global market. The wine industry needs to apply strategies concerning demanding customers, fluctuating demand patterns, increasing competition and variety of distribution channels. After adopting certain RM techniques to the business, the next step is to improve the opportunities and effectiveness of these tactics. The final goals are to understand the consumer's requirements, assess the individual willingness-to-pay and maximize revenue on each sale.

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Appendices

Appendix A

English interview guideline:

- 1) As a start, could you please tell me a little about your winery? How many hectares do you cultivate, how many employees do you have, your average annual production, the apportionment of varieties, etc.?
- 2) Am I right assuming that, you do not only sell your wine directly but also have other distribution channels? If yes, which are your main channels and how are these apportioned (also relating to export)?
- 3) Do you allocate your capacities actively? If yes, how do you determine the allocation?
- 4) Who do you think are your customers and your target markets? Is this a feeling or result of a market study?
- 5) How do you market/promote your wines nationally and internationally (fairs, print media, vintner associations, special offers, etc.)?
- 6) Do you observe your competition actively? If yes, who are your (strongest) competitors and how do you observe them?
- 7) Generally speaking, how do you determine your wine prices? Are these adapted to specific factors (e.g. competition, market, costs, etc.) or are there other reasons for the variable pricing? Do your prices strongly vary from year to year?
- 8) Do you take peak seasons and off-peak times in sales into account? If yes, how do you deal with them?
- 9) Finally, do you undertake any efforts to predict your future wine sales and demand? If yes, how?

Appendix B

German interview guideline:

- 1) Fangen wir doch an, dass Sie mir etwas über Ihr Weingut erzählen. Wie viel Hektar Sie bewirtschaften, wie viele Mitarbeiter Sie haben, Ihre durchschnittliche Jahresproduktion, die prozentuelle Verteilung der Weinsorten, etc.?
- 2) Gehe ich richtig in der Annahme, dass Sie Ihren Wein nicht nur Ab-Hof verkaufen, sondern auch andere Vertriebswege haben? Wenn ja, welche sind ihre Hauptvertriebswege und wie verteilen sich diese (auch im Bezug auf Export)?
- 3) Verteilen Sie Ihre Kapazitäten aktiv? Wenn ja, wie bestimmen Sie die Verteilung?
- 4) Was denken Sie, wer sind Ihre Käuferschichten bzw. Ihr fokussierter Markt? Ist diese Einteilung ein Gefühl oder Ergebnis einer Marktstudie?
- 5) Wie vermarkten/bewerben Sie Ihre Weine national und international gesehen (Messen, Printmedia, Winzervereinigungen, Angebote, etc.)?
- 6) Beobachten Sie Ihre Konkurrenten aktiv? Wenn ja, wer sind ihre (stärksten) Konkurrenten und wie beobachten Sie diese?
- 7) Ganz allgemein, wie bestimmen sie den Preis für Ihre Weine? Werden diese an bestimmte Faktoren angepasst (zB. Konkurrenz, Markt, Kosten, etc.) oder gibt es andere Gründe für die variablen Preise? Variieren diese Preise stark von Jahr zu Jahr?
- 8) Berücksichtigen Sie auch Haupt-und Nebensaisonen im Verkauf? Sofern Sie welche haben, wie gehen Sie damit um?
- 9) Abschließend, würde mich noch interessieren, ob sie Anstrengungen unternehmen Ihren zukünftigen Weinverkauf und dessen Nachfrage vorherzusagen? Wenn ja, wie?