Mountains, Vineyards and SME’s – Marketing Wine from the Floral Kingdom at the Southern Tip of Africa

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Introduction

Wine marketing is a vital undertaking for wine producing SME’s interested in surviving and profit making, even if the first 200 years are a problem, as famously suggested by Madame Rothschild.

Ninety percent of all private wine cellars crushing grapes in South Africa fall in the production category of between 1 to 1000 tons (n=453) and are concentrated in the Western Cape at the southern tip of the African continent. These wine SMEs face diverse and serious challenges in the marketing of their wines; in holistic terms the most taxing being the region’s remote geographic location in global terms, fluctuating world economy and exchange rates, declining domestic wine consumption (7.7lt per capita), as well as declining domestic wine sales and the already felt impact of global warming on wine production.

Background

Although there is a long history with wine farms dating from the mid 1600’s still in production today, the South African wine industry is viewed as a young (New World) industry and in competition with Australia, Argentina, etc in the world market. The local industry is still growing: there has also been a large increase in private wine cellars (and thus competition), since political and regulatory changes in 1994. The international accolades for the quality of South African wines have increased. Changes which directly affect wine marketing have been the evolvement of wine routes (17 in total in the last 40 years), wine (and food) shows, wine competitions and wine festivals. This has been due to incremental collaboration and networking within designated wine growing areas so named by the SA Wine and Spirit Board’s ‘Wine of Origin’ scheme. The private wine cellars clustered within regional proximity in such areas share some terrier and landscape features, as well as infrastructure and site specific wine and other products. Collaborative marketing has assisted with establishing destination wine brands and increased wine tourism.

The Western Cape is home to the five wine regions that comprise the greater part of the South African wine industry and wine districts of the Coastal Wine Region per se are all located within a 200km radius of the city of Cape Town. The wine region is internationally renowned for its scenic beauty and biodiversity – 95% of South African wine is produced within the area known as the Cape Floral Kingdom, the richest and smallest plant kingdom in the World. It is a proclaimed World Heritage site and a pioneering partnership between the wine industry and conservation sector, the Biodiversity and Wine Initiative (BWI), encourages wine producers to preserve the unique natural habitat that surrounds them and farm sustainably. The BWI has become a recognised aspect in the marketing of South African wine.

The Stellenbosch American Express™ Wine Routes (STBWR) is the oldest and most extensive wine route organisation in South Africa, set out in 1971 by 4 starter members. Its current network of 150+ member wine farms (some dating from the 1680’s) are organised into 5 sub-routes, where a high density of very old and very new wine cellars is evident – almost half of the wine cellars have been established post-1994 – 30+ wine cellars have only been established since the year 2000.

Most significantly, a quarter of all South African wine SMEs (n=111) are located in the STBWR area. These wine SMEs have access to diverse resources with 6 nearby towns housing local suppliers
of technology, skills, products, services, amenities and activities relating to viticulture, wine production, tourism, marketing and wine tourism. Stellenbosch in particular is considered the educational, research and marketing hub of the South African wine industry.

Despite the diverse circumstances some wine SMEs have been in business for many decades and the newcomers are gaining a foothold. This is especially admirable when taking into account these are family or single owner businesses.

Purpose of research:

The basic premise of the research project is that wine marketing for South African SMEs has become more complex in recent years (e.g. competition and evolving collaborative marketing) and that these SME’s are surviving (being successful) by innovatively adapting their wine marketing (planning) to suit their resources and own circumstances. Success or lack thereof is not considered part of the proposed research project, rather the ability to sustain for a length of time is noted.

Problems that could be encountered by SMEs in general, for example financial and time constraints, lack of resources, personnel and lack of knowledge, are what may prompt them to follow a complex or to them more flexible/steady marketing route. It is assumed that all SME’s would have some sort of planning in place, based more on the commitment, experience and outlook of the owner/marketer, but that a structured marketing plan may not be evident. A complex combination of both impromptu and researched based decision making and implementation of ideas, prompted by new opportunities popping up and lessons learnt in the past and trust in people (networking) may be evident. The reactive rather than proactive attitude in marketing planning can be problematic, but will happen if immediate survival is the most important factor, for example having to sell wine immediately to make way for new season’s stock. The marketing planning of wine SMEs may thus not follow the traditional marketing theory of 4ps and a structured marketing plan allowing for segmentation, targeting and positioning.

This research aims to elucidate the actual marketing practised by private wine cellar SMEs in the Coastal Wine Region.

Research methodology:

Information gathering of such complex wine marketing and marketing planning situations would benefit from using qualitative research methodology and in particular in-depth personal interviews with owners of wine SMEs (who are also the marketers of their business). This has already been proven successful in garnering information in other similar projects pertaining to marketing and other sector SMEs.

While the interviews would be structured with open ended questions, no specific mention of the 4ps (8ps) or the structure of the plan will be utilised. The ideas associated with these aspects would be put forward to maintain the information flow.