Unperceived Costs:
A Dilemma for French Wine-Growers
Joëlle BROUARD, Benoît LECAT
School of Wine and Spirits Business & ESC Dijon/Burgundy School of Business, FR
benoit.lecat@escdijon.eu, joelle.brouard@escdijon.eu

Abstract

Today, the economic profitability of wineries is a key-issue for any wine-producing regions in France even for the most prestigious ones. A lot of studies have been conducted in order to determine production cost whether it is in the vineyards, in the wineries or in the logistic process. Whereas the distribution and marketing costs are not covered a lot in academic research.

Next to that, due to the emergence of new technologies and the underlying change of consumer purchase behaviour, multi-channel policy generates cost, conflicts and challenges in terms of performance (3C's).

The different channels we have identified are the following ones: (1) fairs and local market; (2) personal selling; (3) at the winery; (4) at the wine shop; (5) on trade (pubs, hotels, restaurants and wine bars); (6) Works Council; (7) off trade (supermarkets, etc.); (8) cooperatives; (9) direct marketing; (10) telemarketing; (11) négoci (in bulk and in bottles); (12) clubs; (13) distributors/wholesalers; (14) home party; (15) duty-free and train station and (16) En-primeur system.

Therefore, a major concern for the industry is about estimating the accurate level of specific cost for each channel. Next to that, there are also underestimated costs such as: conditioning, communication supports and public relations expenditures, sales promotion, the time to prepare the orders, commercial risks, storage and so on,...

The purpose of this applied research is therefore on the one hand, to identify, based on small case-studies of French wineries coming from different regions, those distribution and marketing costs and on the other hand, to understand why wine producers seem not to be aware of those issues.

In terms of methodology, we collected quantitative and qualitative data among wine-growers based on their declaration. Then, we went further in asking in-depth questions for one or several distribution channels. And finally, we assess their "real costs" in taking into account the cost of samples, miscellaneous overheads and the time spent per task by their staff or family members or themselves based on the salary's grid.

Most of the wineries' managers underestimate the time and the cost of each task needed for the distribution of their wine because they are executed most of the time by their family or themselves, a bit like the "syndrome of Chinese restaurant".

The main recommendations for the industry concern pricing's consistency for the final consumers but also optimization of their distribution policy and the underlying profitability of their winery. In other words, it is a matter of opportunity cost management.

Keywords: Profitability, performance, channels, distribution and marketing costs, wineries, unperceived costs, multi-channel policy, channel conflict, challenges, France, optimization, opportunity cost

Selected references:
ROBY J-P, Van Leeuwen C., (2008), Références vigne: references technico-économique de système de conduit de la vigne