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Quantification of the Transaction and Distribution Costs for the Commercialization of Alsatian Wine

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The aim of this communication is to evaluate, for the Alsatian wine, the costs of distribution and marketing based on the type of the wine producers and the different distribution channels as it was already been done for other wine regions (Bouart & Lecat, 2014).

Firstly, our paper will focus on the recent economic developments of the Alsatian wine. Secondly, we will try to determine the transaction costs related to the publication and dissemination of information about wines, on the one hand, and the costs of negotiation and contracting with operators for distribution, on the other hand.

With 142 million bottles sold in 2013, Alsace wines, for all appellations, generate currently a turnover of about 530 million euro. The domestic market is now ¾ of total sales of bottled wines against the 90% it was 30 years ago. In 2013, exports generated a turnover of 110 million euro for still wines and 28 million euro for sparkling wines. The bulk of exports are going to countries in Northern Europe: Belgium, Germany, Sweden, Denmark, Switzerland and the Netherlands.

Nevertheless, since approximatively ten years, the trend is that of a significant decline in sales of AOC Alsace bottles. Thus, between 2003 and 2013, the sales fell by volume of more than 4%. This overall trend masks very different trends depending on the kind of the sold products. Thus, there was a significant decline in sales of still wines since the early 2000s. Between 2003 and 2013, these specific sales volume decreased by 14.4%. This decrease is even more dramatic in the domestic market and export. In recent years, erosion concerns mainly the volumes sold of *Pinot blanc* and *Riesling* following the first spectacular falls of *Edelzwicker* and *Sylvaner.* In contrast, volume sales of AOC *Crémant d'Alsace* increased by 54% between 2003 and 2013 and represent now 34 million of bottles. The sparkling wine corresponds for just under a quarter of all Alsace wine sales and is the leader for sparkling AOP (excluding Champagne) with a 33% French market share by volume.

The commercialization of products is ensured in 2013 for:

- 20% by independent winemakers,
- 41% by the cooperatives who make wine with the harvest of their members,
- 39% by traders/producers, apart from their own harvest, who buy grapes and/or wine from small grower's to make wine, raise and sell bottles.

This commercialization goes mainly by sales in supermarkets: about 4 bottles out of 5 are sold through this channel on which the competitive pressure from distributors is strong and drives the prices down. Furthermore, the wines of Alsace are struggling to differentiate from foreign wines who are also sold under the name of the grape variety even if the name of the AOC may in some cases be supplemented by communal geographical name or the name of the harvest place. In recent years, the refocusing on the grape variety rather than the land induces a competition much more on price than on quality.

Due to the economic difficulties of the vineyards since the early 2000s, there have been economic restructurings of the vineyard with a fairly strong movement of concentration: the first four major vineyard markets represent more than 50% of the volumes sold, and the 20 followers, 35% of the volumes. The main regional wine cooperative markets alone 15 million bottles per year, representing more than 10% of the annual Alsatian production.

Regarding to the decrease of the sales of still wine, the presence of big dealers and the nonspecific image of the Alsatian wine, we observe that the wine growers attempt to diversify the channels of distribution. Thus, the purpose of the paper is to determine the marketing and distribution costs taking into account the types of producers and the different channels.

From a methodological point of view, we will base our work on the paper of Bouart and Lecat (2014). Thus, we will distinguish the producers on :

- their size:
    - independents, small structures,
    - traders, medium sized structures,
    - Cooperatives, large structures.
- their market objectives:
    - domestic market
    - export market
- their products:
    - AOC Alsace
    - AOC Alsace Grands Crus
    - AOC with specific mentions "Vendanges tardives" & "Selection de grains nobles'
    - Crémant d'Alsace
- their distribution channels:
    - Wineries,
    - wine shops,
    - Web stores,
    - …

For each type of producer, first qualitative face to face interviews will be conducted to determine how the producers think and evaluate the marketing cost and the distribution costs. Based on this first exploration, we can construct quantitative surveys adapted to each kind of wine trader.

The final objective is to evaluate:

- the importance of this kind of costs in the average price of a bottle,
- the market access costs,
- the reasons that encourage to a vertical integration or to the use of vertical restraints in the wine commercialization strategies.