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The Oregon Wine Industry

Considerations for Developing a Marketing Plan

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OREGON STATE UNIVERSITY EXTENSION SERVICE

INTRODUCTION

Many people in the Oregon wine industry are searching for market expansion possibilities. They are greatly aware of increased acreage and production that is on the horizon for the Oregon industry. Given that setting we think it is important for all wine industry people in Oregon, both grape growers and winemakers to have some background on the marketing of Oregon wines. It is important to remember that the Oregon wine market comprises the market within Oregon itself and other states to which Oregon wine is exported. Since the wine market in Oregon is dominated by wine imports from other states and foreign countries the analysis has to go beyond Oregon, itself.

Within that context, the objective of this publication is to identify some important considerations for developing a marketing plan for Oregon winemakers. Following a short discussion on wine grape marketing, we describe the general wine market setting that Oregon faces. That is followed by a discussion of key elements that should be considered in any effort to develop a systematic plan for marketing Oregon wines.

WINE GRAPE MARKETING

The Oregon wine market can really be divided into two markets: 1) the wine grape market, and 2) the wine or consumer market. The wine grape market has an important influence in determining the price of the whole vintage. The price of the wine grapes is important in wine marketing because it psychologically influences the market for wine. This continues throughout the marketing channels for the particular vintage. The price and quantity relationship for wine grapes is also greatly influenced by the demand for the final wine product.

The structure of the wine grape market in Oregon as well as the rest of the U.S. is such that there are a large number of wine grape growers compared to a relatively small number of wineries. As an example of this situation, the 1978 U.S. Census of Agriculture listed 10,349 farmers producing grapes in California. These growers sell to relatively few important buyers. At the same time, there were 183 firms in California operating 307 bonded wineries. The leading buyer in California was (and still is) Gallo. Taylor was the leading buyer in New York.

An analysis of the wine grape market is difficult because of the great diversity of the market and the changing environment for price establishment. New York and California have enacted legislation to encourage early and independent price determination. Wine grapes are usually purchased on yearly supply contracts with minimum price guarantees. A new statute in California requires that prices be finalized by January 10 of the year following the crush.

The Oregon wine grape market comprises grapes only from *Vitis vinifera* varieties. In 1980, 1,415.7 tons of grapes were crushed in Oregon. An estimated 31.8 tons originated from California and 167.1 tons from Washington. The 1978 Census listed 856 farms reporting grape production in Oregon. This number included farmers who produce some house wine or table grapes. In 1982, 144 local grape growers responded to a vineyard acreage survey conducted by the OSU Extension Service. Currently there are 38 bonded wineries in Oregon. Of these wineries, at least 22 have vineyards of their own. Some wineries provide all their own grapes. As a consequence only a few Oregon wineries act as major buyers in the wine grape market.

The demand of most Oregon wineries is not constant. Wine grape supply is also quite variable due to changing weather conditions. Both of these factors cause great fluctuation in the prices received by grape growers. Wine grapes are sold during a relatively short time. The perishability of the grapes creates pressure for quick processing. This can cause downward price pressure.

In California and other states, the markets for alternative uses of grapes has a strong influence on the wine grape market. To reduce price instability, various forms of integration between grape growers and wineries have been developed. These include single and multi-year contracts as well as grower-owned wine cooperatives.

In Oregon, grapes are usually sold under annual contracts. A typical contract includes the conditions of delivery, quality, base price, sanitary condition of the grapes, timing of payments, and warranties. Grapes are priced according to their weight and sugar content. This method is used all over the world. The sugar content is the major indicator for quality and is measured in degree Brix. A certain base level is required for each variety, i.e., 21° Brix for Chardonnay, or 22° for Pinot Noir. The agreement between the winery and the wine grape producer usually includes bonuses for higher than base degrees and penalties for lower degrees.

Prices in Oregon are determined in at least two different ways. Some wineries base their wine grape prices on current prices for grapes of comparable varieties in Washington and California. The price in Washington is usually about 60-90 percent of the price in the north coast area of

California. The other method is to use a rule of thumb: the expected future bottle price of the particular wine is about one percent of the wine grape price per ton. As an example, if the expected bottle price per fifth is $6.50, the price for a ton of wine grapes would be $650.

Many Oregon grape producers and buyers are not totally satisfied with these pricing systems. They argue that these systems do not reflect the actual market conditions in Oregon. Some have called for closer communication between wine grape producers and wineries so that grape prices better reflect local market forces. The price of grapes is an important influence on business success for both buyers and sellers. This is especially important since the Oregon wine industry and the wine market are growing. A wine pricing policy resulting from better cooperation between wine grape producers and wineries could help to increase Oregon's share of the wine market.

THE MARKET SETTING FOR OREGON WINES

Product Life Cycle

To evaluate future wine consumption, it is important to determine the product's life-cycle stage. The concept of product life cycle attempts to recognize distinct stages in the sales history of the product: introduction, growth, maturity and decline. Corresponding to these stages are distinct opportunities and problems with respect to marketing strategies and profit potential.

Introduction is the period of slow growth as the product is introduced to the market. Profits are almost nonexistent because of heavy expenses for product introduction. Growth is the period of rapid market acceptance and substantial profit improvement. Maturity is a time with slowdown in sales growth because the product has achieved acceptance by most of the potential buyers. Profit is starting to decline because of increasing market outlays to sustain product position. Decline is the period when sales decline heavily and profits erode rapidly. The designation of the points where these stages begin is not clear cut and not all products pass through these stages in idealized S-shaped curves.

A new product has to overcome resistance from existing purchasing patterns. Awareness, interest, trial, and purchase have to be stimulated. If the product is satisfying, larger numbers of buyers appear. This in turn attracts the entry of new competitors. Thus, market awareness is increased and downward pressure on price is also exerted. Eventually the rate of growth decreases and approaches zero.

Various marketing projections suggest that wine as a whole is somewhere in the growth and maturity stages (Figure 1). That is expected to continue until about 1990. There is a difference, however, between wine types. The table wines which some consider the "engine" of the wine boom are still in the growth stage. In contrast, dessert wines may already be in the declining stage.

Oregon wines might be classified somewhere between the introduction and growth stages. Some wines are already well established in the market. But many Oregon wine marketers are still concerned with market awareness.

During the introductory stage, there are likely to be only a few firms selling the new product. Firms typically direct their selling efforts towards those buyers who are the most likely to buy. Buyers are usually

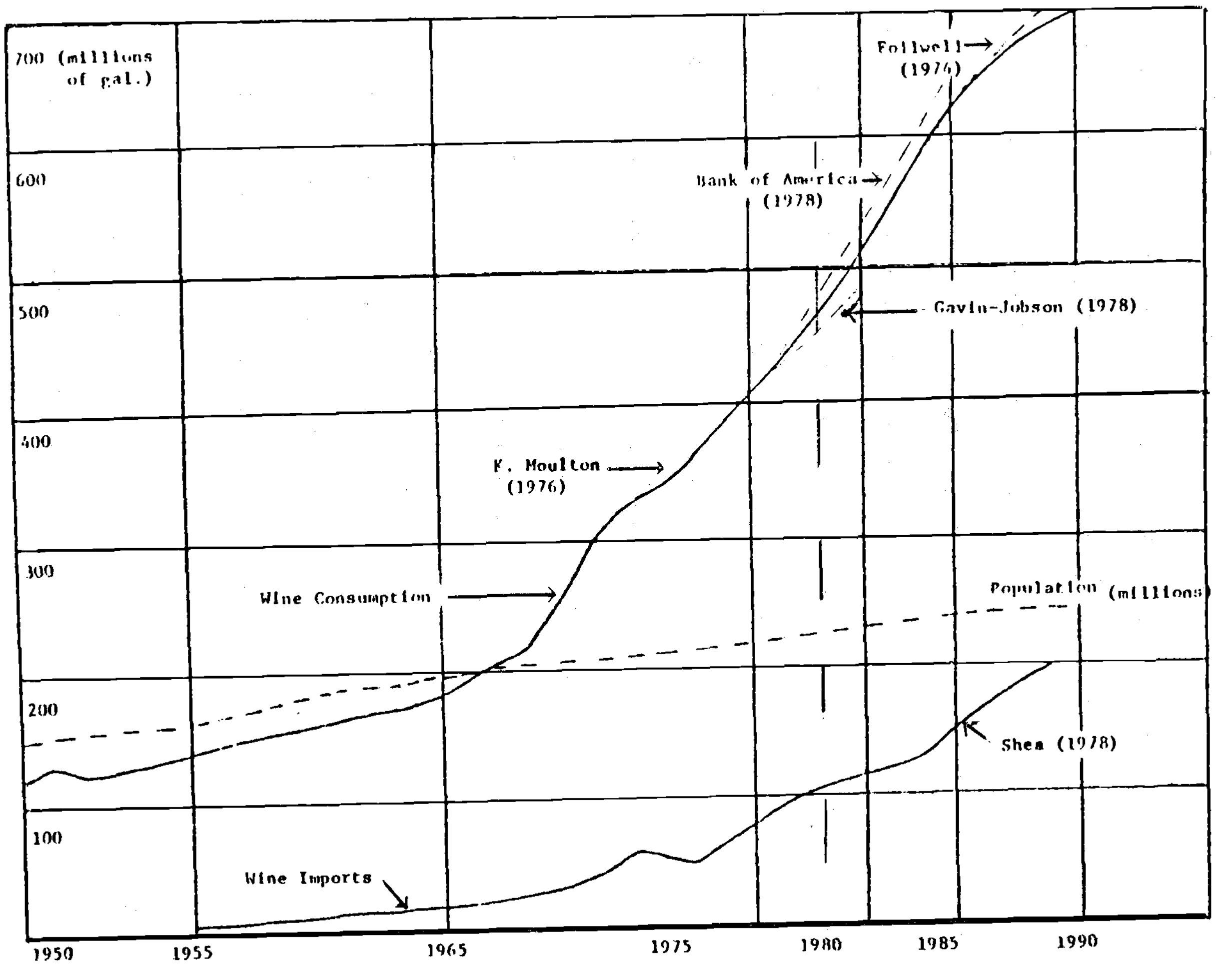

Figure 1. Evolution of Population, Consumption, and Imports of Wine from 1950 to 1977. Projections Until 1990.

familiar with similar products. A high level of promotion is necessary to (1) inform potential consumers, (2) induce trial of the product, and (3) secure distribution in retail outlets. Management can establish the level of activity for each marketing component such as promotion, distribution, product quality, and price.

In the growth stage, sales start climbing if the new product satisfies the market. In this stage new competitors enter the market which leads to a scramble for available distribution outlets. During this stage the firm tries to develop market segments and distribution channels. The firm shifts some promotions from building product awareness to improve consumer loyalty to the product. Management must decide when the time is right to lower the price to attract price sensitive buyers into the market. The firm in a growth stage faces a trade-off between high market share and high short-run profit. The firm foregoes maximum profit in the short-run by spending money on product improvement, promotion, and distribution.

The maturity stage is characterized by slowing down in the rate of sales growth. Profits tend to stabilize. This stage lasts normally much longer than the previous stages. The manager, rightly or wrongly, may be content with simply defending the product's current position. Three typical strategies in this area are: market modification, product modification, and marketing-mix modification.

Market modification means looking for opportunities to find new buyers. This could be done through stimulating increased usage among present customers. Through quality improvement as a means of product modification, the manager can try to break out of stagnant sales. There might be the possibility of stimulating sales through altering one or more elements of the marketing mix. Examples of this include price cuts, gifts and contests.

When the product reaches the declining stage, little can be done to halt the deterioration of sales and profits. Strategies available to the firm include: (1) continue as is, (2) concentrate only on profitable segments, or (3) reap the largest profit possible in the shortest amount of time and then phase out the product.

Segmenting the Market

Market segmentation is related to both product differentiation and product promotion. Market segmentation can be defined as the process of identifying groups of buyers with different buying desires or requirements. Market segmentation is the subdivision of a market into distinct subsets of customers where any subset may conceivably be selected as a target to be reached with a distinct marketing mix.

Marketers divide markets into segments based on geographic, demographic, or psychographic elements. Geographic segmentation may include status, regions, metropolitan areas and rural areas. Demographic segmentation may include such elements as age, income and religion. Psychographic segmentation refers to the individual and such aspects as life style, personality, buying motive, product knowledge, and product uses.

The seller may segment the market in many different ways. The goal is to determine the most effective mode of segmentation, i.e., the difference among buyers that may be the most important in approaching them.

Firms can target their marketing strategies toward market segments. As an example in wine marketing, several companies produce "kosher" wine especially for the Jewish population. Also, a number of companies merchandise Lambrusco type wines. A common name for this type of wine is "Italian Coca Cola." These wines are targeted for younger people.

General Wine Market Trends

Wine sales have increased every year in the last two decades. In 1980 wine consumption surpassed that of distilled spirits for the first time. Table wine was the most important wine type (Table 1). Table wine increased its market share from 74.3 percent in 1979 to 77.2 percent in 1981. During the corresponding periods the market shares for dessert wines declined. This illustrates the general trend in recent years toward more table wines and less dessert wines. Sparkling and vermouth wine market shares have been relatively stable.

A steady increase in the 25-44 age bracket is expected in the near future. That is a significant age group for wine consumption. By the end of this decade, the total adult population is expected to be 19 million more than in 1979. The largest population segment will be concentrated in the 25-34 age group, embracing 41.2 million people. That represents an increase of 6.2 million in the ten year period.

The alcoholic beverage market will likely be influenced by special markets. Wine markets for women, blacks, and Hispanics are expected to increase. The black population represents a substantial market for wines since it is relatively young. More and more black people are reaching

TABLE 1. PERCENTAGE OF TOTAL U.S. WINE SALES, BY TYPES

Type	1979	1980	1981
Table	74.3	76.3	77.2
U.S. Produced	53.7	54.7	54.3
Imported	20.6	21.8	22.9
Dessert	16.9	14.9	13.7
U.S. Produced	16.1	14.2	13.0
Imported	0.8	0.7	0.7
Champagne & Sparkling	6.6	6.7	7.2
U.S. Produced	5.4	5.5	5.5
Imported	1.2	1.2	1.7
Vermouth	2.2	2.1	1.9
U.S. Produced	1.4	1.4	1.3
Imported	0.8	0.7	0.6
Total Wine	100.0	100.0	100.0
U.S. Produced	76.6	75.6	74.1
Imported	23.4	24.4	25.9

Source: [The Wine Marketing Handbook].

higher income levels. A well educated black middle class is emerging that should have an influence on wine and spirits marketing.

The consumption of most table wines has been in the low and lower middle classes. In 1979, 1980 and 1981, more than two thirds of the wine marketed was sold for less than $2.75 per 750 milliliter bottle (Table 2). Higher priced wines comprised only a small market share. A slight down trend existed for the very low priced wines.

Some industry observers believe that the evolving wine market might be improved through promoting a greater frequency rate of wine consumption among those in the 25-44 age bracket. The wine promotion could stress "less drinking per occasion but more drinking occasions." Some feel that wine consumption is concentrated too heavily in top state and metropolitan areas. They stress that the wine industry must, in addition to cultivating a higher frequency rate in the prime wine markets, promote greater wine usage in areas which are not yet wine conscious.

Consumption of Wine and Other Beverages

The wine industry in the U.S. has enjoyed rapid growth over the past 20 years (Table 3). Consumption of wine has almost doubled since 1970. Prior to the recession of 1981, domestic wine sales were increasing at an average annual rate of 10 percent. Wine sales slowed in 1981 to about 1-2 percent less than expected. During 1982 wine sales gained 4-6 percent to a total of $2.84 billion. By 1992, U.S. wine sales are expected to increase to $6.3 billion.

U.S. per capita consumption of wine in 1981 was estimated to be 2.4 gallons (Table 4). That amounted to 1.3 percent of total beverage

TABLE 2. THE U.S. MARKET FOR TABLE WINES BY PRICE CLASSES (IN PERCENTAGE)

Class	Price Ranges (Equivalent 750ml Prices)	1979	1980	1981
Low	Over $2.00	50.1	49.0	47.3
Lower Middle	$2.01 - $2.75	26.9	27.3	28.0
Middle	$2.76 - $4.25	13.3	13.7	14.1
Upper Middle	$4.26 - $5.75	6.4	6.6	7.0
High	Over $5.75	3.3	3.4	3.6
Total		100.0	100.0	100.0

Source: [The Wine Marketing Handbook].

TABLE 3. THE U.S. WINE MARKET[a/]

Year	Value of Domestic Manufacture or Sales[b/]	Value of Duty-paid Imports	Value of Exports	U.S. Wine Market	Imports as a % of U.S. market
		($ millions)			
1965	352.4	65.0	0.73	416.8	15.6
1970	540.4	139.5	1.33	678.6	20.6
1975	1,109.2	291.2	5.11	1,394.9	20.9
1980	2,105.5	785.2	28.80	2,861.9	27.4
1982	2,840.0	980.0	51.20	3,768.8	26.0
1992[c/]	6,300.0	4,725.0	295.00	10,730.0	44.0

a/ Domestic sales plus imports minus exports
b/ Noncensus years estimated
c/ Forecast

Source: "Beverage Industry"

TABLE 4. BEVERAGE CONSUMPTION TRENDS IN THE U.S. (GALLONS PER CAPITA)

	1961	1971	1976	1981	1990 a/
Soft Drinks	12.3	28.6	33.7	39.5	50.1
Coffee	35.7	35.3	29.4	26.0	16.7
Beer	15.1	19.2	29.4	24.6	27.6
Milk	37.9	23.0	22.1	20.6	17.5
Juices	2.7	5.7	6.9	6.9	5.0
Tea	5.6	5.8	6.4	12.0	16.5
Powered Drinks	b/	b/	5.5	6.0	--
Wine	0.9	1.5	1.7	2.4	4.3
Distilled Spirits	1.3	1.9	2.0	2.0	2.6
Bottled Water	--	1.1	1.2	1.9	--
Total	--	122.1	130.7	136.4	--

a/ Forecast
b/ Not available

Source: [Beverage Industry 1983 Yearbook].

consumption. The U.S. per capita consumption of all beverages increased at an average annual rate of 2 percent between 1960 and 1981. Soft drinks, coffee, beer and milk had the highest per capita consumption levels. Most beverages are expected to have per capita consumption increases through the 1990's. The notable exceptions are coffee and milk.

Beer has been the leading category of alcoholic beverage consumption. U.S. per capita consumption was 24.6 gallons in 1981. Oregon per capita consumption for the same period was about the same. Only about 2 percent of the consumed beer was imported. The beer industry experienced strong growth over the historical period (Table 4). The market has been expanding especially for light beers which have been in strong demand particularly among women.

In contrast the consumption of distilled spirits increased very slowly over the same time period (Table 4). Per capita consumption in the U.S. for 1981 was 2.0 gallons. The corresponding figure for Oregon was 1.8 gallons. Whisky, one of two major distilled spirits categories, was declining over the historical time period. Wine has increased in per capita consumption relative to distilled spirits. For the first time in 1981, per capita consumption of wine exceeded that for distilled spirits. A continuation of that trend is expected in the future.

The total U.S. consumption of wine increased from about 120 million gallons in 1950 to 505.7 million gallons in 1981 (Figure 1). Total consumption is expected to increase to about 850 million gallons by 1990. Imports are expected to take an increasing share of the U.S. market in the next decade.

In 1981 just over 25 percent of U.S. wine sales were imported (Table 1). Just over 88 percent of the wine imported that year was for table use. About 23 percent of U.S. table wine sales in 1981 were imported. This continued an upward trend in the share of the U.S. market held by imports.

The value of wine imports in 1965 was $65.0 million, 15.6 percent of the value of wines sold in the U.S. market. By 1982 the value of imports had risen to $980.0 million, 26 percent of the U.S. wine market. By 1992, imports are estimated to take 44 percent of the forecasted $10.7 billion U.S. wine market. Like other commodities, wine imports are strongly influenced by the value of the dollar compared to other currencies.

There have been large shifts within the table wine sector. The trend has been toward white wines. In 1971 the share of white table wines was 25 percent of the U.S. table wine market. The red table wine share was close to 50 percent. By 1981 about 57 percent of the U.S. table wine market was white wine. Only 25 percent was red. The consumer shift from reds to lighter white wines occurred very rapidly, primarily in the late 1970's.

Wine consumption varies between rural and metropolitan areas. The percentages of domestic, imported, and total wine consumed in the top 20 U.S. metropolitan areas are shown in Table 5. In 1980, the top 20 metropolitan areas consumed 44.7 percent of all wines produced in the U.S., 54.9 percent of all imported wine, and 46.9 percent of all wine combined. More domestic wine relative to imported wine was consumed on the West Coast. The reverse was true for the East. New York accounted for 14.4 percent of the consumption of imported wines.

The per capita consumption of wine also differed among the states in 1980 (Table 6). The areas with the highest per capita consumption were:

TABLE 5. WINE SALES OF U.S. PRODUCED AND IMPORTED WINES IN THE TOP 20 METROPOLITAN AREAS IN 1980

Metropolitan Area	Percentage of Total Wines U.S. Produced	Imported	Total
Los Angeles-Long Beach	10.0	5.3	9.0
San Francisco-Oakland	4.0	2.7	3.9
Seattle-Everett	1.7	0.5	1.4
Anaheim-Santa Ana-Garden G.	1.6	0.7	1.4
San Diego	1.4	0.7	1.2
Riverside-San Bernardino	1.3	0.4	1.1
San Jose	1.3	0.5	1.1
Total West Coast	21.3	10.8	19.1
Dallas-Fort Worth	1.4	1.2	1.4
Houston	1.2	1.1	1.2
Denver-Boulder	1.2	0.6	1.1
Total Midwest	3.8	2.9	3.7
New York	4.0	14.4	6.4
Chicago	3.0	5.2	3.5
Boston-Lowell-Brockton-Lawrence-Haverhill	2.0	3.8	2.5
Detroit	2.0	2.8	2.3
Philadelphia	2.0	3.7	2.3
Washington, D.C.	2.0	2.1	1.7
Nassau-Suffolk	1.0	3.6	1.6
Newark, N.J.	1.0	3.1	1.5
Baltimore	1.3	0.7	1.2
Cleveland	0.9	1.8	1.1
Total East	19.6	41.2	24.1
Total Top 20 Metropolitan Areas	44.7	54.9	46.9

Source: [The Wine Marketing Handbook]

TABLE 6. PER CAPITA CONSUMPTION OF WINE IN THE U.S. BY STATES, 1960, 1970, 1980[a/]

State	1960	1970	1980	Percent Change from 1970	1980 Rank
		Gallons			
AL....	.22	.41	.98	139.1	42
AK....	.77	1.55	2.93	89.0	11
AZ....	1.12	1.40	2.18	55.7	17
AR....	.45	.62	.69	11.3	48
CA....	2.09	2.93	4.41	50.5	3
CO....	.78	1.41	2.94	108.5	9
CT....	1.31	1.56	2.71	73.7	15
DE....	1.17	.96	1.81	88.5	23
DC....	2.84	3.94	6.49	64.7	1
FL....	.89	1.39	2.33	67.6	16
GA....	.25	.62	1.19	91.9	36
HI....	.76	1.12	2.78	148.2	14
ID....	.29	.44	1.78	304.5	24
IL....	.85	1.24	2.08	67.7	19
IN....	.41	.54	1.05	94.4	41
IA....	.15	.28	.80	185.7	44
KS....	.28	.43	.70	62.8	47
KY....	.25	.38	.61	60.5	50
LA....	1.25	1.26	1.54	22.2	29
ME....	.36	.44	1.76	300.0	25
MD....	.98	1.14	2.03	78.1	20
MA....	1.10	1.39	2.86	105.8	13
MI....	.66	1.07	1.70	58.9	26
MN....	.46	.71	1.57	121.1	27
MS....	--	.36	.61	69.4	49
MO....	.69	.90	1.26	40.0	34
MT....	.43	.60	2.13	255.0	18
NB....	.41	.61	1.18	93.4	37
NV....	1.90	3.01	5.01	66.4	2
NH....	.54	1.43	3.73	160.8	4
NJ....	1.39	1.76	2.94	67.0	10
NM....	1.25	1.56	1.95	25.0	21
NY....	1.45	1.86	2.88	54.8	12
NC....	.33	.72	1.25	73.6	35
ND....	.37	.48	1.05	118.8	40
OH....	.65	.85	1.31	54.1	33
OK....	.37	.68	.97	42.6	43
OR....	1.00	1.83	3.10	69.4	7
PA....	.82	.90	1.42	57.8	31
RI....	1.22	1.78	3.37	89.3	5
SC....	--	.69	1.08	56.5	39
SD....	.45	.60	1.11	85.0	38
TN....	.25	.30	.74	146.7	46
TX....	.54	.78	1.32	69.2	32
UT....	.44	.52	.79	51.9	45
VT....	.99	1.74	2.95	69.5	8
VA....	.62	.94	1.56	66.0	28
WA....	.89	1.80	3.17	76.1	6
WV....	.39	.41	.56	36.6	51
WI....	.66	.98	1.89	92.9	22
WY....	.45	.71	1.43	101.4	30
U.S. Total	.91	1.31	2.11	61.1	

a/ Based on resident population as of July 1, except for 1980 which is April 1. Excludes U.S. civilian and military services personnel abroad.

Sources: State and Tax agencies: U.S. Bureau of Alcohol, Tobacco, and Firearms; U.S. Bureau of the Census.

District of Columbia, Nevada, California, and New Hampshire. Oregon ranked seventh in 1980. All states on the Pacific coast were about the national average of 2.11 gallons per capita. The states with the lowest consumption were: Arkansas, Mississippi, Kentucky, and West Virginia. Caution should be exercised in looking at per capita consumption figures by area since they are affected in some states by varying tax rates among the states.

Measurement of market penetration is important in successful wine marketing. Estimated percentages of households in each region making wine purchases are available. In general it can be concluded that the sale of wine in the U.S. is characterized in part by low market penetration. In one study, the Pacific region had the highest market penetration with 52.6 percent of the households purchasing wine. In contrast the U.S. as a whole had an average of 38.8 percent. Relatively few households accounted for 66 percent of all wine purchases (Figure 2). Twenty percent of the households accounted for 66 percent of all wine purchases.

Product Differentiation

Wine is a highly differentiated product. As early as the mid 1970's, the universal product code had over 45,000 entries for wine products. Product differentiation refers to the extent to which buyers distinguish between (have a preference for) the competing outputs of the various sellers established in the industry.

To give product differentiation its full meaning, different groups of buyers rank various competing outputs differently on their scales of preference. The strength of preferences and willingness to pay a premium price varies from buyer to buyer. These circumstances lead to some

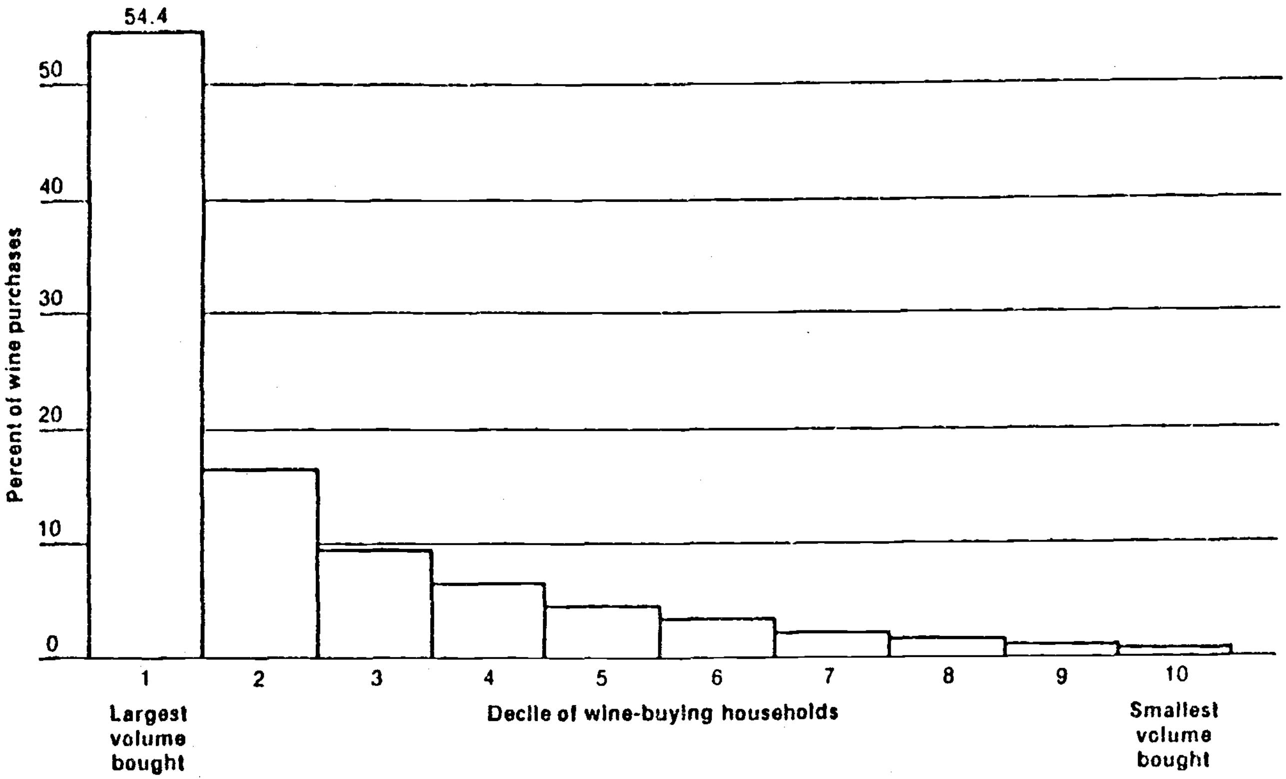

Figure 2. Concentration of wine purchases, February 1975 to January 1976

Source: [Folwell, 1978]

specific and generally unequal divisions of the market among competing sellers. This unequal division may extend to product prices.

Wine can be differentiated through:

1. Region
2. Variety
3. Color (white, red, rose)
4. Price class (low, lower middle, middle, upper middle, high)
5. Domestic or imported
6. Wine class: grape wine, sparkling, carbonated, fruit and berry wine, table wine, dessert wine, Vermouth, other special natural wine, sparkling wine.
7. Table wine, nonvarietal (generic) wine, varietal (premium) wine
8. Quality characteristic
9. Brands

Wine Quality

Among wine distinction the quality is the most difficult to address. The definition of wine quality is very subjective. Price is often used as a measure of quality. Generally it costs more to produce high quality wine because of lower yield per acre and higher production costs. But frequently, distribution costs or taxes are such that differences on the production level are not transmitted on the consumer level.

Experts may agree on price and quality scales. However, consumer preferences are not always the same. The problem is compounded by the fact that consumer preferences frequently differ with those of the experts.

An important aspect regarding quality judgment is that there is a great difference in sensorial perception among individuals. A significant number of people are color blind to a certain extent. Some people are physiologically very sensitive to acid, some are not. The health, age, and regular consumption of certain products (like tobacco) also have a strong influence on the individual sensorial perception. The taste of wine depends on color, aroma, and temperature. Sometimes the presence of a certain environment, or vocabulary which is used to express or compare the different elements of the taste influence the quality perception of the individual.

There is an important difference between the United States and European wine growing countries. Their governments and the Commission of the European Community impose several relative quality standards and absolute quality standards like alcohol content. The quality differences in the U.S. are more expressed through wineries with their particular brands rather than through a designation of origin or alcohol content.

To illustrate the notion of quality one can distinguish between two different aspects. There is an absolute distinction where a certain minimum quality requirement exists which the wine has to exceed to be purchased by the consumer. The other aspect is a relative distinction. A certain wine is qualitatively superior compared to others which are nevertheless consumable.

Product differentiation has a very important influence on pricing and on product promotion policies. The reverse is true also. Each seller is faced with a market in which some buyers either prefer the product or rank it high in their preference schedule. There is some degree of brand preference for all types of wine. However, households do not always show strong brand preferences for all wines produced by one winery. Each winery may serve some unique segment of the wine market.

Market Regulation

The environment in which the U.S. wine industry operates is unique. The Twenty-first Amendment (Repeal of Prohibition) authorized each state to regulate the sale, distribution, and taxation of wines manufactured in the state or imported for consumption. The industry operates therefore in two worlds. There is the dynamic world of market growth and potential and there is the restrictive world of state laws and regulations which differ very much within the U.S.

Wine is sold under a number of laws; 40 states have local options for prohibition, 13 states sell wine in state owned wholesale or retail stores. Twelve states have a monopoly for table wine distribution at wholesale and retail. Some states such as Arkansas, Georgia, Florida, New Mexico and Michigan impose higher taxes for out-of-state wines.

The Liquor Control Act as set forth in Chapter 471 of the Oregon Revised Statutes is the legal basis for the regulation of wine in Oregon. The responsible authority in Oregon is the Oregon Liquor Control Commission (OLCC) located in Portland. The purpose of the Liquor Control Act as outline in Chapter 471.040 is:

(1) "To prevent the recurrence of abuses associated with saloons or resorts for the consumption of alcoholic beverages; to eliminate the evils of unlicensed and unlawful manufacture, selling, and disposing of such beverages and to promote temperance in the use and consumption of alcoholic beverages; and to protect the safety; welfare, health, peace, and morals of the people in the state."

and (2) "Consistent with subsection (1) it is the policy of this state to encourage the development of all Oregon industry."

The regulations of the O.L.C.C. contain:

(1) a minimum age of 21 years to be qualified to purchase alcoholic beverages,

(2) allows for the wine trade in the state to be subject to the issuance of different licenses. Each type of license carries different types of privileges,

(3) regulations about standards for identification of wines. The different wine types are defined. The section also regulated the designation of origin and celler treatment,

(4) regulations on the labeling of wine produced or bottled in Oregon,

(5) regulations on sanitation and cleanliness for the production, bottling, and handling of wine,

(6) a provision for the O.L.C.C. to set a minimum price for the wine retail level. No wine can be sold at prices lower than those set for the designated container size. In recent years, the minimum prices were 59 cents per fifth and $2 per gallon. A list of prices must be filed with O.L.C.C. before the 20th of a month to take effect the following month,

(7) advertising through the media must be submitted to and approved by the Commission prior to use. The Commission considers the "public interest" in approving advertising material.

DEVELOPING AN OREGON WINE MARKETING PLAN

The Marketing Mix

The forecast of an expanding Oregon wine industry in the coming years suggests that Oregon wine producers begin to develop a marketing plan now. A key in any plan for marketing is the marketing mix. Major elements of Oregon's mix might include product considerations, pricing, distribution, and communication. Product consideration refers to such things as quality, image, labeling, and variety. Pricing includes price level, price differentiation, and discount schedules. Distribution refers to the choice of intermediaries and sales techniques. Communication is the type of message, style, intensity, and the promotional tools used in public awareness efforts.

There are numerous interdependencies among these marketing aspects. Examples include: (1) the consumer often judges the quality of a product by its price, (2) product attributes and prices comprise the image of a product, (3) discount schedules are set according to certain price levels, (4) communication and product planning are ineffective without relevant distribution channels, (5) significant product outfit and labeling aides the identification between product and communication message, and (6) mass distribution is only possible with parallel mass communication (promotion).

A major task for Oregon's wine marketing planners will be to find the optimal combination of marketing activities. The choice between various strategies is more or less restricted through external factors like the behavior of consumers, distributors, competitors, and the general business environment. The Oregon wine industry needs to be market oriented. An individual winery in Oregon following the marketing plan may then have a better chance of being successful in the long run. In other words the benefits of the product may be in better line with the expectations and behavior of the consumer. Needs, attributes, life styles, shopping patterns, and behavior of a large and exactly defined consumer segment have to be matched.

The first step in Oregon's planning should be an analysis of the consumer behavior and market segments. Then, a suitable product conception, an assortment of wine varieties, wine classes, and a certain wine style have to be developed. This is conceptualized first in terms of consumption patterns, frequency of purchase, quality level, and exclusivity. At the same time the development of external factors like overall economy, competitors, and legal considerations must be analyzed. Also internal considerations, capacity, financial limitations, grape procurement, and know how influence the decision making.

After the product strategy has been outlined, the next step is to work on different Oregon distribution strategies. The choice of alternative distribution systems is limited through the product strategy and consumer behavior. The choice of a certain distribution system influences the price strategy and detail planning in organization of sales and logistics. With the development of product and distribution strategy the choice of price strategy is determined together with consumer and competitor behavior. The costs which arise through certain product and distribution strategies as well as competitor's and consumer's behavior must be considered. The determination of a particular price strategy limits the alternatives in setting price levels and price differentiation. At the same time distributor's behavior influences the use of discount schedules.

To determine particular communication strategies the information needs of the consumer and the possible promotion tools are important. After the specification of a detailed product strategy, specific planning in the areas of distribution and communication can be undertaken.

Market Selection

As Oregon wine producers develop a plan for marketing, special attention must be placed on market selection -- what markets the winery chooses to serve and with what products. The target audience has to be found. A starting point in market selection is market segmentation which means dividing the market into segments according to some rational scheme.

Market segmentation is important in wine marketing because it permits product variations rather than a single standardized product. The heterogeneity in income and lifestyles has fostered subsegments of demand for wine. Market segmentation will be a difficult task for Oregon wine marketers who must develop a tactic to discover what scheme addresses itself most closely to customer needs and to distinctive and significant differences in their buying behavior. People in different income groups, different age groups, different ethnic backgrounds, with different occupations, as well as different educational backgrounds exhibit characteristically different tastes, buying behavior, and consumption patterns.

Studies indicate that an important age group for wine purchases is the 25-34 age bracket. A recent study indicated that about 28 percent of U.S. table wine was purchased by people in that age bracket (Figure 3). The age groupings of 35-65 bought 60 percent of all wine. Other studies have led to comparable results.

Wine consumption by age and in comparison to other beverages is indicated in Table 7. Youth are consuming more beverages than any other group. But an important age range for the Oregon wine industry to consider targeting is the 21-39 year old segment of the population. People in those age groupings are less inclined to consume distilled spirits than those in older age categories. Anticipated changes in the age composition of the U.S. population over the next decade may well lead to increased wine consumption if the preferences of various age groups are maintained.

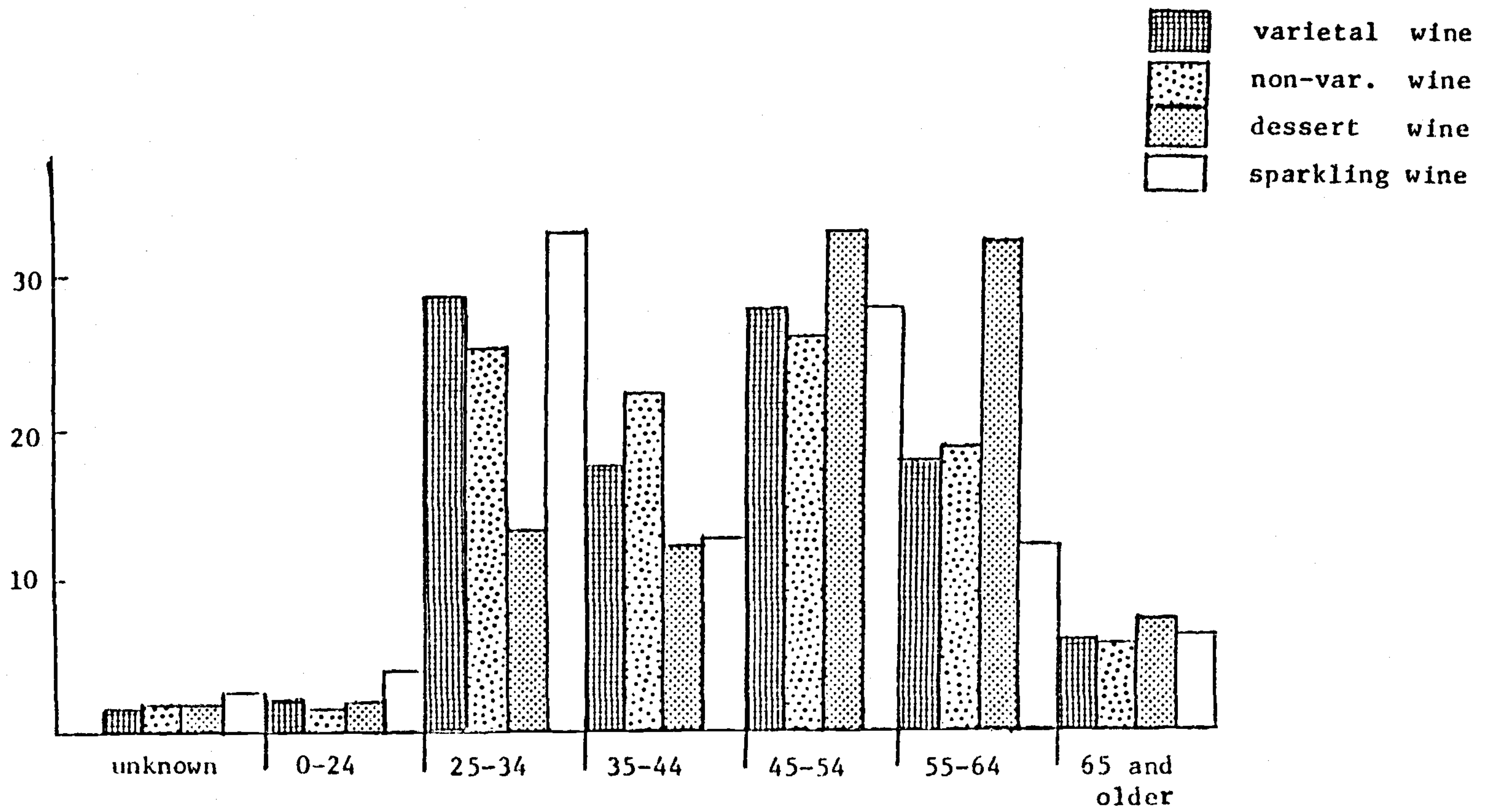

Figure 3. Percentage Distribution of Age Groups for Wine Purchasers by Different Wine Types

Source: [Folwell, 1978]

TABLE 7. BEVERAGE CONSUMPTION BY AGE GROUPS, 1982 (PERCENT OF VOLUME)

Age Group	All Beverages	Distilled Spirits	All Wine	Table Wine
Under 20	25.3	.7	3.5	1.8
20-29	17.9	15.5	20.3	20.9
30-39	16.5	21.1	26.0	29.3
40-49	12.9	18.1	13.8	14.7
50-59	13.6	23.2	19.1	19.1
60 and over	13.7	21.4	17.4	14.2

Source: [Shanken Communications].

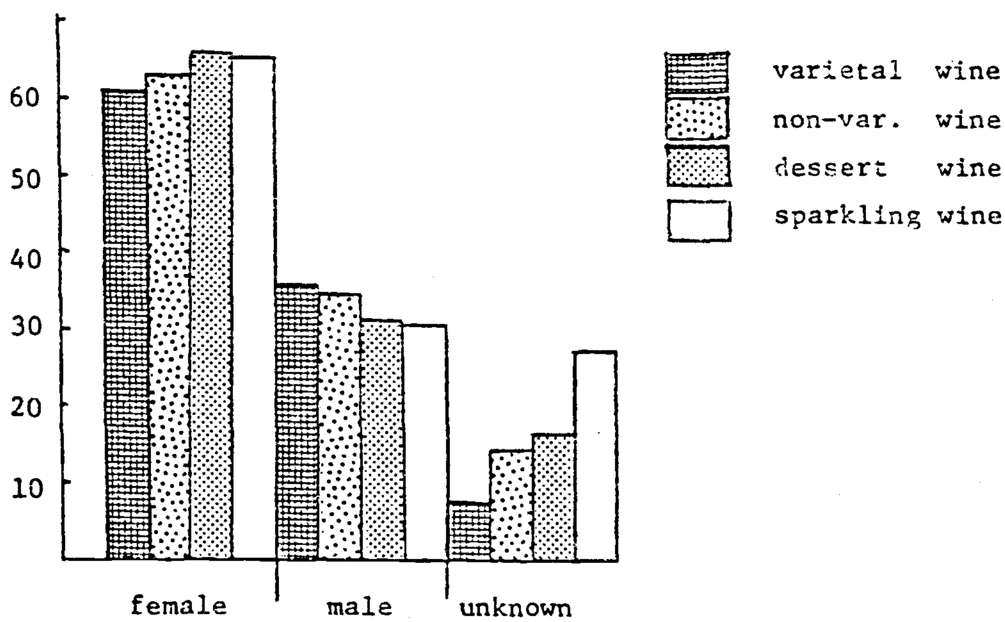

Figure 4. Sex of Wine Purchaser in the Pacific Region

Source: [Folwell, 1978]

Females account for at least 60 percent of all wine purchases in the Pacific region (Figure 4). This appears true for all wine types. Thus, a reasonable sales target for Oregon wine marketers would be toward women buyers.

As a whole women consume less beverages than men (Table 8). But it is important to note that wine is one of the few beverage categories where female consumption exceeds that of the male gender. Tea and the hot/cold chocolate categories are the only other segments that exhibit a greater consumption by females.

Household income is an important factor in the U.S. consumption patterns for beverages as a whole but may not warrant such a degree of importance in selecting marketing segments for an Oregon wine marketing plan (Table 9). For all beverages consumption increased from 25 percent for those households under $14,000 annual income to almost 40 percent for those with incomes exceeding $25,000 annually. The increase for distilled spirits and "all" wine was even more dramatic with over 50 percent consumed by the high income category household. Table wines are more evenly consumed by household income categories. Yet, Oregon wine marketers may want to pay some attention to the household income level being approached given the high price class of many Oregon wines. Higher income households may be more receptive to Oregon wine price ranges.

Various studies have indicated that U.S. wine drinkers are fairly well split between college educated and non-college educated people. Typically, 53-55 percent of wine drinkers have at least some college education. Almost all have at least a high school education.

TABLE 8. BEVERAGE CONSUMPTION BY GENDER, 1982 (PERCENTAGE BASIS)

Product	Male	Female	Total
Coffee	50.5	49.5	100.0
Carbonated soft drinks	52.0	48.0	100.0
Milk	60.7	39.3	100.0
Tea	46.7	53.3	100.0
Fruit juice/drinks	53.4	46.6	100.0
Beer	81.8	18.2	100.0
Distilled Spirits	55.8	44.2	100.0
Hot/cold chocolate	46.3	53.7	100.0
Wine	47.1	52.9	100.0
Total	54.2	45.8	100.0

Source: [Shanken Communications].

TABLE 9. BEVERAGE CONSUMPTION BY HOUSEHOLD INCOME, 1982 (PERCENT OF VOLUME)

Household Annual Income	All Beverages	Distilled Spirits	All Wine	Table Wine
Under $14,000	25.5	20.7	23.8	28.1
$14,000-$24,000	35.1	28.7	25.2	32.9
$25,000 and over	39.4	50.6	51.0	39.0
Total	100.0	100.0	100.0	100.0

Source: [Shanken Communications].

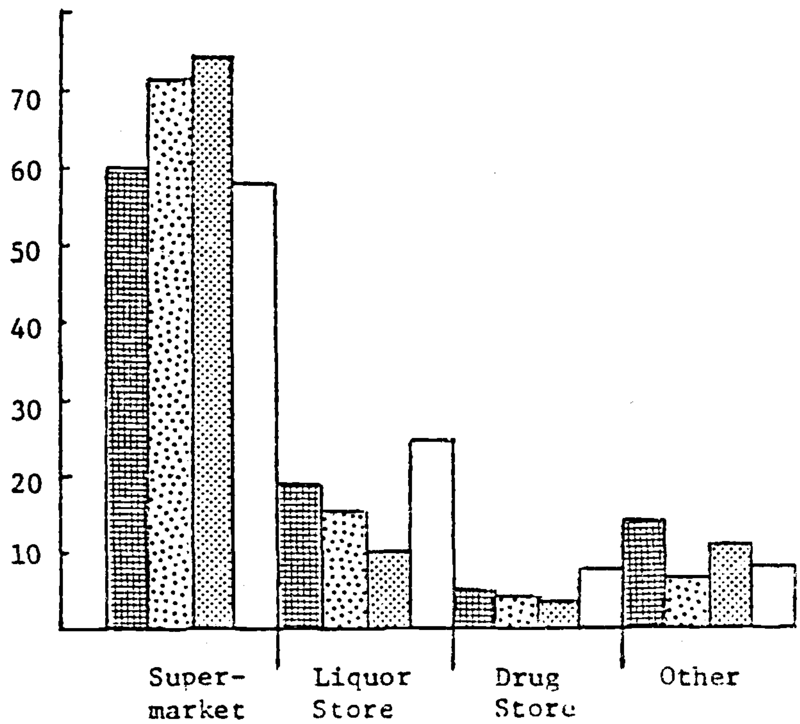

Figure 5. Place of Wine Purchases in the Pacific Region

Source: [Folwell, 1978]

The supermarket has been the major place of purchase for wines in the Pacific region (Figure 5). About 60 percent of varietal wine sales were made in this type of outlet. An additional 20 percent of varietal wines were sold in liquor stores.

As Oregon wine marketers develop their strategies, it should be noted that 15 states have laws prohibiting the sale of wine in grocery stores. The importance of supermarkets in the distributional chain for wine may explain, in part, why women are important buyers of wine. The opposite cause/effect relationship may also be true. Until recent times, the primary source of varietal wines was liquor stores. However, the share of supermarkets and wine specialty stores in the varietal wine market is expanding at the expense of traditional liquor stores.

Wine drinking in the U.S. is concentrated in the professional areas. It has been estimated that households headed by professionals consume 50 percent more wine as other households. In identifying appropriate market segments to target, Oregon wine producers might consider study results which indicate that families headed by white collar workers reported average wine consumption while those headed by blue collar workers reported consumption of about one half that of other wine drinking households. The blue collar family market might prove a more difficult one for Oregon wine marketers looking for expansion opportunities.

It is important for Oregon wine marketers to realize that wine consumption varies widely among different ethnic and religious groups. For example 83 percent of U.S. Roman Catholics consume alcoholic beverages. Less than 60 percent of protestants are users of alcoholic beverages. The black and hispanic markets appear ripe for expanded sales of wine products.

The development of any marketing plan for Oregon wines must include a geographical segmentation analysis. This divides the market according to consumer locations. The location of wine consumption embodies a number of factors such as income distribution, occupation, regional culture and ethnic mix.

A recent study shows the variation of beverage consumption by region (Table 10). The consumption in the South where the biggest share of beverage consumption occurred, emphasized carbonated soft drinks, tea and distilled spirits. Wine for the South was in a relatively low category. The West consumed the smallest percentage share for beverages as a whole. However, it had the largest share of wine sales. That was followed closely by the northeast which accounted for just over 30 percent of wine consumption. For ease of penetration Oregon wine marketers might first consider targeting the Pacific region and the Northeastern U.S. for sales expansion.

About 70 percent of all beverages are consumed at home (Table 11). Of special interest is the fact that alcoholic beverages fall short of that mark. Wine is consumed at home to the extent of only about 60 percent. The study results offer some suggestions for additional locations where the consumption of Oregon wines might be encouraged. About 6 percent of all beverages are consumed at parties/other people's homes. Yet, almost 20 percent of wine consumption takes place at such locations. Another 12 percent of wine consumption takes place at restaurants compared to 6 percent of total beverage consumption at such locations. Less than 4 percent of wine consumption occurs at bars and private clubs.

TABLE 10. BEVERAGE CONSUMPTION BY GEOGRAPHIC REGION, 1982 (PERCENTAGE OF VOLUME)

Region (Population Share)	Total	Beer	Distilled Spirits	Wine
Northeast (21 percent)	19.9	22.4	24.3	30.2
North Central (30 percent)	30.5	37.2	25.0	18.3
South (32 percent)	33.1	26.4	30.3	20.0
West (17 percent)	16.5	14.0	20.4	31.5
Total	100.0	100.0	100.0	100.0

TABLE 11. BEVERAGE CONSUMPTION BY LOCATION OF CONSUMPTION, 1982 (PERCENT OF VOLUME)

Beverage Type	Home	Restaurant	Bars/Private Clubs	Party/Other Person's Home	Office/Work School	Other	Total
Coffee	68.9	6.8	0.3	4.2	17.4	2.4	100.0
Carbonated soft drink	52.7	11.6	0.8	7.4	18.5	9.0	100.0
Milk	80.7	1.7	--	3.2	13.2	1.2	100.0
Tea	80.7	5.0	0.2	5.6	6.4	2.1	100.0
Fruit juice/drinks	82.8	1.8	0.1	4.3	7.5	3.5	100.0
Beer	49.9	5.1	15.4	15.5	1.3	12.8	100.0
Distilled Spirits	53.1	11.6	12.7	15.0	0.6	7.0	100.0
Hot/cold chocolate	84.1	2.7	0.1	2.9	6.8	3.4	100.0
Wine	59.4	12.1	3.8	19.7	0.5	4.5	100.0
Total	70.1	6.1	1.4	6.0	12.2	4.2	100.0

Source: [Shanken Communications].

Almost half of wine consumption is associated with meals. Less than 2 percent is consumed, however, with breakfast or morning brunch activities. The evening hours are a popular time for wine consumption where about one-third of wine is drunk.

Psychographic segmentation is an extension of demographic segmentation. It offers ideas for an important marketing approach which Oregon wine marketers may want to consider employing in their planning. Psychographic segmentation attempts to distinguish markets according to individuals' life styles and peoples' attitudes towards themselves. This can help Oregon wine marketers to segment between groups in planning product lines and advertising programs.

Wine drinking for many people has become a symbol of status. It is an important activity for many consumers who are well educated and relatively wealthy. Wine is a common party topic and appears regularly as a subject of columnists in newspapers. White wine continues to compete very well against distilled spirits as a cocktail beverage, as much as 27 percent of white table wine may be used in that way. Wine consumption is associated with many peoples' changing attitudes and values which include a desire for a higher quality lifestyle with more leisure time. Wine consumption is also associated with peoples' increased emphasis on home entertainment and gourmet cooking.

Oregon wine marketers should be conscious of the way consumers use wine as they develop their marketing plans -- whether it is for gifts or self consumption. The majority of table wine is probably bought for everyday use. A slightly higher percentage of nonvarietal table wines is probably intended for such use. Varietal wines are more often used for special occasions than nonvarietals. Wines intended for gifts are likely not a significant portion of sales volume.

Product Planning

An Oregon wine product offering should be thought of as a total package of benefits that the customer obtains when making a purchase. This includes the product itself, its brand name, availability, and the relationship that may develop between the buyer and representatives of the seller. The wine product needs to be defined in terms of the benefits the buyer obtains when consuming it. The sellers attitude is secondary. What really counts is the purchaser's perception of the wine's value vis-a-vis the array of competitive offerings.

A key element to the marketing of Oregon wines is product planning. It is desirable to consider this element prior to planning the winery's product mix. Among the choices are:

1. How many varieties and types of wines?
2. Will the wine to be sold span a range of price points or be concentrated at the low end or the premium price level?
3. Will the wine be a standard "off the shelf" item or will it be designed to specific customer preferences sold only in fine restaurants or fine boutique shops?
4. Will the winery market the wine itself or will it use intermediaries?
5. Is the wine in its quality differentiable from competitive offerings?
6. Will the proposed offering enhance the winery's reputation, its position with existing customers, and its strength in dealing with retailers and distributors?

Market selection and product planning must often be made together. The heart of marketing strategy is determining what market segments to go after with what wine.

Pricing

Pricing is establishing the price at which the wine is sold to a customer. The price structure, however, may have to provide for:

1. Quantity discount schedules under which unit price is reduced as the number of units purchased increases.
2. Functional discount schedules under which different classes of buyers (distributors, user-customers) are quoted different prices by the seller.
3. Retail and wholesale margins as percentages off list prices.
4. Payment terms (i.e. trade credit).

The art in pricing strategy is to have the price a quantitative expression of the value of the product to the customer. If the price is any less than the customer is willing to pay, the seller sacrifices potential profits.

To the extent that one competitor can differentiate its product from others that are available to buyers, it enjoys a degree of freedom in establishing the price at which it will sell. If buyers may be persuaded that its product is superior for any of a wide range of reasons, it has the opportunity to obtain a premium theoretically equal to the increment of value the buyer perceives.

If competitive price levels set the ceiling, costs set the floor. A winery cannot long sell below its production cost and stay in business. Possibilities to set prices are: standard cost pricing, cost plus desired profit pricing, and pricing according to what the market will bear. A key factor in setting prices is the competitive response. Sellers are very often forced to adjust prices because some competitor has made moves in the market.

The wine industry in the U.S. is clearly dominated by Gallo which accounted for 25.8 percent of all wine shipments in the U.S. in 1981. Gallo is a price leader. Wine marketers often adjust to the moves Gallo has made. The phenomenon of price leadership and the natural instinct that typically motivates each competitor explain why there is a good deal of parallelism in pricing. As long as 1) competitors don't communicate with each other directly, and 2) pricing moves cannot be construed as predatory, conscious price parallelism is not only legally acceptable behavior but may be essential to survival for a small winery. Pricing parallelism means pricing at a certain percent above or below the competitor's price.

Distribution Channels

Between the wine grape grower and the final consumer are frequently important marketing intermediaries. Oregon wine producers need to pay attention to the complex of agents, wholesalers and retailers if products are moving through indirect channels to the consumer. On the production level there are domestic and foreign producers. Marketing intermediaries include brokers, importers/exporters, wholesalers, retailers, and restaurants. The final consumer completes the system of product flow. While the classification on the production and consumption levels are clear, there are overlappings on the intermediary level.

The most common channel of wine distribution is from the producer to the wholesale distributor who sells to the retailer. In 1981 the U.S. Bureau of Alcohol, Tobacco and Firearms reported 1102 bonded wineries in the U.S., 6537 wine wholesale license holders, and 445,216 retail wine license holders. In certain states the wine wholesaling and/or retailing function is undertaken by a state agency.

Companies selling domestic brands frequently do not have the volume to support a full marketing organization. So they may act as national importers or provide outside wine marketing services to support the development of an organization. These organizations then typically have sufficient resources to support heavy promotional programs and extensive distribution networks to assure product availability.

Oregon wine makers have two important distribution decisions to make. The first is whether to sell direct or indirect. This decision is usually based on legal restrictions, cost factors, and whether a winery can afford its own sales force. Twelve states have a state monopoly for table wine distribution at wholesale and retail level; 13 states sell wine only in state owned wholesale or retail stores. If the winery has the sales volume base to afford the costs of selling direct, the distribution costs are largely a function of the number of potential customers in the market, how concentrated or dispersed they may be, and logistics such as transportation costs and warehousing. Because of the tremendous dispersion and large number of potential customers, only a few large wineries can afford to maintain their own sales force, except for the very small winery where the owner sells part of the wine through the tasting room and distributes the rest directly to a few retailers and restaurants.

By selling through an intermediary, wholesalers and retailers are able to spread their operating costs over a sales base which includes the products of a great many wineries and sometimes together with other alcoholic beverages. There are a large number established whiskey and beer wholesalers who are now in the wine business. They often carry the major brands and are eagerly seeking the products of a small winery to improve their image.

Large wine making companies carry out their own sales program in the same way as the national importing and marketing companies. Most of the major wine companies have local representatives in principal market areas. Brokers are active to a limited extent in the wine market. They operate in a similar manner to importers. They typically have no distribution networks, carry no inventory, and do not contribute to advertising. Brokers are most frequently active in the sale of imported wine and in selling bulk wines.

Depending on the state, retail distribution of wine can be through liquor stores, specialty shops, food stores, drug stores, and various on-sale premises. Large retail organizations buy wine directly from both domestic and foreign producers or from a national sales organization. On-premise sales are important to small wineries.

The distribution system for wine has a strong influence on its final price. Wholesalers typically take a 25-35 percent markup. Retailers take an additional 40-50 percent markup.

Wineries in Oregon sell about 10-20 percent of their wine directly out of their tasting rooms. Although this method is associated with higher costs for the tasting room and wine for the tasting itself, it can be regarded as a very important and effective means of product promotion. In 1981, the O.L.C.C. issued 140 wholesale, 1,690 on-premise, 2,431 off-premise, and 1,779 combination on-premise - off-premise licenses.

A small winery has basically two approaches to selling wine: (1) direct and (2) general distribution. By the direct approach the winery has control over its price but the winery has to do all the promotion and marketing work itself. The general approach permits sale of the wine to only a few persons (middlemen) in a large market. This can lower the marketing and transportation cost but the winery has to take the price which is offered. The value of middlemen is largely due to their superior efficiency in the performance of basic marketing functions. Marketing intermediaries, through their experience, specialization, contacts, and scale, offer the producer more marketing services than can usually be achieved independently.

Problems with indirect selling are: the winery loses the control over sales strategy and retail pricing, motivating independent retailers and wholesalers to stock the wine may be a problem, and promoting it effectively to the consumer may be difficult.

The other important decision that Oregon wine marketers must make is whether to have selective or intensive distribution. This decision should be based on expected sales volume, i.e., whether a winery can cover a given market intensively. A small Oregon premium winery might be interested in focusing on selected key stores in every target area. Supplementing the key outlets might be a range of cheese shops and gourmet oriented wine and liquor stores. Other key points might be certain fine restaurants. Restaurants do not usually carry a huge inventory. They tend to buy wine on short notice.

Distribution strategy is among the most difficult to change. Distribution channels take a long time to build and involve complex relationships with many independent business people.

Market Communication

A central function in marketing is communications: informing people about the product, showing them its benefits and persuading them to buy. It is important for successful Oregon wine marketing to understand the buying decision making process and how this is related to communication.

Consumers pass through various stages to reach their buying decisions. The stages can be thought of as:

1. Initial awareness of need
2. Identification-of-options
3. Search for information
4. Selection

The stages in any individual purchase are likely to vary depending on the nature of the product, previous buying and use experience, and the involvement of others in the buying decisions. Important to Oregon wine marketers, however, is that the communication vehicles needed to reach the perspective purchasers and influence the decision making process may be different at various stages. In the final selection stage the most powerful communicator may be the sales person behind the counter.

Product promotion activities include:

1. Advertising: any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor.

2. Personal selling: oral presentation in a conversation for the purpose of making sales.

3. Publicity: nonpersonal stimulation of demand for a product, service, or business unit by planting commercially significant news about it in a published medium, or obtaining favorable presentation of it on radio, television, or stage that is not paid for by the sponsor.

4. Sales promotion: those marketing activities, other than personal selling, advertising, and publicity that stimulate consumer purchasing and dealer information.

5. Public relations: any effects that promote goodwill and enhance the winery's image.

Media advertising may be effective to perform the following tasks: (1) provide information on product specifications and prices, (2) inform potential customers where to buy, (3) to introduce new products, and (4) to suggest ideas for use. Advertising is being used by major wineries to alter consumer preferences. The index of advertising expenditures for wine in the U.S. has increased five times since 1967. Advertising expenditures increased from 10 cents per gallon in 1972 to 16 cents per gallon in 1975. Budgets for imported wines were considerably higher. In 1981 wine advertisers invested $166.8 million in media promotion. This was about 1.5 percent of the total consumer expenditures on wine (6.7 billion). The beer industry spent $464.2 million on advertising in 1981 which was 1.6 percent of the total consumer expenditures on beer (29.1 billion).

Only large wine companies can fully exploit the advantages of large scale promotion. The use of media like nationally distributed magazines, television, and radio requires that a firm distribute its product on a nationwide or at least regionwide basis to make it available to all buyers in all locations covered by the media. This in turn requires that the firm has a large enough quantity to serve the market.

Personal selling may perform the same tasks as media advertising and is especially useful in: (1) identifying prospective customers, and (2) providing personalized assurance on the rightness of a purchase decision. Personal selling in contrast to media advertising is a two way channel of communication between buyer and seller. Personal selling is important when:

1. The relevant information is difficult to communicate through mass media.
2. The sales base is too small to support the cost of media advertising.
3. It is important for the prospective customer to "feel the goods."

A winery and its product can come to the attention of the public through being newsworthy. The seller pays nothing for the news coverage. News stories and features seem to most readers to be authentic and have a high degree of credibility. Publicity can reach many potential buyers who otherwise avoid salesmen and advertisements.

It is interesting to note that there are about 1,000 newspaper and gourmet magazine wine columnists. The Wine Institute of San Francisco lists some 450 wine writers who work for daily newspapers.

Sales promotion policies should be multidimensional and include:

1. Design of the promotional campaign
2. Choice of advertising media
3. Determination of expenditure level
4. A policy decision to significantly alter the product quality as needed.

Effective promotion tools might be:

1. Tastings

2. Wine groups
3. Seminars to the end consumers
4. Seminars to retail personnel
5. Announcement, press releases, etc.
6. Special events, festivals, cooking schools, etc.

Public relations is a promotional tool that aims to communicate a favorable image of the product or its marketer. A public relations program has broader objectives than the other aspects of promotional strategy. It is concerned with prestige and image of all parts of the winery.

The real challenge for Oregon wine producers is to create a ranking scheme for their wines based on price, quality, and image that can be readily understood and acted upon by the typical consumer. A movement towards developing a more diversified audience for Oregon wine appears to be clear. A promotional strategy emphasizing the Oregon environment might be a possibility. The most successful large U.S. participants, e.g., Coca-Cola, have begun using sophisticated marketing techniques, innovative packaging, brand differentiation, and market segmentation which have been used to great advantage in other consumer goods industries.

Image advertising has become the rule and most U.S. wine companies can be expected to continue to increase advertising budgets to exploit the burgeoning market for table wine. Wine promotion will probably stress "less drinking per occasion but more drinking occasions." Some industry observers believe that wine consumption is too heavily concentrated in top state and metropolitan areas. They believe that the wine industry must, in addition to cultivating a higher frequency rate in prime wine markets, promote greater wine usage in areas which are not yet wine conscious.

Oregon may want to partially focus its promotional efforts in that direction.

OUTLINE FOR DEVELOPING AN OREGON WINE MARKETING PLAN

Have you considered at least the following in developing your Oregon wine marketing plan?:

I. The marketing mix
   A. Product development
   B. Pricing
   C. Distribution
   D. Communication

II. Selection of a market
   A. Age
   B. Sex
   C. Income level
   D. Education
   E. Ethnic group
   F. Religious group
   G. Geographical
   H. Psychographic
      1. attitudes
      2. life styles

III. Product planning
   A. Mix of wine types
   B. Use of brand names
   C. Availability
   D. Buyer/seller interactions

IV. Pricing
   A. Margins
   B. Discounts
   C. Payment terms
   D. Competitive strategies

V. Distribution channels
   A. Personal selling
   B. Intermediaries

VI. Market communication
   A. Purchasing stages
   B. Promotion activities
   C. Image building

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