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The Use of Country of Origin Information in Marketing Communications Strategies Used by South African Wine Exporting Companies in Foreign Markets

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Finally, the motivation to engage in writing this thesis was inspired by the following quote:

"Things get sold on brand and image"

Alan Michael Sugar (The apprentice UK, 2012)

Abstract

The aim of this study was to identify, describe and analyze the marketing communications strategies used by South African wineries to highlight the country of origin information of products exported into foreign markets. Four South African wine exporting companies participated in this study by providing information through email and telephone interviews. Results indicated that South African wineries emphasize the country of origin information in all marketing communications activities and especially through wine product attributes. The origin of wine is highlighted in packaging and labeling as a mandatory requirement in most wine importing countries. The most common label on packaging appears as ‘____ South Africa’. Most wine exporters also use the country’s biodiversity information and ethical work standards to convey positive information to foreign consumers about the country’s wine industry. There was no generalization that country of origin information severely affected wines sales in foreign markets. This was in exception to the US market, where promotion activities need to be reviewed and enhanced. Furthermore, South African wine low market value was more associated with the high bulk export volumes. Participating wineries considered the country’s image abroad to be more important than their own individual brands.

South African wine exporting companies together with the country’s official wine promotion agency (WOSA) must analyze the country’s image in all aspects, re-evaluate the capacity of the country as a wine producer, and maybe regulate its bulk export volumes, which appear to negatively impact on SA wine value and perception in foreign markets. Future research can focus on how the South African wine industry can increase their brand awareness for premium wine brands in export markets. In addition, South African wine marketing approach highlighting its deep French roots and expertise in wine making can be explored to evaluate if such marketing approach can enhance the country’s premium wine brands in foreign market acceptance.

Abbreviations

COO: Country of origin
EU: European Union
OIV: International Organization of Wine and Vine
SA: South Africa
SAWIS: South African Wine Industry Information & Systems
US: United States of America
WOSA: Wines of South Africa
WIETA: Wine Industry Ethical Trade Association

Table of Contents

1. INTRODUCTION.....	1
1.1 PROBLEM BACKGROUND	1
1.2 PROBLEM	2
1.3 AIM AND DELIMITATIONS.....	3
1.4 OUTLINE	4
2. THEORETICAL PERSPECTIVE AND LITERATURE REVIEW	5
2.1 MARKETING COMMUNICATIONS STRATEGIES: PROMOTION MIX.....	5
2.1.1 Advertising.....	6
2.1.2 Personal selling.....	6
2.1.3 Sales promotion.....	6
2.1.4 Direct marketing	7
2.1.5 Public relations	7
2.1.6 Summary on promotion mix	7
2.2 THE PRODUCT ATTRIBUTES	8
2.2.1 The wine product.....	8
2.2.2 Branding of wine.....	10
2.2.3 Packaging of wine.....	10
2.2.4 Labeling of wine.....	11
2.2.5 Pricing of wine.....	11
2.2.6 Wine availability	12
2.3 COUNTRY OF ORIGIN IMAGE IN WINE PROMOTION	13
2.3.1 Country of origin effects on consumers wine buying decision	13
2.3.2 Brand versus country's image in communication strategy	14
3. RESEARCH METHODOLOGY.....	17
3.1 PURPOSE OF RESEARCH	17
3.2 RESEARCH SETTING.....	17
3.2.1 Population.....	18
3.2.2 Sample.....	18
3.3 DATA COLLECTION.....	19
3.4 FRAMEWORK FOR DATA ANALYSIS	20
3.5 CREDIBILITY AND VALIDITY.....	20
4. BACKGROUND FOR THE EMPIRICAL RESEARCH	22
4.1 OVERVIEW OF THE SA WINE INDUSTRY	22
4.2 GLANCE IN SA WINE PROMOTION ACTIVITIES	24
4.2.1 WOSA in SA wine promotion	24
4.2.2 SA wineries promotion activities.....	25
4.2.3 SA wine price in foreign markets	26
4.2.4 SA wine terroirs and biodiversity.....	27
4.2.5 SA wine industry ethical and environmental standards	28
5. RESULTS	29
5.1 BRIEF PRESENTATION OF PARTICIPATING WINERIES	29
5.2 COMBINED DESCRIPTION OF COMMUNICATION STRATEGIES.....	30
5.3 SUMMARY OF RESULTS	33
6. ANALYSIS AND DISCUSSION.....	34
6.1 THE USE COO INFORMATION IN SA WINE PROMOTION ACTIVITIES	34
6.2 THE USE OF COO INFORMATION IN PRODUCT ATTRIBUTES	35
6.3 THE USE OF BIODIVERSITY AND ETHICS IN WINE PROMOTION	36
6.4 WINE PROMOTION AND COUNTRY IMAGE	36
7. CONCLUSIONS AND IMPLICATIONS.....	38

BIBLIOGRAPHY	40
<i>Literature and publications.....</i>	<i>40</i>
<i>Internet sources.....</i>	<i>43</i>
APPENDIX 1: INTERVIEW QUESTIONNAIRE	46
APPENDIX 2: US WINE LABELING REQUIREMENTS.....	47
APPENDIX 3: EU WINE LABELING GUIDE	47

LIST OF FIGURES

<i>Figure 1: Outline of thesis</i>	4
<i>Figure 2: Promotion mix</i>	6
<i>Figure 3: Wine product characteristics</i>	9
<i>Figure 4: Methodology outline</i>	17
<i>Figure 5: Primary data collection</i>	19
<i>Figure 6: SA Wine Exports global repartition</i>	24
<i>Figure 7: Average wine export price / liter comparisons World vs. SA</i>	27
<i>Figure 8: Conceptual framework</i>	34
<i>Figure 9: Mandatory label information for the USA</i>	47

LIST OF TABLES

<i>Table 1: Promotion mix in product marketing</i>	8
<i>Table 2: Communication with wine product's attributes</i>	12
<i>Table 3: Country of origin promotion scenarios</i>	16
<i>Table 4: SA wine exports 1993-2013</i>	23
<i>Table 5: Summary of results and implications</i>	39
<i>Table 6: Interview questionnaire</i>	46

LIST OF IMAGES

<i>Image 1: Classic Koopmanskloof brand and its US version One World brand</i>	26
<i>Image 2: SA wine brands</i>	18
<i>Image 3: Location of 95% of SA wine areas</i>	22
<i>Image 4: Fairtrade label and Integrity and Sustainability seal</i>	33

1. Introduction

The introduction chapter starts by providing a background and problem of this thesis. This is followed by the aim and delimitation, and this chapter ends with the outline of the study.

1.1 Problem background

Wine is often included among the list of food and beverage products that successfully exchange hands in global trade. The wine industry is a global industry (Bell & Giuliani, 2007). Wine production is active in all continents; and in dozens of countries, the wine industry is important enough to contribute to the country's gross domestic product (GDP) (Wine Institute, 2012).

According to a report from the International Organization of Vine and Wine (OIV), the total world production of wine was 281 million hectoliters (Mhl) in 2013 and top wine producers were located in both emerging market countries (e.g. Chile and South Africa) and developed market countries (e.g. Italy and France) (OIV, 2014). However, the current world market supply does not meet the very high and increasing demand. The wine industry is experiencing an "undersupply of nearly 300 million cases" a year (Smits, 2013). Despite the high shortage, wine producing countries are not all equally sharing the same economic benefits resulting from low supplies and high demands opportunities. Whereas the average retail price of French wine is estimated to be around US\$ 35.00 per bottle in the United States of America (US), the price of wine produced in emerging market countries is estimated to fetch between US\$ 12 and US\$ 17 per bottle (Morsh, 2010). According to the OIV (2014) the world's average export price of wine was estimated at US\$ 3.57 per liter in 2013. However, a report made by the South African Wine Information and Systems (SAWIS) estimated the average export price on South African (SA) wine to be the lowest at US\$ 1.33 per liter in the same year (SAWIS, 2014). Such market value of SA wine is disappointing; this is despite Roberts (2014) findings on SA wine's quality that they "...have been favored throughout the world for their style, as they incorporate finesse and charm rather than brawn and forwardness from their Australian counterparts".

Reasons for the low SA wine value may be found in both extrinsic and intrinsic cues. Extrinsic cues are often centered around the external information found on products (e.g. its price, packaging design, origin and brand name); while intrinsic cues are directly related to, the actual product and are subject to perceptual bias (Lockshin & Hall, 2003). Moreover, Thomas & Pickering (2003) suggested that the unique characteristics of wine markets make consumers particularly sensitive to its taste and Duhan (1999) argued that information related to the country of origin (COO) of wine is linked to its value and consumers buying decisions. Therefore, product quality alone may not be the main obstacle in wine markets, and consumers' knowledge and perception on traditional wine producing countries and/or country image in their mind may affect SA wine's value. Moreover, the COO factor is capable of affecting either positively or negatively an entire country's product image and is believed to be among the many factors that impact upon competitiveness in foreign markets (Siu & Chan, 1997).

Given the importance of the COO image, various governments including SA have recognized the important effect it has on the success of their products in foreign markets and therefore understand that countries be treated as brands (Balabanis *et al.*, 2002). In a fundamental sense

in marketing, branding involves attaching a "label" (for identification) and "meaning" (for understanding) a product, service, person, idea, etc. (Keller, 1998). The SA government created the agency 'Brand South Africa' (Brand SA) in 2002 which aims to contribute to the objectives of the National Development Plan by undertaking coordinated initiatives to build SA's nation brand reputation (including wine promotion abroad) and contribute to the country's global competitiveness (Brandsouthafrica, 2014).

In order to succeed in any new market, the marketing communication activity is essential since it helps develop brand awareness, meaning that consumers translate product information into perceptions about the product's attributes and its position within the larger market (Greene in Demand Media, 2014). This is particularly true for the wine industry. In fact, even the best products do not sell themselves and promotion often serves as the function of informing, persuading and influencing the customers' purchasing decision (Crawford in FAO, 1, 1997). A well-designed marketing communication strategy uses one or more components to disseminate the company's outgoing message (Greene in Demand Media, 2014). Since COO information is often found on wine product's label, packaging and other product attributes, it could therefore be suggested that emerging countries such as SA must work twice as hard by coming up with well-chosen communication strategies in order to mitigate or eradicate negative perceptions (if any) they may experience in foreign markets. Therefore sending out the right product, company and country message to consumers may help to further enhancing products sales, value and performance in international markets.

1.2 Problem

According to Bilkey & Nes (1982) products manufactured in emerging countries are often less valued than products manufactured in industrialized countries. Morsh (2010) reported that New World wines are less valued in the US wine market compared to those produced in established and developed countries such as France and Italy. This is despite McDougall & Lockshin's (2000) argument that the wine industry has been shifting its focus from the Old World wines (mainly from France, Italy, Germany and Spain) to the New World wines, which are typically produced by countries like Chile, US in California, Australia, SA and New Zealand. Products coming from emerging countries often face further bias thus encountering more challenges in foreign markets. Bilkey & Nes (1982) argued that the COO is often used as quality indicator, and also the degree of economic development is an important factor in the effect of COO on evaluating products. In relation to this phenomenon in the wine industry, studies from Koewn & Casey (1995) and Gluckman (1990) showed that COO is a primary and implicit consideration of consumers in their decision to purchase wine.

Marketing communications is an important activity that helps promote wine products both locally and internationally. Keller (2001, p.823) argues that "marketing communications represent the voice of a brand and the means by which companies can establish a dialogue with consumers concerning their product offerings". In this more open and globalized business environment, countries are under pressure to develop and commercialize their COO image as "national brands" in order to position themselves favourably in consumer's minds and product preferences (Chandra *et al.*, 2006). Furthermore a positive country image can have an impact on firms' abilities to successfully compete in the global market (*ibid*). Perhaps an appropriate use of COO information can have a positive impact through marketing communications strategies thus working as a key variable in the consumer's evaluation of products and brands (Verlegh *et al.*, 2005). Furthermore Felzensztein *et.al*, (2004) in emphasizing the importance the COO has on wine, concluded that it could well be considered

as the fifth element of the wine marketing mix (product, price, promotion, and place). Therefore considering the importance of the “COO information” and its effects on international marketing promotion strategies, this attribute should receive special attention from SA wine exporting firms.

The starting assumption of this study is that aspects such as country image including its infrastructures’ level, winemaking techniques and other negative or positive associations may play a crucial role on how SA wines are perceived by consumers before making their purchasing decision. There has been numerous studies discussing COO effects from the wine end-consumers viewpoints (e.g. Hu *et al.*, 2008; Koewn & Casey, 1995; Lockshin & Hall, 2003) and marketers often spend a lot of time concentrating on foreign consumer’s perception of products to see whether they like or dislike the product and also what price to charge in specific markets. However, it is not every winery that can afford lengthy and expensive international market research and there are few studies available discussing communication strategies in wine promotion from the management perspectives, particularly on issues related to the use of COO information. This knowledge is important because the image conveyed by the COO is somehow directly associated to perception on exported products into foreign markets; and particularly with wine brands in which the COO information appears to play a major role in buying decision (Koewn & Casey, 1995; Gluckman, 1990). Less known wines, particularly those produced from emerging countries may unfortunately be caught between the COO factor and end-consumer’s perceptions of their products regardless of their quality.

1.3 Aim and delimitations

The overall purpose of this thesis is to *identify*, *describe* and *analyze* communications strategies used by SA exporting wineries in emphasizing the COO information of their products into foreign markets.

In order to achieve the aim of study, this thesis focuses only on the wine exporting subsector of SA wine industry. Four wineries were selected within the broad list of SA wine exporters in order to provide a better understanding from management perspectives of wine promotion strategies regarding the use of COO information. Strategies are identified, described and analyzed. This is done in relation to the existing theoretical approaches on marketing communications strategies and COO effect on wine products. This thesis focuses mainly on exported wine’s promotion strategies in communicating COO information into foreign markets. Although the promotion is the winery’s primary marketing communication activity, other factors embedded within the marketing mix components including the product attributes, its price and its availability are also included since they all play a role in communicating the desired product image and message (Kotler & Keller, 2009). The SA wine industry sector is of particular interest for this study considering its geographical location in Sub-Saharan Africa, within the least developed continent on earth. In addition, there is a prior assumption that wine products made in SA may not be automatically appealing to many wine consumers located in developed countries, thus not commending high value.

This paper intends to contribute to the promotion activity within marketing communications strategy and particularly on mitigating the COO factor in promotion strategies. International marketers and particularly those from emerging market countries may get new insights on how they may communicate COO information on products in order to strengthen their brands in foreign markets.

1.4 Outline

This thesis is structured into seven chapters illustrated below in Figure 1. The introduction chapter began with problem background and problem by briefly presenting a general view on marketing communications and COO theories on wine promotion. This was followed by the aim and delimitation of this thesis and concluded by expected contribution of this research. The second chapter focuses on theoretical perspectives from previous theories and concepts on COO effects on wine products, country image and marketing communication strategies. The third chapter describes methods selected to conduct this thesis. The fourth chapter presents the empirical research on the SA wine industry and the fifth presents the empirical evidence with data gathered from interviews. Chapter six focuses on analysis/discussion and finally, overall conclusions and implications are drawn in the seventh chapter.



Figure 1: Outline of thesis.

2. Theoretical Perspective and Literature Review

The basis of the literature search in this chapter focuses on previous theories on marketing communication strategies, country of origin effects on wine marketing, as well as consumer's choice on wine buying decisions. Information was gathered from various sources including scholarly journals articles, books and various credible publications.

2.1 Marketing communications strategies: Promotion mix

Kotler & Armstrong (2008) point out that the marketing communications activities allow companies to connect their brands to people, places, experiences, feelings and objects. According to Keller (2001, p.823), “marketing communications represents the voice of a brand and the means by which companies can establish a dialogue with consumers concerning their product offerings”. In order to stimulate sales, improve brand image, motivate and persuade consumers, marketers often use communication strategies as a tool to achieve their objectives. The promotion refers to the function of informing, persuading and influencing the customers' purchasing decision (Crawford in FAO, 1, 1997). It could therefore be suggested that marketing communications is the "promotion" part of the marketing mix.

Promotion is essentially communicating with current and potential customers about a specific product and persuading them to buy it (Kotler & Armstrong, 2008). Companies have two choices in international marketing communication, they can either standardize their strategies (low costs) across all markets or they can adapt strategies (more expensive) to match individual local markets (ibid). The global campaign approach tends to result in cost savings, the potential of a global creative appeal, and increased control, whereas the locally and tailored approach has the advantage of focusing on the main product attributes in each country (ibid). Crawford (in FAO, 2, 1997) pointed out that communications strategies serve five key objectives: the provision of information; the stimulation of demand; differentiating the product or service; underlining the product's value and regulating sales.

Generally marketing communications strategies will be applied through a promotion mix, also known as marketing communications mix and include advertising, sales promotion, personal selling, direct marketing and public relations (PR) (Kotler & Armstrong, 2008). The promotion mix is simply defined as “a specific blend of promotion tools that the company uses to persuasively communicate customer value and build customer relationships” (ibid). Companies often use a specific combination of the promotion mix elements to pursue its advertising and marketing objectives (Kotler *et al.*, 2010). Promotion mix elements are illustrated in Figure 2 and are further discussed in more details.



Figure 2: Promotion mix (own version according to Kotler & Armstrong, 2008)

2.1.1 Advertising

There is no single generally accepted definition of advertising. However it is often argued that advertising is probably the most powerful marketing tool of the promotional mix (George, 2007). According to Kotler & Armstrong (2008) advertising is defined as any paid form of non personal presentation and promotion of ideas, goods and services through mass media by an identified sponsor (often the marketer). However nowadays, things have evolved with Internet and new technologies (e.g. Twitter, Pinterest) and it is no longer every advertisement that is paid. The advertising message is transmitted through a variety of media, namely television broadcasts, radio, newspapers, magazines, the Internet, websites, billboards, flyers, and supermarket receipts (ibid). Advertising activities can be persuasive and used to building a brand preference thus persuading consumer to purchase the product. Highlighting of celebrities' direct or indirect endorsements through advertising can convince customers to tell others about the brand and boost the product sales (Agrawal & Kamakura, 1995). Advertising role is therefore to offering reasons to buy the product (Kotler & Armstrong 2008).

2.1.2 Personal selling

Personal selling is often considered as one the oldest professions in the world which is the interpersonal arm (communication between people) of the promotion mix (Kotler & Armstrong, 2008). Personal selling or face-to-face contact involves personal interaction between two or more people, to enable each person to observe the other's needs and characteristics and make quick adjustments for the purpose of making sales (Kotler & Armstrong, 2008; Kotler *et al.*, 2010). The personal selling tool is thus considered as one of the most effective tool of the buying process, particularly in listening customers, building strong business relationships and customizing their preferences (Kotler *et al.*, 2010).

2.1.3 Sales promotion

Sales promotions are any initiative undertaken by an organization to promote product with short-term incentives in order to increase sales, usage or trial of a product or service (Kotler & Armstrong, 2008). They basically offer the reasons to “buy now” and sometimes at reduced

prices but the effects are often temporary and not as effective as advertising or personal selling in building long-term customer brand loyalty (ibid). Sales promotions are tools used to persuade resellers to carry the company's brand, give it shelf space, promote it in advertising and push it to consumers' (ibid). Sales promotions are also used by retailers so that they can directly benefit end-consumers with discounted prices. Another effective use of sales promotions could be with the use patronage rewards and incentives where for example wine club members would buy wines at discount prices.

2.1.4 Direct marketing

Direct marketing is another powerful communication tool and a key tool in the promotion mix. Kotler & Armstrong (2008) defines direct marketing as “connecting directly and carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships”. Direct marketing is thus about making direct contact with existing and potential customers to promote products or services. Unlike media advertising, it enables companies to target particular new or existing individual customers with a personalized message in order to get a swift response and build long-term relationships by using catalogues, direct mail, telemarketing, mail order, direct-response advertising and electronic communications (Kotler *et al.*, 2010). Contrary to other promotion mix tools, which were developed in the context of ‘mass marketing’, all direct marketing forms share four distinctive characteristics (Kotler & Armstrong, 2008):

- They are directed to a specific individual or company
- They are non-public
- They are customized and messages can be tailored to suit individual target customer
- They allow for dialogue between the company and the customer

Companies make use of direct marketing especially that this form of promotion strategy often represents all or a substantial percentage of the selling process, which is generally handled by personal selling (Miles in Strydom, 2004).

2.1.5 Public relations

PR activities often tend to get more credibility in the eyes of consumers than advertisements (Kotler & Armstrong, 2008). PR activities are defined as a practice of managing the spread of information between an individual or an organization; a way of building good relations with the firm's various publics by obtaining favorable publicity, building up a good corporate and product image, and doing away with unfavorable rumours', stories and events (ibid). PR events in wine marketing mostly include news stories and features.

2.1.6 Summary on promotion mix

The promotion mix tools as illustrated in Table 1 are essential for any company's primary communication activity. However, other crucial factors including the product appearance, its price, its packaging and labeling must also be well managed and coordinated in order to communicate the desired message and build the appropriate product image in the minds of consumers (Kotler & Armstrong, 2008; Kotler *et al.*, 2010).

Table 1: Promotion mix in product marketing

Advertising	Build product awareness, can be persuasive and convince consumers to tell others about the brand, helps in positioning and build customer trust.
Personal selling	Immediate and interactive, communication between the customers and salespeople helps in communicating product information and characteristics. Building customers relationships
Trade promotions	Can stimulate sales by targeting promotional incentives on products. Effective short-term promotional tool to enter foreign markets.
Direct marketing	Direct interaction with targeted individual customers. Communication can be personalised with caution and in an absolute discretion to competitors.
Public relations	News, stories and features are more authentic and credible than advertising. Costs saving tool for reaching many customers since events can picked up by several media at the same time.

Source: Own version according to Kotler & Armstrong (2008)

2.2 The product attributes

A product is ‘what the consumer is really buying’ and can be defined as anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need (Kotler & Keller, 2009). Most products are developed with attributes, which define the benefits that they offer including quality, features, design and style (Kotler & Armstrong, 2008). A product therefore, has many attributes and they are important to both marketers and consumers. Marketing communications strategies go beyond promotion mix tools. Other factors such as the “product design, its price, the shape, the colour, packaging and labelling, and the stores that sell the product all *communicate* something to the buyer “ (Kotler & Armstrong, 2008, p.427). Products attributes therefore play a vital role on consumers evaluation of products since the outcome of a purchase decision is determined by its attributes. Communication with existing and potential consumers is thus provided by well-coordinated activities which also include the product attributes. Product attributes provide a basis through which companies differentiate and set their products apart from that of the competitors based on a specific attributes or often several attributes or product benefits (Kotler & Armstrong, 2008).

2.2.1 The wine product

Wine product attributes include among others its brand, volume, colour, labelling and packaging, its price and availability as illustrated in Figure 3. These characteristics will all also *communicate* with consumers and affect the product's appeal or acceptance in the market. Products attributes consist of everything that a company can possibly do in order to create and influence a demand for its products (Kotler & Keller, 2009).

Most products have both tangible and intangible aspects in different proportions, and the wine product is no exception. Wine is a beverage product produced from fermented grape juice; it is a tangible product consisting of the color, aroma, taste, packaging, label, style, quality and branding (Kotler *et al.*, 2010). Wine products come in different colors and styles. Wine can be red, white or rosé, sparkling (Champagne style), with different levels of residual sugar, alcohol, tannin and acid levels. However wine as a physical product may also provide intangible (non-physical) core offerings which satisfy consumer needs (George, 2007); and these benefits include prestige, enjoyment, relaxation, excitement, and consumption with

special dishes. Therefore wine could be considered more than a just material good since there is something more associating it to emotional aspects, a factor that pushes wine consumers in wanting to experience certain emotions (feelings) once again (Romanazzi *et al.*, 2008). Where and how customers buy wine may also speak to them.

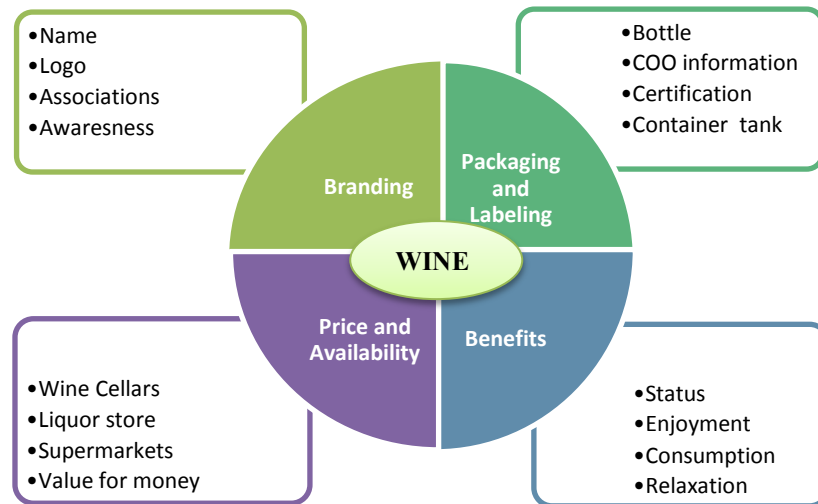


Figure 3: Wine product characteristics (own version according to Kotler & Keller, 2009).

Wine products are often classified and marketed within three categories of products; these include convenience product, shopping product and specialty product. The buying decision is relative to the amount of time, price, risk involved and the motivation in making the purchasing decision of the customer (Kotler in Cant *et al.*, 2007). The three product's categories are further described as follows:

- Wine is considered a *convenience product* when bought easily and frequently immediately with other grocery products with a minimum buying effort (Kotler & Armstrong, 2008). Convenience products are also often referred to as fast moving consumer goods (FMCG) due to the fact that they are part of the quickest items to leave the shelves at a supermarket, and usually have the lowest price due to that fact (Fmcg, 2014)
- Wine is considered a *shopping product* when it is less frequently purchased and carefully selected with consumers spending more time before making purchasing decisions by comparing different brands information, price, quality, suitability and styles (Kotler & Armstrong, 2008; Cant *et al.*, 2007).
- Wine is considered a *specialty product* when it has unique characteristics and brand identification for which consumers are willing to make a special effort during purchase (Kotler & Armstrong, 2008). Such wine products are often found on special wine auctions or in exclusive shops. An example of specialty wine is the 12-litre bottle limited edition of French Chateau Margaux 2009 which was sold for the whopping price tag of £122,380 in Dubai in 2013 (Food and Drink, 2014).

As a product category, wine is one of the most complex products with the plethora of wine labels found on the market. This makes it difficult to a large number of potential consumers and particularly non-wine connoisseurs to be very confused when looking to buy wine (Orth *et al.*, 2007). Without the brands of wine, customers will be even more confused within the large varieties of wines and not have assurance that they have purchased wine of their preference. The following sections further present in details the main wine product attributes.

2.2.2 Branding of wine

One important factor and key communication element in wine promotion is its brand. According to Kotler & Armstrong (2008, p.255) the brand is defined as “a name, term, design, symbol, the combination of these or any other feature, that identifies the maker or seller of a product or service”. One critical market entry decision when a firm introduces a product into a foreign market is the choice of a brand name (Zhang & Schmitt, 2001). For example choosing a brand name for a consumer product or service is so critical that some researchers argue that it is one of the most important marketing management decisions (Landler *et al.*, 1991); and if carefully chosen, the name can bring inherent and immediate value to the brand (Kohli & LaBahn 1997).

Companies must consider brand awareness in branding strategies to help communicate and strengthen the brand’s presence in the consumer’s mind for quick recognition and recall (Jooste *et al.*, 2009). The messages that the brand communicates to consumers constitute the foundation upon which consumers form their opinions, beliefs and perceptions about the product’s attributes and image. Therefore, brands also say something about product quality on consistency (Kotler & Armstrong, 2008). Brands facilitate the purchase of wines that satisfy consumers’ needs and help them in making quick and repeat buying decision since they know that they will get the same features, benefits, and quality each time they buy the product.

2.2.3 Packaging of wine

Packaging in the wine industry has several functions and good packaging create immediate recognition of the brand (Kotler & Armstrong, 2008). Although the primary function of packaging is to protect the wine, often its secondary function, which is by far more important, serves as a tool in the promotion strategy in identifying the product (Cant *et al.*, 2007). Therefore, the packaging primary function is simply the actual product enclosure and protection. Packaging involves “... activities in the product decision which pertain to the design, manufacturing and filling of the container or wrapper with the product item, in such a way that the product item can be protected, stored, handled, transported and identified effectively and marketed successfully” (Van der Walt *et al.* in Cant *et al.*, 2007). Packaging is the activities of enclosing or protecting products for distribution, storage, sale, and use. Packaging wine comes in wide variety of types, sizes and shapes (e.g. bottle, box, can, tank, oak barrel). Thomas (2000) and Charters *et al.*, (2000) have made researches on the influence packaging play in wine marketing and they all concluded that in wine marketing; packaging and labeling assume an undeniable influence in product image since packaging forms an integral part of any wine's promotion and consumption. Packaging therefore serves to communicate a specific message and enhance product image through external cues including an attractive design, label, color and brand name, which differentiates it from competition. A company’s innovative packaging can give a great advantage over competitors and boost sales (Kotler & Armstrong, 2008).

2.2.4 Labeling of wine

Another important factor related to the wine product is its labeling which helps in communicating the right product message. Labels in wine product are graphics that are often part of the package. Wine product labels serve to identify, describe and promote the brand (Kotler & Armstrong, 2008). Wine labels often appear as a printed material on a product package and are often the only resource a buyer has for evaluating the wine before purchasing it. In many countries, the labeling standards require that companies reveal the COO information on packaging in most products. This requirement is particularly important for exports of wine products and each country has its own wine imports laws. The naming of wines and its labeling requirements regarding the COO information must therefore be carefully considered (see appendices 2 and 3 for mandatory wine label information for the European Union (EU) and the US). The information, which is usually communicated in the wine label, includes primarily the COO followed by the type and variety of wine, certification, alcoholic degree, producer, bottler, or importer (George, 1989). Wine labels are thus important sources of information for consumers since they directly communicate with the consumers. Other wine label information often includes brand associations such as ethical standards, biodiversity or celebrity's endorsement. Communicating brand associations on labels is important since they are perceptions and images that people link with particular brands (Kapferer, 2008). Labels also have a strong functional dimension in that they include warnings and instructions, as well as information required by law and best industry practices (Cant *et al.*, 2007).

2.2.5 Pricing of wine

Products are often exchanged for an amount of money expected, required, or given in payment for it. Kotler & Armstrong (2008, p.76) define price as "the amount of money that a customer must pay to obtain the product". Price is the only element in the marketing mix that directly generates income. In the wine industry, price is the amount of money charged to costumers to get a specific volume of wine. This could vary from a single glass of wine in a restaurant during dinner to bulk quantities delivered in large volume tanks. Effective, buyer-oriented pricing involves understanding how much value consumers place on the benefits they receive from the product and setting a price that fits the value (Kotler *et al.*, 2010). Therefore, the price can be considered a good indicator of quality. However, since the price may also convey information to the consumer about product quality, this gives the price factor the character of a product attribute (Erickson & Johansson, 1985). Ravazzoni (in Romanazzi, 2008) argues that price is an important attribute for wine consumers, especially for those sensible to the COO aspects.

New World wines are often perceived to offer good value for money meaning that they are averagely priced, yet do not compromise on quality (Roberts, 2014). Often the consumer's perception regarding price and value will determine whether the product is rightly priced. Nevertheless, consumers' price evaluation can be subjected to bias perception; this happens especially when information on product quality is unavailable or unknown, consumer's evaluation toward product will thus be based on information that they guess, know and remember (Monroe & Lee, 1999). If consumers perceive a wine product as quality, which implies value for money, it will influence the perception of the brand and helps drive its financial performance. A lower price will lead to a higher demand for low quality and low-priced wine, and the higher the price the higher the demand for prestigious wine (Kotler & Armstrong, 2008). Another issue regarding wine's price is that it largely depends on the way

products are distributed and large discount retailers (e.g. Wal-Mart or UK's Tesco) would often have more entry-level wine brands at low prices.

2.2.6 Wine availability

Where and how wine is purchased may also speak to consumers. In order for customers to be able to buy wine, they must have access to it. Consumers can lose interest if they find it too hard to get the product and thus turning to alternatives. Product availability is crucial to customer loyalty (Awbi, 2006). According to data from Euromonitor (2001), grocery and discount store's channels accounted for over 50% of wine sold in Italy, and over 70% of wine sold in the US, the United Kingdom (UK), Germany and France. Most wineries would therefore use some form of distribution channel, whether selling products directly to end-consumers from wine cellars through wine tourism activities or using a multilevel logistic system made up of several intermediaries (Winer, 2007). The distribution channel is the marketing instrument that delivers the product or service through a group of individuals or companies to the final consumer (Strydom, 2004). Customers can purchase wine products through many different channels and in most cases; end-consumers will buy their wine at their local liquor store or at retailer's supermarkets. The most common distribution channels are as followed (ibid):

- Personal selling at the local cellar to residents and to foreign tourists. Consumers may also use mail order by ordering directly from the winery and the product sent via mail whether locally or abroad.
- Direct sales from liquors stores, wine retailers, supermarkets, restaurants and hotels.
- Exports to wholesalers (importers), which would make wine available abroad via different reseller's channels.

Promotional activities in wine marketing are not only concerned with the combination of the promotion mix tools. Marketers can use the product attributes to send the right message to customers and attributes will often 'speak for themselves' (Kotler & Armstrong, 2008). Attributes provide important external cues or quality signs that will directly communicate with buyers. Table 2 illustrates main attributes often used by wineries to provide information to potential customers.

Table 2: Communication with wine product's attributes

Wine product	Can be a grocery product (low to average price), shopping product (average to high price), or specialty products (exceptional price)
Branding of wine	Memorable brand name, Brand association (e.g. COO, endorsements, meaning)
Packaging of wine	Innovative packaging and quick customer identification
Labeling of wine	Informative, emotional message, clear and distinct
Pricing of wine	Price is indicator of quality or an external "quality sign"
Wine availability	Product must easily be accessible

Source: Own version according to Kotler & Armstrong (2008)

2.3 Country of origin image in wine promotion

Regardless of which promotion strategies wineries decide to choose within the international marketing context, the COO information is an important consideration in communication decisions. Research on COO is nothing new and academics have come up with a number of definitions. According to Roth & Romeo (1992, p.480), COO refers to “consumers’ overall view of products from a particular country based primarily on their prior perceptions of that country’s strengths and weaknesses in production and marketing”. In further discussing the COO factor Allred *et al.* (1999, p.36) define COO image as “the perception or impression that organizations and consumers have about a country. This impression or perception of a country is based on the country's economic conditions, technological development, and political structure, and culture, conflict with other countries, labour conditions, and stand on environmental issues.” However, most previous COO researches have based their conclusions particularly on tangible and durable products, which can create a limited vision when analysing FMCG such as food and beverages. Regarding COO effect in wine marketing, a body of literature does exist proving that the COO factor influences consumer perceptions and choices on wine buying decision (Lockshin & Rhodus, 1993; Koewn & Casey 1995; Duhan, 1999; Lockshin & Hall, 2003; Hu *et al.*, 2008). Moreover, some researchers have concluded that the COO element is so important in wine marketing that it may as well be considered as the fifth element of the wine marketing mix (Felzensztein *et al.*, 2004). Wineries must therefore find it necessary to develop communication strategies together with COO concepts whether the country’s image is weak (negative) or strong (positive) (Paterlini *et al.*, 2012).

2.3.1 Country of origin effects on consumers wine buying decision

Researches on wine purchasing behavior have generated different views on factors influencing consumers’ wine choice. While some studies (Thompson, & Vourvachis, 1995; Thomas & Pickering, 2003) suggest that intrinsic factors or wine sensory characteristics (e.g. taste) to be of the most important factors in consumers’ wine purchase decisions, other researchers (Gluckman 1990; Skuras & Vakrou 2002) have argued that extrinsic factors or non-sensory characteristics including COO information play the most important role. These studies also found that in the European context of wine purchasing behaviour there was a strong relation between the region in which the wine is produced and its price. In another earlier study on wine in Northern Ireland, Koewn & Casey (1995) found that the COO was the primary and implicit factor in wine consumer’s purchasing decisions. Hu *et al.* (2008) carried out a research on the Chinese wine purchasing behaviour and the results indicated that Chinese consumers were more likely to use extrinsic factors such as the COO information, price and brand for wine quality assessment. The research also revealed that when Chinese consumers are evaluating wine for gifts and when consuming wine in restaurants and other public gathering events, they tend to attach more importance to its COO (for status purpose) than to other variables.

More than a decade ago, Duhan (1999) argued that the unique characteristics of wine markets make consumers particularly sensitive to information about the origin of the wine products. Duhan (1999) further arguments on this particular behaviour suggested that it can be translated by two primary reasons: (1) consumers rarely have the opportunity to taste wines before making the purchase; and (2) this situation is further complicated by the fact that retails outlets are flooded with large numbers of different wine varieties and competing brands.

Faced by the larger choice, consumers are often left to making heuristics decisions meaning that they have to choose products from their own informed choice (by learning alone) or by previous experiences. In order to simplify heuristics decisions wine buyers often focus on one or two characteristics at the time (Duhan, 1999):

- The *COO information* (often found on label) perceived to be the main factor in wine consumers purchasing behaviour, helps in making quick buying in the purchasing decision process (Lascu & Babb, 1995). Nevertheless wine purchase could be a challenging experience since consumers are afraid to make a wrong choice about the product quality.
- In such circumstances, they also often look for *quality signs* on external information and on product appearance (e.g. packaging, brand name, quality symbol, origin) that could guide them into making the right choice (Steenkamp, 1989). It is often products which originate from developed (or known wine making) countries that are considered as insurance regarding the product's quality and performance (Kaynak, 2000), thus making wine brands that originated from less-developed (or less-known wine making) countries more vulnerable in some markets.

In further discussing wine quality cues, Lockshin & Hall (2003) argued that wine quality is based on perceptions, such as price, recommendations of friends or experts, or the label which all 'communicate' with the consumer. It is however a characteristic that it not only difficult to define but also challenging to convey (ibid). Furthermore, the quality of wine generally depends on subjective sensory evaluations, which cannot be easily, or precisely measured (Oczkowski, 2001). Lockshin & Rhodus (1993) found that wines' origin is often perceived as indicator of quality. It is observed that retail outlets in many countries tend to display wines according to their COO. This practice is used on assumptions that grouping wines products by origin simplifies the purchase for the consumers, and this is particularly helpful for non-wine connoisseurs (Chaney, 2002). As result, wine origin information and its external quality cues play a major role in consumer's evaluation and buying decision (Duhan, 1999).

2.3.2 Brand versus country's image in communication strategy

According to Jaffe & Nebenzahl (2001), a single brand, company, or industry alone cannot control an entire country's image. The marketing strategy used to enter into new markets or countries depends on countless variables, including the strength of the brand and COO image (Paterlini *et al.*, 2012). In cases the country's image is seen as positive, the use of the COO information when entering new foreign markets can help exporting firms penetrate these markets faster than they would by investing in a weak and/or not well-known brand (Agarwal & Sikri, 1996; Jaffe & Nebenzahl, 2001). Part of a consumer's image of a brand is based on facts and experiences, while another part of that image is based on perceptions formed from a product's reputation, media coverage and other indirect sources of information (Bové, Houston & Thill in Gerber-Nel, 2006). In order to help find which entry strategies to choose when entering new international markets, Paterlini *et al.* (2012) proposed the four possible scenarios as illustrated in Table 3:

Scenario 1: Product brand and country image are both strong and positive

This is the ideal position for any company. It is recommended that both factors be emphasized in marketing promotion strategy. Strong global brands particularly often use these marketing communication strategies. French Champagnes, German cars (“*Deustch qualitet*”), Italian pizzas and Swiss watches are few examples of industries using these strategies. If the country image is positive, some strategies can be used to communicate information about the country of origin. An example is using the “Made in ____” labels, which, involves a direct inclusion of the COO in the brand or company’s name (Paterlini *et al.*, 2012).

Scenario 2: Product Brand is strong but the country’s image is weak

Companies in this case should emphasized their brand and reduce emphasis on the COO information in communication strategies. Essoussi & Merunka (2007) suggest that if the country has a negative image or an image that does not recognize the country’s competencies in a certain sector, marketing practitioners should establish strategies that reduce the COO negative information in such a way that consumers base their decisions in other aspects when evaluating the product. One example is the Cuban Cigar brands. America’s high society often brags about only smoking Cuban cigars but on the other hand, they do not want any association with Cuba as a country. Another example could be on the German luxury cars BMW and Mercedes Benz that are assembled in SA but marketed as “*Deutsch qualitet*” products. In this case, carmakers are only highly emphasizing the car’s brand origin and headquarters country but minimizing the country of assembly (SouthAfrica.info, 1, 2014).

Scenario 3: Product Brand is weak but the country’s image is strong.

It is recommended that the country’s image be highly emphasized and the weaker or unknown brand associated with other strong brands manufactured in that country. This was suggested by Chaney (2000) conclusions and implications on a Swiss wines research. The conclusion implied that price promotions be included on a cross-merchandising strategy making use of higher profile goods from the same country to help push the country's wine unknown or weaker image. Promotions must target tourists visiting the country since the wine tourism strategy is rated as the highest inducement for buying wine from a previously untried country brand (Chaney, 2002).

Scenario 4: Both product brand and country’s image are weak

In this case, the neutralization of both brand and country’s image must be considered (Paterlini *et al.*, 2012). The brand may enter niche markets and companies should focus to slowly developing the brand strength, quality and awareness while at the same time communicate with consumers to satisfy their needs and meet their expectations. The brand image and perception can improve over time as long as consumers value the intrinsic characteristics of the product in their purchasing decisions (Jaffe & Nebenzahl, 2001).

Table 3: Country of origin promotion scenarios

Brand Strength	Country's Image	Marketing strategy
Strong	Strong	<ul style="list-style-type: none"> Emphasized both Brand and Country's image
Strong	Weak	<ul style="list-style-type: none"> Emphasize the brand De-emphasize the country's image
Weak	Strong	<ul style="list-style-type: none"> De-emphasize the brand Emphasize the country's image
Weak	Weak	<ul style="list-style-type: none"> Neutralize both brand and country's image (e.g. price discount, quality control, niche markets) Aggressive promotion strategies to increase brand strength and awareness

Source: Own version according to Paterlini *et al.*, (2012)

3. Research Methodology

This section outlines the research methodology of this thesis. The chapter intends to clarify how the research was carried out.

The research methodology of this thesis was guided by a research design. The research design refers to the overall plan for obtaining answers to the research question or aim guiding a study (Saunders *et al.*, 2009). The design, as illustrated in Figure 4 was very helpful in planning this paper since it contained clear objectives, derived from the aim of this study and the sources from which data was collected and then analyzed. The research design was the logic that links data to be collected and conclusions drawn to the overall purpose of this study; thus ensuring coherence (Crowley, 2002).

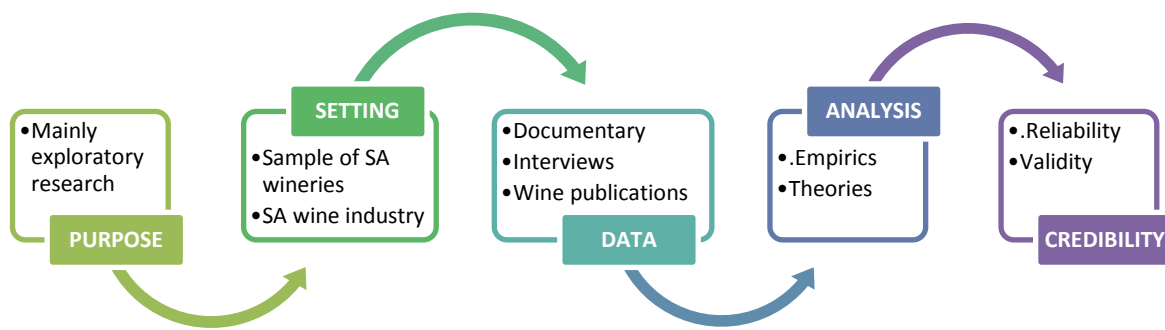


Figure 4: Methodology outline.

3.1 Purpose of research

A research aim can be both *descriptive* and *explanatory* thus having more than one purpose, and Robson (2002) points out that the purpose of the enquiry may change over time. The purpose of this thesis was to *identify, describe* and *analyze* communications strategies used by SA exporting wineries in emphasizing the COO information of their products in foreign markets. SA wine brands were purchased in both French and Swedish wine retailers shops and tasted prior to collecting data. COO information on these products was checked to give a primary detailed account in words, but the experience gave far too little information on COO communications strategies used by SA wine exporters, thus the need to further ‘explore’ these strategies. This thesis was mainly *exploratory* since it involves the type of study that is useful for clarifying and understanding a phenomenon especially that results were unknown from the beginning and there were no specific expectations about the findings (Saunders *et al.*, 2009).

3.2 Research setting

The research setting refers to where the study took place and where was data collected (Bui, 2009). In this study, data was collected from both primary and secondary sources. Primary sources came from four self-selected participant companies by means of telephone and email interviews. Documentary analysis from previously published material on the SA wine industry made the basis of this thesis’ secondary sources. It involved reading lots of written material published in wine magazines, credible Internet publications on wines marketing, and

SA's wine agencies official websites, mainly from Wines of South Africa (WOSA) and SAWIS.

3.2.1 Population

The full set of cases from which a sample is taken is called the population (Saunders *et al.*, 2009 p.212). In this study, the population refers to all wine exporters registered with WOSA since they all qualified to participate in the research and results can be generalized within the full set and extended to SA wine exporting industry. WOSA is a not-for-profit industry organization which mandate is to promote exports of SA made wines in key international markets (WOSA, 1, 2014). This official wine export promotion agency has over 500 wine exporters registered in its database and its members were selected because of the key role the agency plays in promoting the SA wine industry in foreign markets. Furthermore, WOSA is managed independently and is free from any direct government interventions, although it is recognized as an Export Council by the SA government (*ibid*).

3.2.2 Sample

Sampling refers to the process of selecting the participants for the study (Gary *et al.*, in Bui 2009). In the process of sample selection, the initial goal was to contact all WOSA exporters' members since it was assumed that they all met eligibility criteria. However, only four managers finally took part in this research project. Some managers simply declined to participate in the study for confidentiality reasons, and other cited time constraints. The main characteristics in selecting wine companies were based on the single criterion that they are active SA wine exporters. As Image 1 shows, the four wine brands that participated in this case study are 'Fairview', 'Koopmanskloof', 'Thandi' and 'Two Oceans'. Further, in this study, participant wineries are referred to as Winery 1, 2, 3 and 4 for discretionary reasons. There was expectation that this sample together with other indirect observations on the SA wine industry would provide an information-rich on SA wine exporting communication strategies in relation to the use of COO in promotion.



Image 1: Participant SA wine brands (Sydsvenskan, 2014; Seckford agencies, 2014; Wine the Gap, 2014; Wine.co.za, 2014).

3.3 Data collection

In an exploratory study, semi-structured interviews can be very helpful to ‘find out what is happening and to seek new insights’ (Robson 2002, p.59). Exploratory studies often use qualitative data collection methods since they allow procedures such as interviews and other non-numerical data for analysis (Saunders *et al.*, 2009). Qualitative methods of data collection were used to capture participants’ experiences on the subject being studied and these included interviews and desk research. Primary data was collected using semi-structured interview as illustrated in Figure 5. Most research questions can be answered using some combination of secondary and primary data (*ibid*). The secondary data was gathered through desk research including scientific scholarly journals, wine magazine articles, and books as well as Internet sources from both the Swedish University of Agricultural Sciences and Stockholm University online libraries. These libraries are well known for their academic contents in the field of Social Sciences and other reliable trade journals. Other Internet sources came directly from wine producers, WOSA and SAWIS websites.

Yin (2003) pointed out that interviews are one the most important sources of collecting primary data. The contact with companies selected randomly was made via phone calls between March 24th and April 7th, 2014 and the dozen wineries that agreed to participate on the study received a semi-structure interview questionnaire sent via email on April 10th, 2014. However many failed to return the questionnaire with the answers. Only two managers sent them back with replies via emails and two agree for a phone interview instead. Emails replies were received separately on April 22nd and May 2nd, 2014. In the end, only four wine managers successfully participated in this study. The phone’s interviews approach proved to be more flexible since it provided enough room for follow-up questions brought up during the phone conversations exchanges made on April 30th, 2014. The interview questions were developed and based on the literature theories related to promotion strategies and COO effect; the open-ended questions derived from the main proposition that SA wine promotion strategies may be affected by the COO factor. This type of questioning was useful in enabling managers to use their own words and expanding their responses. The questions were concerned with a limited number of events or conditions and their inter-relationships. They were also designed to verify prior assumptions and to identify the barriers that limit the more effective use of COO information. The questionnaire design was inspired from Paterlini *et al.* (2012) similar study on the Brazilian exporting cosmetic sector; and questions were classified into eleven sets (see Appendix 1). Questions were designed using an indirect approach of questioning in order to get more information that would help identify, describe and analyze SA wine communication strategies in highlighting COO information of SA wines.

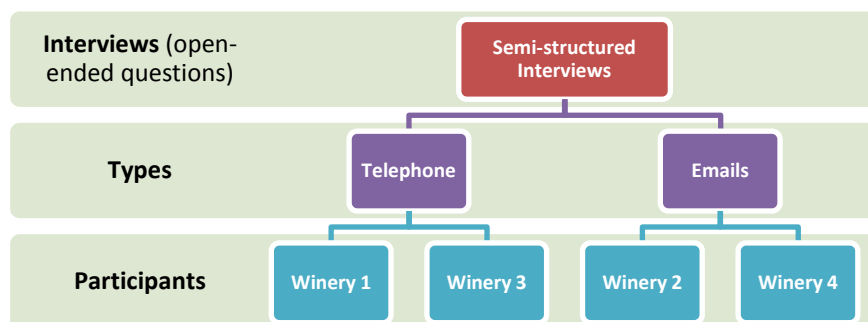


Figure 5: Primary data collection (own version according to Saunders *et al.*, 2009)

3.4 Framework for data analysis

The rationale for using multiple observations in sample focuses upon the need to establish whether the findings from the first winery occur in other participant wineries and, as a consequence the need to generalize from these findings. A substantial amount of information was collected from desktop research, telephone and email interviews. Miles & Huberman (1994) stated that the processing of qualitative data consists of three following parts: data reduction, data display, conclusion drawing and verification. After carefully going through all data gathered, the most relevant to the research topic was categorized in sections. One important criterion in considering the use of secondary data was its source and reference. The empirical findings were analyzed using theories from literature review on promotion activities, branding, price, labeling and packaging and finally COO effects on wine. Results were presented under four major themes: (1) the use COO information of *promotion activities*; (2) the use of COO information in *product attributes*; (3) the use of SA *biodiversity* in wine promotion; and (4) the use of SA wine industry *ethical standards* in communication SA wine message.

Miles & Huberman (1994) also argued that researchers could not study everybody, everywhere and doing everything. Therefore describing the four exporting wineries registered with WOSA and other secondary observation from the SA wine industry gave a clear insight on communication strategies SA wineries often use to emphasizing COO of exported wine products. The aim of this thesis directed data analysis. Data was summarized in four themes, and these were similar to analytical categories relevant to identify, describe and analyze promotions strategies in relations to highlighting COO information. This process allowed to getting an in-depth view in SA wine exporting practices. It was of view that observing a single SA wine exporting company within the entire SA wine-exporting subsector would not have been sufficient to reaching a meaningful conclusion of this study.

3.5 Credibility and validity

Qualitative methods have been criticized many times in the past for research reliability and validity. While the reliability of the study refers to “demonstrating that the operations of a study such as the data collection procedures can be repeated with the same results”, the internal validity serves to establish whether its findings can be generalized within the topic domain (Yin, 1994). Saunders *et al.*, (2009 p.158) describe external validity (sometimes also referred to as generalizability) as “the extent to which the results can be generalized beyond the sample used in the study”. Robson (2002) argued that it is a common misconception when it is considered that a multiple cases may provide generalization at the level of a population. Therefore, the inability to provide a general conclusion for a whole SA Wine Exporting sector is considered as a weakness of this study. Nevertheless, the four wine brands helped in some aspects of generalizations being made to theory because they were dependent on the aim of this study (Saunders *et al.*, 2009). Generalizability usually depends on the degree to which the sample represents the population.

Critics typically argue that the most critical drawback of qualitative research is the objectivity of findings (Bryman & Bell 2003). The objective of this study was to shed some light on the use of COO information in SA wine marketing communication strategies, especially as an emerging market country and an African New World wine producer. Therefore, finding could help in planning future research regarding the topic discussed in this thesis. However there is always some level of subjectivity with regards to the interpretation of qualitative research based on the collected data and it cannot be expected that two researchers when observing,

experiencing, or experimenting on the same case will make the same theory-neutral observations. In this thesis, participants exporting wineries were asked the same questions individually with the purpose of identifying their marketing communications strategies related to the use of COO information in export markets. Therefore, detailed description of these wine companies may lend credibility of the results of this paper, thus helping the reader to understand the phenomenon in using SA information on wine exporting promotion strategies (Bui, 2009). The external validity of this study has not been too much compromised because all participants were wine exporting companies and face the same stringent rules on SA wine exporting requirements. Furthermore, the research was done in an independent manner throughout the process with very little possibility to manipulate the findings. The absolute neutrality respected during this study and the relatively straightforward questionnaire supports the assumption that similar observations and conclusions are likely to be drawn from the same research if conducted by different researchers thus enforcing the credibility of its findings.

4. Background for the empirical research

An empirical research is a way of gaining knowledge by means of direct and indirect observations or experience. In this chapter, history and indirect observations of the SA wine-exporting subsector are presented. Data was gathered by documentary analysis

4.1 Overview of the SA Wine industry

According to Bruwer (2003), the SA's wine industry is among of the oldest outside Europe. The establishment of a victual station for the Dutch East India Company at the Cape midway through the 17th century led to the planting of the first vineyard in 1655 by Jan van Riebeeck, who was the first governor of the Cape. The first vines were imported from France, Germany and Spain. The making of wine only started on the 2nd of February 1659 (WOSA, 2, 2014). However, the first Cape European settlers from Dutch origin had almost no wine tradition. It was only in 1688, after about 150 religious refugees from France (known as the *French Huguenots*) settled at the Cape that the wine industry began to flourish (ibid). These new settlers also had to adapt to the unfamiliar environmental conditions with their established winemaking techniques. As a result, SA wine has a mix of French, Dutch and Germans style combined in a single country, although *mainly French*. There are major wine producers in SA (see Image 2), and 95% of them are mostly found within Western Cape Province along the coastal area's line surrounded by both the Atlantic and Indian oceans (for cooler climate) on a radius of between 100 and 200 km from Cape Town, SA's second largest city (Bruwer, 2003). There are over 3440 farmers cultivating wine grapes on an estimated 100,093 hectares land size (WOSA, 3, 2014).

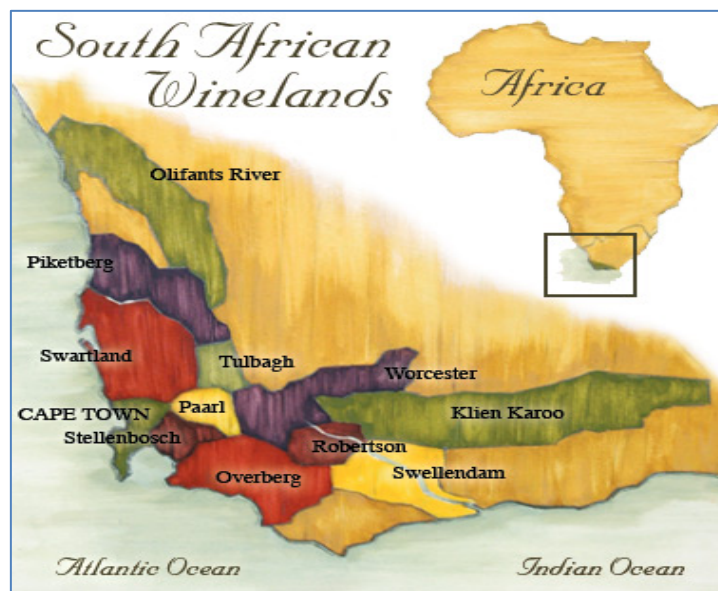


Image 2: Location of 95% of SA wine areas (Southafrican-wine, 2012).

The SA wine industry is a relative newcomer to the international market and its wines were almost unknown in many developed countries before 1992. The end of Apartheid political regime in 1994 and the lifting of all international sanctions saw the country revitalized its industries including its wine industry. The SA wine industry is now competing with other

wine industries that have been in the market for much longer, that are much bigger, have well-established brands and popular wine varieties (Vink *et al.*, 2004). According to SAWIS, SA’s wine exports have been multiplied by almost twenty times during the past two decades as shown by figures in Table 4. The country only exported 24.5 million liters of wine in 1993 but this figure has grown to 517.4 million liters in 2013 (SAWIS, 2014). SA is now among the top New World wines suppliers and ranks in first place for New World wine supplies in Germany (SouthAfrica.info, 2, 2013). However the country wine exports still have to make inroads in the US market although Thompson, WOSA’s CEO has shown some optimism by stated that “SA is increasingly perceived as the source of interesting, original and well-made wines, able to appeal to Americans eager to expand their repertoire,” (ibid).

Table 4: SA wine exports 1993-2013

Year	1993	1998	2003	2008	2013
Volumes (in Mhl)	0,245	1,168	2,373	4,0732	5,174

Source: SAWIS, 2014

Things have not always been easy for the SA wine industry. To fight the negative sentiments about the country, SA wine companies’ executives and government officials joined together to develop new promotion strategies and emphasize the political maturity of the country, its winemaking expertise and its rich biodiversity. The name of the former charismatic President and Nobel laureate Nelson Mandela was and still often used to convey hope, peace and the positive image of the country both at home and abroad to promote business and investments (Benjamin & Donnely, 2013). During one wine exposition hosted in the US, one SA wine executive was quoted stating emotionally: “it is not just about selling wine; it is also about selling a whole new country, a whole new story and a new South Africa” (Hwang, 1994, p.2). According to a prominent US wine importer Onish K. (quoted in Hwang, 1994, p.1), SA wines faced another branding problem since “there's some romance associated with the selling of wines” and wines are bought partly because of the image of the country they are produced in. Citing for example, “French Bordeaux wines which conjure up visions of stately chateaux, while Californian wines evoke pretty images of Napa Valley”. Onish K. further mentioned that it was hard for Americans to imagine grapes grown in Africa instead of a country with a rich wildlife including lions and elephants (Hwang, 1994) therefore there was a need to further ‘educate’ American wine consumers about SA wine attributes (ibid). Based on preconceived American views, Onish suggested that aggressive marketing communications campaigns be seriously considered and prioritized by SA wines exporters. Activities including free wine tasting and other country’s competencies must be highlighted to educate US consumers and mitigate misconceptions (Onish K. in Hwang, 1994). A number of US wine importers also indicated that the most successful way they found to persuading American wine consumers and retailers to purchase SA made wines was to first offer free tastings which was proven to be both an expensive and slow process (Hwang, 1994).

Two decades later since Apartheid was abolished, SA ranked 8th world’s largest wine producer in 2012, this represented 4% of the global wine production; the country’s wine products are promoted and exported around the world to about 140 countries (WOSA, 3, 2014). Europe is the main export destination for SA made wines as illustrated in Figure 6. SA is classified as the 28th largest economy in the world and is considered to be a newly industrialized country (World Bank, 2014); the country was ranked as the top ‘African Country of the Future’ by FDi Magazine based on the country's economic potential, labor

environment, cost-effectiveness, infrastructure and technology, business friendliness, and Foreign Direct Investment Strategy (Walls, 2013). All these country's attributes are essential in helping the country's image enhancement and its wine industry marketing communication strategies.

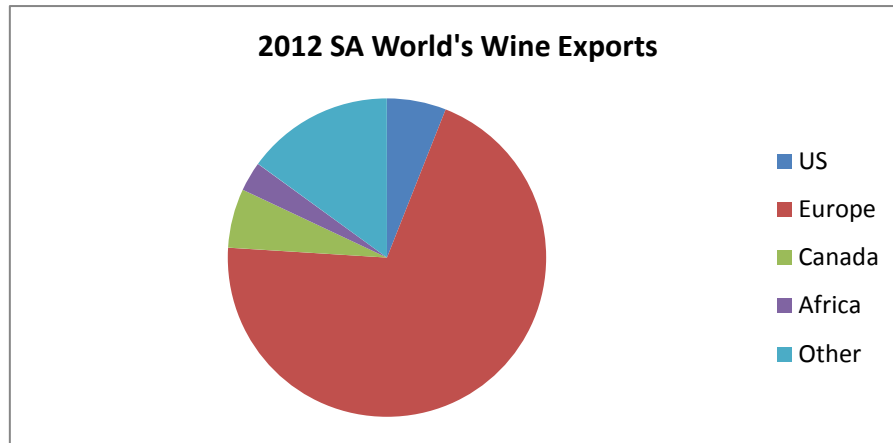


Figure 6: SA Wine Exports global repartition (Own version according to SAWIS, 2014)

4.2 Glance in SA wine promotion activities

The SA government sponsored aggressive wine exporting promotion programs and created the South African Wine Industry Council in 2006. The council is made of business units, which include among others WOSA to promote SA wine export and The Wine Industry Development Association (WIDA) to promote transformation in the wine industry (economic empowerment, social and human resources programs).

4.2.1 WOSA in SA wine promotion

WOSA has a dedicated page (Events Calendar) for highlighting upcoming SA and international wine events (WOSA, 4, 2014). The upcoming wine events are listed with detailed information so that willing SA wineries can take part and further strengthen the country's wine exports. In SA, all wines destined for exports must first be granted an export license. Strong measures are in place to protect the country's wine quality standards abroad because one wrong batch can badly affect the country's brand wine reputation. Samples of each batch destined for exports must undergo chemical analysis and further testing at the Wine and Spirit Board before being granted an export license (WOSA, 5, 2014).

According to WOSA, *it is mandatory for all SA wineries to clearly emphasize the COO information* in promoting wine sales abroad as required by most wine labeling and imports laws (see appendices 2 and 3). In addition to using mandatory COO information on labels, wineries are free to use their own blend of promotion strategies. The naming of wines and its labeling regarding COO information must be carefully considered. For example, according to the Mandatory Label Information for the USA, only the expressions "Product of South Africa" or "Produce of South Africa" must be used (see Appendix 2). Other expressions such as "Wine of South Africa" will not be allowed to enter the US (SAWIS, 2014). EU laws require that information such as "wine of South Africa", "produced in South Africa", or

"product of South Africa", or expressed in equivalent terms be indicated on wine final package to inform end-consumers of the product provenance.

4.2.2 SA wineries promotion activities

SA wineries make use of different media locally and abroad in order to communicate their advertising message. Some of the most popular ways include: Internet (e.g. winemag.co.za; wineland.co.za); Magazine advertising (e.g. Wine magazine or Decanter); Direct mail advertising (e.g. e-mails to wine club members); Billboards (e.g. airport passages and shopping malls). SA leading social media wine marketer Mike Ratcliffe (in Von Ulmenstein, 2010) believes that the use of social media is revolutionizing the way SA wine products are marketed, especially with the use of print media which is rapidly declining worldwide (Pendock, 2010). Viral media such as Twitter is a key player and 'non-negotiable' for SA wineries since it is a free service and does not need to be included in marketing budget (Twitter, 2014). Other social media (also free) including Blogging, FourSquare, Twideo, YouTube, Google Maps Latitude and Nice to Meet You, and Facebook have given a whole new dimension to SA wine word-of-mouth advertising (Hobbs in Von Ulmenstein, 2010). Association with world-known figures is also used to promote SA wines. Citing for example one SA sparkling wine, the 'Graham Beck 2005 Brut' which was used by Barak and Michelle Obama to celebrate their Presidential election night victory of 2009, the brand is now often advertised and referred to as an SA's Obama favorite 'Champagne' (Winkler, 2009). Other wineries use celebrity's names in branding their wine like the 'House of Mandela' wines that directly evokes its association with the former SA president Nelson Mandela (Greatwinews, 2014). However, Hwan (1994) reported that some Americans consumers find it hard to pronounce certain names of SA wine brands; especially names derived from the Old Dutch language (called Afrikaans in SA) such as the 'Zonnebloem' and 'Groot Constantia' brands. Although these brands may be very famous locally and in other foreign markets such as the UK and the Netherlands, Michael Goldstein, president of the Park Avenue Liquor shop in New York (US) was quoted (in Hwang, 1994) stating that: "If you can't pronounce something, you don't want to look silly asking for it". Some SA wine exporters have been renaming their products with easier name recognition and identification. This is the case of 'Koopmankloof' wine, which was rebranded as 'One World' for sales in the US market (see Image 3). The rebranding strategy has worked and the 'One World Pinotage' by Koopmanskloof is now available aboard American Airlines flights (Fairtrade USA, 2010).

Tourism activities account for almost 8% of the SA's GDP (Southafrica.info, 3, 2014); and the wine industry uses wine tourism opportunities to promote the country's wines. This is done in serving SA wines in hotels, restaurants and also with direct selling from cellar doors hoping that consumers will start looking for SA made wines when they go back to their home countries after their first tasting experience while visiting the country. Tourists visiting the country can also log on 'www.sawineevents.co.za' to check upcoming local wine events from different wine regions and locate wineries that are holding promotional events.



Image 3: Classic Koopmanskloof brand and its US version One World brand

Source: Heritage Link brands (2007) and Cellar Tracker (2008)

4.2.3 SA wine price in foreign markets

SA wine price category falls under those produced in New World, meaning that they are averagely priced; yet do not compromise on quality (Roberts, 2014). However, large bulk wine exports volumes are affecting perceptions on SA wine value (price) in consumers mind into foreign markets. In 2013, the average export price for SA bulk wine was estimated at US\$ 0.65 per liter while pre-packaged wine was four time more expensive and estimated at US\$ 2.69 per liter. The total average export price per liter (bulk + bottled) of SA's wine was US\$ 1.33 (SAWIS, 2014) and this total average export price has been decreasing over the years as shown on Figure 7. This is in large contrast with the world's average price that has been increasing. According to Michael Brain, owner of one prominent SA winery, high bulk wine exports has been bad for the country image because "SA is now the cheapest supplier but is not getting a volume benefit and this is not always a good strategy since cheap wines drag SA's image down"(Stafford, 2013). Jo Wehring, UK manager of WOSA indicated (in Moore, 2014) that SA bulk wine export will contribute to the loss of foreign market share in the long term if the trend is not reversed. SA wine must still achieve high growth in pre-packaged wine exports potential to reaching higher prices in order to mitigate the 'cheap perception' and become as successful as its New World competitors in foreign markets (Stafford, 2013). The effect on large bulk volumes means that only 34% of SA wine was pre-packaged, bottled and labeled in SA before shipping in 2013 while 66% was exported in bulk (SAWIS, 2014). Nora Sperling-Thiel, director of Delheim, of a family-owned wine farm in SA stated: "the label guys are not even printing anymore; the capsule makers and the box makers are being bypassed" (in Smits, 2012). This has resulted to bulk wines being commercialized with the label 'Wine of ...COO' and 'Bottled in...Importer country' thus constituting some form of co-branding (two countries names on the same wine) which further confuse uninformed consumers (Moore, 2014). SA wineries make use of different trade

promotions by mostly targeting discount retailers and supermarkets to offer their wine brand at reduced market entry rates throughout the world. For example, in August 2012 Wal-Mart, which is the world's largest US based discount retailer, started selling SA wines throughout its 1,600 stores in the country and now, carries SA wine brands in most stores (Navarro Espinosa, 2013).

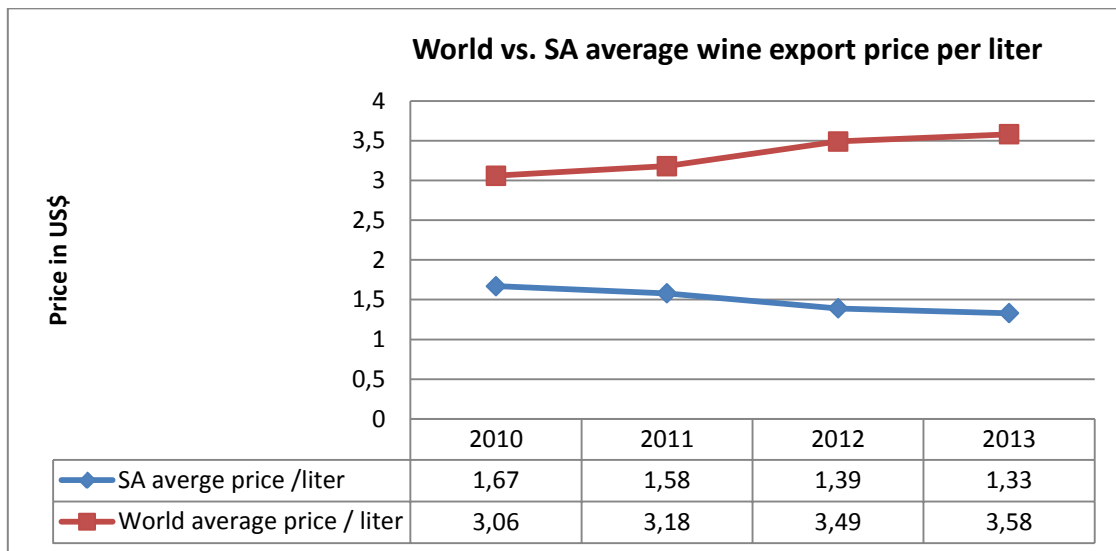


Figure 7: Average wine export price / liter comparisons World vs. SA
(Own version according to SAWIS, 2014 and OIV, 2, 2014).

4.2.4 SA wine terroirs and biodiversity

According to World Wide Fund for Nature (WWF), SA wines lead the world in production integrity, environmental sustainability and conservation (WWF, 2014). The biodiversity is the variety within and between all species of plants, animals and microorganisms and the ecosystems within which they live and interact. Nearly 95 % of South Africa's wine-growing takes place in a biodiverse area made of a complex terroir, which is also the fundamental influence of the unique diversity and quality of wines from the Cape vineyards (WOSA, 6, 2014). In all winemaking countries, the terroir is one of the most important factors to growing good vines. The terroir refers to the natural features of a body of land, which make wines produced in a specific area unique (ibid). The terroir is therefore the key factor to naming (branding) the wine product. The importance of origin (terroir) has prompted traditional wine areas in Europe to install control systems, thus limiting how SA wineries can name their wines. In SA, producers can claim their wine to be of origin (or W.O) only if 100% the grapes used to make that wine comes from that specific region. There are numerous wine styles made in SA: These include single grape varieties of Red wines and White wines, Blend wines, Rosé wines, Fortified wines and many other wine types. SA wines are made from dozen types of cultivars that originated mostly from Europe. For example, French originated red wine varieties include Cabernet Franc, Cabernet Sauvignon, Malbec, Merlot, Pinot Noir, Shiraz and many more varieties from Spain and Italy. White wines varieties include Sauvignon Blanc, Gewürztraminer, Chardonnay, Weisser Riesling, Semillon, etc. The SA wine industry has also managed over the years, to create its own wine cultivars that are now considered as indigenous to the country. These varieties are known as Pinotage red wine grapes, Roobernet

red wine grapes, Chenel white wine grapes and Nouvelle white wine grapes. Most SA wine exporters use the specific attributes of the ‘unique’ biodiverse terroir and wine variety to convey the COO information to consumers. One example will be “*Two Ocean merlot*” from Stellenbosch SA, which directly informs the buyer about the wine’s origin.

4.2.5 SA wine industry ethical and environmental standards

SA is currently the world leader in producing both organic and environmentally friendly wines and a forerunner in terms of sound environmental legislation (Manuel, 2007). The country is also leading among wine producers that use plastic polyethylene terephthalate (PET) bottle in wine packaging. The PET bottles (187ml, 750ml and 1 liter) used is fully recyclable and has a much lower carbon footprint than glass (Chance, 2010). Some SA wine exporters use the ‘green’ packaging approach for a competitive advantage in foreign market; this new type of PET packaging save transport and logistics costs (Food & Beverage, 2014). Wines packaged in PET bottles are being marketed particularly with reference to their SA eco-friendliness and superior packaging qualities. Therefore, companies using the ‘green’ wine packaging are considering this approach as a promotion strategy to emphasizing SA environmentally friendly produced wines.

According to WOSA, the wine industry is working to correct imbalances from the Apartheid regime and move toward a more equitable society. The Wine Industry Ethical Trade Association (WIETA) was created to help speed up these changes with an exclusive focus to promote ethical standards in the wine industry. Another goal of WIETA (to be achieved by 2016) is to have all the country’s wine exporters to be certified for adhering to fair labor practices and subscribing to environmentally sustainable wine-growing and production. A large number of wine producers are also signatories of the internationally known “Fairtrade” label for its stance on promotion of social and economic development (WOSA, 7, 2014). More consumers (from UK, Netherlands and Sweden) are becoming increasingly aware of the trading practices of wineries, especially from New World wine countries; the demand for Fairtrade labeled wines has dramatically increased (Wine Intelligence, 2009). Consumers are willing to pay more for a wine that is certified Fairtrade since the label indicates that all workers involved in producing these wines are paid fair wages for their labor. Approximately two thirds of all Fairtrade wine sold globally comes from South Africa with over 27 million bottles of wine sold in 2013 (Fairtrade, 2014). Currently SA counts only 28 Fairtrade certified wineries (ibid). However, there are an increasing number of wineries, and particularly those owned by previously disadvantaged communities, which use Fairtrade label to emphasize SA good labor practices and social development.

5. Results

In this chapter, the empirical evidence of this thesis is presented. Information was acquired directly from wineries managers by means of email and telephone interviews.

The main purpose of this thesis was to identify, describe and analyze communications strategies used by SA wineries to highlighting COO information of their products in foreign markets. Data was gathered from winery managers by means of emails and telephone interviews. In this is section, a brief background of individual exporting wineries is first presented and will be followed by a combined description of marketing communication strategies of all participant wineries in relation to COO emphasis in these strategies. Main results appear in four major communication strategies themes through which COO information can be highlighted in foreign markets: promotion mix activities; product attributes; biodiversity; and wine industry ethics.

5.1 Brief presentation of participating wineries

The participant wineries are all located in the Western Cape Province and their years of experiences in wine exporting activities differ; they range from five to over twenty years period. In addition, the numbers of years of experience in wine production and historical background are also diverse.

Winery1

Winery1 is 320 ha farm owned by a third generation family since 1937 but the farm has been producing wine for over 300 years. The main farm is located in the city of Paarl area but the company owns many other vineyards in different regions (for different terroirs) throughout the Province making up almost 600 ha of farmland. Winery1's management claims that the company winemaking techniques combine the use of both hi-tech and traditional equipment. This winery started exporting soon after the international sanctions were lifted against SA. The company exports 70% of their production to dozens of countries; main exports destinations include the US, Canada, Sweden, the UK, and Germany. Over 250 000 tourists visit the wine cellar each year and the winery does not export bulk wine and uses different blend of communication strategies to highlight COO information.

Winery2

Winery2 dates back from 1777 and is located in the Stellenbosch area. The winery is owned by a Family Trust and the farmland stretches to approximately 220 ha in which 98 ha were proclaimed a private Nature Reserve. The marketing division of this farm was created in 2004 to help formerly disadvantaged communities of the farm to produce and market their own wine. Wine exporting activities are recent in this winery and only started in 2009 but they are now exporting mainly to the US and to some European countries. Few exports volumes are also destined to China. Most of the wine production is exported in bulk volumes and rebranded in importer's country. The wine cellar is opened to tourists on reservation.

Winery3

Winery3 dated back from 1995, the year in which the wine farm was established in the Elgin area of the Western Cape Province. The particularity of this winery is that the 200 ha farmland was made available from both the SA government and one private landowner contributing in equal share. This winery project was recorded as SA's first economic empowerment experiment in the agriculture sector with the main goal being to uplift and empower previously disadvantaged communities. This highly export-driven winery became a stand-alone wine company in October 2009. Almost 98% of the 240.000 bottles produced by the winery in 2012 were exported mainly to Europe (85%). Their wines are also found in the US and Asia. The farm offers wine cellar tours on a daily basis. No bulk wine is exported and only pre-packaged wines (750 ml and 3-liters pack) are sold either directly or through different marketing companies.

Winery4

One of SA biggest Alcoholic Beverages Group of companies owns Winery4. The company work as cooperative with an important marketing department. The group owns numerous wine and other alcohol beverages labels divided in different sub-units. Wines are not made from the companies own grapes. The grapes are bought from suppliers across the Western Cape but the wine is processed at the winery's production facilities in Stellenbosch. The production of the label that participated in this study only started in 1993 and has since been exporting its brand throughout the world to over 80 exports destinations. While Winery4 brand has a substantial local market share, it is also doing exceptionally well in a number of export markets. Some export destinations include Canada where it is considered as the biggest SA selling wine brand; Sweden and increasingly Finland. The brand is also found in retail stores in many other countries including China, The Netherlands, the United Arab Emirates and Nigeria. Only pre-packaged wines are exported from this company and wine is sold in various packaging volumes (e.g. 3-litre bag-in-box format, 750ml bottle) depending on importers choice. Tourists can visit the company's cellars facilities for wine tasting and purchasing.

5.2 Combined description of communication strategies

All participant wineries have similar communication strategies in relation to highlighting the COO information. Wineries make use promotions mix tools together with product attributes to convey their marketing message, which always includes the COO. The COO information is emphasized either directly or indirectly depending on the strategies. All wineries make PR campaigns through press releases, the winery's website, editorials (e.g. local and international wine magazines), online campaigns through social media and websites, and staged events.

I. The use COO information in promotion activities

All participant wineries have wine cellar personnel working within the sales force from both at home and sometimes abroad, particularly during participation in wine expositions (staged events) and trade shows. Selling directly to tourists is one of the most popular communication strategy used by most participant wine exporters although this is only limited to local tourism activities or during wine trade events. The contribution of wine tourism activities is important to get individual contact with foreign visitors who often first taste SA wine while visiting country. Managers see this as the best opportunity to highlight SA wine quality thus providing more information. This activity goes with hope that tourists will be willing to stop at the SA

wine section of their local supermarket or liquor store for a repeat experience, thus becoming 'brand ambassador'. All respondents unanimously believed that wine tourism was crucial for wine promotion, to getting their products known but one export manager was skeptical about SA remaining a peaceful, and reconciliatory country as its 'new image' is often portrayed and this could hamper wine tourism. This exporter hopes that the "Mandela spirit" prevails in the country by remaining in the much-needed peace environment, which is essential for the country image, and standing in the world. While three managers were happy with the government job, one suggested that government authorities do more to attract even more tourists; and guarantee visitors safety for the country image continuous improvement. The skeptical manager further propose that government authorities invite international wines buyers, wine reporters to come and experience wine and the different cultures of SA.

All wineries managers interviewed acknowledged that attending wine expositions is important in order to meet potential importers. They often attend local and international wine trade events once or twice per year in search for new markets and potential new importers by emphasizing SA wine quality. Communication with potential importers will be entertained using direct exchanges (e.g. telephone or e-communications) in order to attend to their individual needs. Participants also use various media to 'proudly' highlight SA made wine. Media used include YouTube, Twitter, and Facebook; and both Online and print magazines advertising. All participant wineries have a websites where they post information about their wine attributes.

Using SA as COO has not always been successful to all countries for most participants. The European market is responding rather favorably to their wines in general, but it hard to say the same for the US market. All managers found the US market to be very attractive and one in which they would like to see further growth and gain substantial market share, especially now that the US have recently become the biggest world wine importer. However, managers pointed out that promoting SA wines in the US market remains extremely challenging even after Apartheid was abolished; suggesting that US reticence was probably link to the country's image since SA wines are doing well in the some traditional winemaking countries of Europe. One manager, appeared frustrated about the COO effect in US wine market, a market in which, they are proposing large discounted market entry prices. This manager further stated: "our US Marketing Team does not believe that the whole provenance SA message is helping them to sell our wines, we are going to do some online consumer research to see if SA or Africa is in anyway damaging the brand. If the US consumer does not see SA on the label they might think it is from Australia, NZ or even US – that is positive and will help sales"

II. The use of COO information in product attributes

All respondents highly emphasize the COO (___ South Africa) in packaging and labeling for two reasons: Firstly, it is required by most countries wine imports legislation; and secondly they believe that it is the way SA will be known in the long term for its good wine quality, thus enhancing its market value. Only one participant winery uses eco-bottling for packaging while others use the normal and traditional wine bottle and box packaging. Branding was important to all managers since they perceived it to be very crucial to product differentiation and consumer's loyalty. Branding efforts were concentrated on logo and label design. Wineries include a great story regarding the SA terroir in which the wine is produced. One design chose to show the outline of the scenery depicting the southern tip of Africa, surrounded by sea and crafted by the African sun and the cool sea breeze. Another use an image portraying Old European settler's equipment or Dutch style houses typically found in

of SA wine lands. Other designs include African art of a woman or a bird display. The COO information (Africanness) communicated on logo design was to convey an undisputable message that the wine is 'proudly' made in the SA, a warm and cool country with a diverse cultural heritage. Interviewed managers believe that promoting SA wine under the country label was more important than the power of their individual brands. One manager cited the example of France, stating: "it is not necessarily all French made wines that are excellent. But many consumers around the world believe so..." therefore, an image that strengthens the SA culture and image was prioritized and its wine quality will slowly be in consumer's mind. Most managers believe that they can get more in terms of pricing since their brands are sold cheaper (at discount price) than the actual value of their wines. Furthermore, export of bulk wine was not making things easier since bulk export is the cheapest way to export wine and importers bottled it locally to make more profit, which is a loss for SA wineries. However, bulk wine export is a global trend and not only affected by SA, other New World wine producers use the same strategy. The pricing message was perceived differently from countries to countries. According to most participants, the pricing message to foreign consumers was for SA wines to be perceived as 'good value for money' for a good product quality. Managers indicated that the drawback for this strategy was that while entry-level wine prices were acceptable to importers, it becomes more difficult to sell SA premium wine brands in large volumes. One manager was quoted stating: "Importers want us to continuously improve on quality but yet they want us to reduce the price at the same time, especially for premium brands". Managers interviewed believed the SA wine value have a brighter future, especially with the declining European production. There was a strong belief that perceptions will change as soon as SA is recognized as a country which has been making wine for over three and half centuries and offering a unique quality. Hopefully, prices will also be adjusted accordingly and one manager was quoted saying, "even a rise of US\$ 0.20/l on SA wine price will make a huge difference to SA wine exports".

III. The use of SA biodiversity in wine promotion

Respondents want tourism authorities to attract more visitors in the country emphasizing the SA multiracial society, its natural habitat, wild life parks and beautiful beaches; and this can only benefit the wine industry. Biodiversity information is mostly conveyed to consumers in forms of statements printed on the labels. The text in most cases emphasizes SA wine types and varieties, its unique terroir and characteristics. Respondents pointed out that these attributes largely influence the wine quality and its sensory attributes making it very difficult or almost impossible to replicate their wine "uniqueness". One manager viewed Sweden to be more accessible because for its eco-friendly stances therefore being sensitive and favoring SA biodiversity. This particular manager indicated that the biodiversity message to promoting SA wine in Nordic countries has been a winning strategy for their brands. All respondents' managers have been promoting SA wines using the country's biodiversity and this has had a positive impact in countries such as the UK, Germany and the Netherlands.

IV. The use of SA wine industry ethical standards in communication strategy

The wine products exported by companies included in this study all complied with both WIETA ethical standards and three of them use the Fairtrade label as a promotion tool for their brands. Fairtrade label does not certify the entire winery's brands but check the process for each particular brand's production. One respondent indicated that their winery only has one brand Fairtrade certified and they are working towards having more brands to achieving Fairtrade standards. Another respondent manager whose winery uses the Fairtrade label believes that it is a good certification since it invests some money back to local communities

and also the label sends the right message to social-conscious wine consumers in foreign markets. However, costs to retaining the Fairtrade standards are quite high. Furthermore, all respondents' carry Integrity and Sustainability seal (see Image 4). This seal is issued by SA's Department of Agriculture. It was launched in 2010, it certifies that the wine has been made in a manner that is respectful to nature and guarantees sustainable wine production



Image 4: Fairtrade and Integrity & Sustainability seal (Sawines, 2014; Fairtrade, 2014).

5.3 Summary of results

In the SA wine industry, it is almost impossible to export any wine product into foreign markets without emphasizing the COO information since it is a mandatory requirement. All SA wine products; whether exported on pre-packaged or on bulk forms must include the SA provenance. This information always has to appear somewhere on final packaging and labeling of the product before consumers buy it. Therefore, in promoting SA wine abroad, exporters highlight COO in most communication strategies and the wine origin information cannot be dissociated with the product itself. Participant wineries in this study use various marketing communication activities to 'highlight' COO information including country attributes (e.g. biodiversity, ethics and unique terroir); product attributes (e.g. affordable price, eco-packaging, labeling and branding) and blend of promotion mix activities (personal selling from tourism, direct marketing, advertising and online publications).

6. Analysis and discussion

This chapter aims to analyze and discuss the results obtained in this study based on the theoretical framework and models

The overall purpose of this thesis is to identify, describe and analyze communications strategies used by SA exporting wineries in emphasizing the COO information of their products into foreign markets. In order to achieve the aim of this study, four wineries were selected within the broad list of over WOSA's 500 registered SA exporters. In order to analyze the results, these will be compared using theories from the literature chapter. Themes are discussed separately to shed more light on marketing communication strategies used to highlight the COO information (see Figure 8). Kotler & Armstrong (2008) pointed out that communicating with existing and potential consumers is more than only choosing the perfect combination of the promotion mix elements, but rather well coordinated activities that also include the product attributes since they all also “communicate” with consumers and affect the product's appeal or acceptance in foreign markets. Companies must therefore find it necessary to develop communication strategies together with COO concepts whether the country's image is weak or strong (Paterlini *et al.*, 2012). The main analytical elements focused on COO information emphasis in communication strategies either directly or indirectly to foreign markets. Analytical elements include among others promotion mix activities, wine product attributes; COO perceived image; wine industry ethics and biodiversity. This analytical approach makes it easier to discussing these strategies based on the theoretical framework and the empirical data.

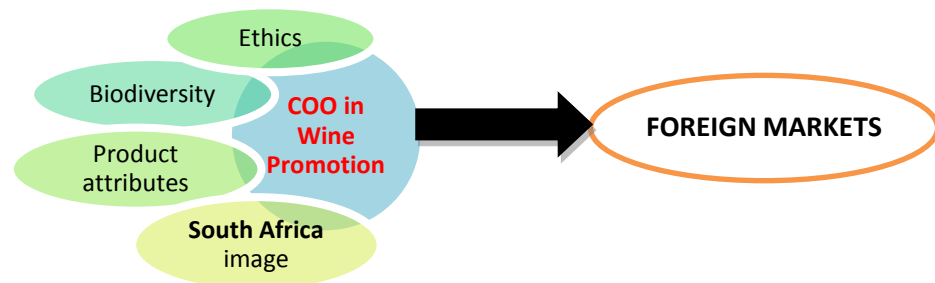


Figure 8: Conceptual framework (own version)

6.1 The use COO information in SA wine promotion activities

Emphasizing COO information in SA wine promotion activity refers to giving special importance or value by connecting the product to its country of provenance either verbally or in writing. Promoting SA wine using COO information is essentially communicating with current and potential customers about a specific product and persuading them to buy it (Kotler & Armstrong, 2008). The respondents mostly use advertising, personal selling in wine cellar and direct marketing with importers to promote their products into foreign markets. Highlight of COO in the promotions activities cannot be dissociate with the COO meaning that SA wineries cannot promote ‘wine’ but they have to promote ‘SA wine’ in all promotion activities. However, some managers would have liked to simply promote the company's wine brands and not necessarily always associate it with COO in promotion activities. This will enable some wine brands to strengthen their brand name and succeed in skeptical markets.

This remark was made particularly for the US market where “Made in SA” wines do not seem to appeal to many American consumers. One respondent even suggested that if there were ‘blind testings’ being conducted, some SA brands will come on top of many wine brands in the US market. This is because customers will be unaware of the wine’s origin, thus confirming Duhan (1999) argument that the unique characteristics of wine markets make consumers particularly sensitive to information about the origin of the wine products.

6.2 The use of COO information in product attributes

Promoting wine through its attributes appeared to be one the most important in wine marketing. Wineries staff cannot meet all potential customers therefore the product has to be designed in such a way that it can communicate with consumers. Steenkamp (1989) indicated that wineries must focus on external quality signs of their products to attract more consumers since they often look for signs on external information and on product appearance (e.g. packaging, brand name, quality symbol, origin) that could guide them into making the right choice. It is required by most country’s imports laws to reveal the name of the country where the wine was produced. Therefore, all SA made wine products must clearly display the country of provenance name. Whether the wine is shipped in bulk or is pre-packaged, the foreign end-consumers, and especially those living in Europe and the US must always be informed of the wine’s origin. All companies that participated in this study emphasize the label “____South Africa” in all wine exported products. In addition to displaying the country’s name on the package, the respondents emphasize other COO in a positive way by including some information of the country’s landscape.

Only one company focused on packaging to convey the image of SA’s environmentally friendly wine production despite Cant *et al.*, (2007) argument that while the primary function of packaging is to protect the wine, often its secondary function which is by far more important serves as a tool in the promotion strategy in identifying the product. Perhaps SA wineries should focus more on attractive packaging designs and concept to further appeal to eco-conscious consumers. Therefore, it is unfortunate that only one respondent winery uses eco-friendly packaging and others do not focus on external quality cues beside label information display; such approach could enhance Brand SA products in foreign markets and boost international sales.

Mandatory emphasis of COO in wine product has some effects on the label “____South Africa”; most managers reported that the label SA exhibited mixed advantages. On the one hand, SA wines were perceived to be low-priced but of good value for its quality but on the other hand such reputation affect “premium” brands because consumers are constantly looking for products that offer good value without compromising on quality. SA wineries must take into consideration that the price of wine is good indicator of quality. For example, well-known French Champagnes wine brand such as Moët are priced higher because consumers perceived the brand to embody high quality and prestige in their mind in comparison to others less-known sparkling (Champagne-like) brands. Therefore conveying SA wine image and price as a cheap product may hurt the industry in the long-term. Furthermore, if consumers are unaware of SA brand quality and price estimates, they might consider all the country’s wine brands to being low-entry products, thus cheap as found by Monroe & Lee (1999) in discussing issues in buyers’ processing of price information. The respondents believe that in consumer’s minds SA wine is cheaper in comparison to wine produced in other countries. One respondent went further adding that bulk wine exports is on increased because Western countries’ importers bottled their wines and sell their own brand to

supermarkets on a slightly higher price than they will make through direct exports of pre-packaged wines. A product labeled “___ South Africa”, but packaged in Europe will appeal more to skeptical western consumers. This confirms Bilkey & Nes (1982) arguments that products manufactured in emerging countries are often less valued than products manufactured in industrialized countries. However one of managers believed that consumers mostly judge wine products based on their taste and style, price and quality and thus confirming Thomas & Pickering (2003) finding that intrinsic factors or wine sensory characteristics including its taste constitute the most important factors in consumers’ wine purchase decisions.

Main advantages were on strengthening SA image as a country brand; a country, which can produce quality products thus changing, preconceived perceptions. It also makes it easy to identify SA made products in foreign market. The overall advantage for using “___ South Africa” was the belief that the country’s products will increasingly be perceived as the source of great quality and value with an affordable price. Furthermore, most interviewed managers believed that well-informed wine consumers do not mind purchasing SA premium brands since they offer good value for their money if compared to same level of European wine brands. All participant exports managers believed that the image of SA wine brands will continue to rise because they don’t compromise on quality thus corroborating Jaffe & Nebenzahl (2001) view that brand can improve over time as long as consumers value the intrinsic characteristics of the product in their purchasing decisions.

6.3 The use of biodiversity and Ethics in wine promotion

Allred *et al.* (1999) noted that a country image is “based on the country's economic condition, political structure, culture, conflict with other countries, *labor conditions, and stand on environmental issues*”. SA has long been affected with a long Apartheid history and most consumers may boycott SA made products as they did in the past if they were informed that there still no fair labor practices and that laborers are unfairly treated. Therefore, wineries use Fairtrade and other ethical certifications to proving that Apartheid is a thing of the past and the wines they produced help empower local communities, thus enhancing the perceptions people may have about the country ethical standards.

Regarding the issue in using the country’s biodiversity to promote SA wine, only two companies reported using the Cape biodiversity (the cape floral kingdom) directly on wine packaging and labeling. For example, one manager argues that SA being eco-friendly has been a powerful marketing communication tool to enter into the Nordic markets, and particularly Sweden. Using Fairtrade label and biodiversity associations with SA wines has proven to be a valuable marketing communication strategy, especially that two third of Fairtrade wines are produced in SA and its export sales volumes are gaining momentum in international markets. All respondents’ wines companies carry an Integrity and Sustainability Seal, which certifies that the wine was made in a manner that is respectful to nature and guarantees sustainable wine production. Communicating SA wine brand associations with biodiversity and ethics on labels is important since they are perceptions and images that customers link with particular brands (Kapferer, 2008).

6.4 Wine promotion and country image

All promotion activities are linked either directly or indirectly to the country image, since technological capabilities and infrastructures levels are essential in order to conducting these activities. According to Jaffe & Nebenzahl (2001), a single brand or a winery alone cannot

control an entire country's image. Balabanis *et al.* (2002) also pointed out that governments have already recognized the importance of country image in the success of their products abroad. The interviewed managers all agree that while to the SA government is doing enough to promote the tourism; they should invest even more in wine tourism. Chaney (2002) found that visiting a country was rated as the highest inducement for buying wine from a previously untried country brand. Participant wineries made use of all promotion activities to highlight SA wine quality; and often personal selling through wine tourism activities and direct marketing were mostly used. Advertising was used to reinforce the previously mentioned strategies. The winery with a bigger marketing department had more export success in terms of export destinations justified by its financial resources, which enable marketing teams to attend numerous international wine expositions per year. One exports manager suggested that government authorities should invite international wines buyers, wine reporters to come and experience wine and the different cultures of SA. Such request is only easily achievable in countries with financial capabilities to meeting such requirements. Furthermore, two managers believed that government should be supporting the industry in terms of research and development, as well as in linking wine with tourism. All these activities are dependent to the country technological, production, marketing and financial capabilities.

Most literature in wine marketing suggests that external information in wine packaging is what guide consumer in purchasing decisions. In promoting SA wines, exporters may also highlight the strong heritage and linkage the country's wine with French winemaking expertise as part of their communication strategies so that their products are marketed as offering good value for money without compromising on quality just like French wines. This is legitimate since SA winemaking has undeniable deep French roots. Such approach could be particularly attractive and informative in the US market where brands and expertise are very important in wine marketing. Roth & Romeo (1992) argue that COO refers to "consumers' overall view of products from a particular country based primarily on their *prior perceptions of that country's strengths and weaknesses in production and marketing*. Unfortunately the international recognition of the country's competences in winemaking have not yet reached high proportion, especially in the US where SA wine is still considered to be of "inferior quality" and less-known. This is contrary to many European export destinations and in other new markets where the SA's wine quality perception has been improving. Although there are many restrictions in using French origin protected names in wine branding, maximizing linkages with French heritage may bring valuable marketing communication advantages because French wines are well established and are often sold at 'premium' prices. The more international consumers are aware of the SA-France strong bonds (association) in winemaking, skeptical consumers might be willing to 'give it the first try' and hopefully be surprised with SA wine quality thus enhancing its market value and reputation. Such practice could bring instant credibility in a normally skeptical marketplace and boost SA as a valuable winemaking country since external cues appear to be crucial in wine marketing. The drawback however from such approach is that SA wine brands could be overshadowed by the very same French heritage and be perceived to misleading consumers and thus bringing negative effects, which could hurt its wine brands, the country image and its pride.

7. Conclusions and Implications

This last chapter is intending to present the main conclusions that can be drawn from the results, followed by a discussion of the implications and directions for future research.

This thesis aimed identifying, describing and analyzing communications strategies SA exporting wine companies use to emphasize COO information of their products in foreign markets. SA wine exporters use a blend of promotion activities (advertising, personal selling, sales promotions, PR and direct marketing) to promote their wines abroad. The label “_____South Africa” is the main tool used to identify the COO in all promotions strategies. COO information was mostly emphasized using product attributes on packaging and labeling, and by conveying the country’s biodiversity information and ethical work standards. It is not only difficult but against most wine importing country laws to dissociate the COO information and wine exports. Therefore, wine promotional activities emphasizing the product provenance is a mandatory requirement. Wineries that participate in the study consider the country’s image and its perception in the world to be more important than their individual brands although some markets remain skeptical about the quality of SA wine. The country’s high bulk volume in wine exports appeared to contribute negatively to its overall low value perception in foreign markets. Managers believed that the wine labeled “_____South Africa” which is exported in bulk and sold cheaper abroad in supermarkets and discount stores weakens and severely affects the value and perceptions foreign consumers have on SA wines quality, thus also affecting its price.

There is no general view that wine products labeled “_____South Africa” will automatically face any negative bias because of its provenance but high volume of bulk exports convey the image of low-priced wine thus low valued product image. Wine exporting companies together with WOSA must analyze the country image in all aspects, re-evaluate the capacity of the country as a wine producer, and maybe regulate its bulk export volumes, which appear to negatively impact on SA wine value and perception in foreign markets. Table 5 summarizes main results and implications. Future research can focus on how the SA wine industry can increase their brand awareness for premium wine brands in export markets. In addition, a research on SA-French links in wine marketing promotions can be explore to see if this could enhance SA premiums wine brand in foreign market acceptance.

Table 5: Summary of results and implications

Analytical categories	Findings & Results	Implications
<p>Use of COO information on promotion activities and product attributes</p>	<ul style="list-style-type: none"> - All companies emphasize the COO information clearly and in a positive way. - Information include country's name and terroir characteristics - Affordable pricing message - Limited external quality cues 	<ul style="list-style-type: none"> - '_____ South Africa' is the main tool used to identify SA wines abroad - This label is used as a mandatory legal requirement in importers' country - Labeling and packaging are directly linked to marketing communication strategies
<p>Effects related to buyer's perceptions on SA wine products</p>	<ul style="list-style-type: none"> - COO bias persists even after consumers have experience SA wine in some markets (e.g. US) - SA made wine remain cheap and affordable - Most importers do not yet see SA as a country with a long wine history and expertise that could ask top price for premium wine brands 	<ul style="list-style-type: none"> - SA image and its competence in wine making should be highly emphasized - Consumers in foreign markets, particularly in the US should identify SA as a country that has both the capacity and competence to charge premium price for their wine brands
<p>Emphasis of biodiversity and ethics in marketing communications</p>	<ul style="list-style-type: none"> - Most companies use biodiversity information (terroirs) for branding and link it to COO on products - Three companies highlight 'Fairtrade' certification on label 	<ul style="list-style-type: none"> - Companies believe that using SA label together with Biodiversity and 'Fairtrade' label will enhance their brand and country's image due the SA's political past.
<p>Wine promotion and country image</p>	<ul style="list-style-type: none"> - Further develop SA wine tourism to increase personal selling - COO image is linked with promotion activities - Wineries marketing staff attend wine expo for promotion activities 	<ul style="list-style-type: none"> - Both exporters and Government authorities should highlight SA technological capabilities to strengthen the country's image - Positive country's image should be well integrated in SA wine marketing communication strategies

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Appendix 1: Interview questionnaire

Table 6: Interview questionnaire

NUMBER	QUESTIONS DETAILS
1	What wines product do you export? To which countries do you export?
2	Who are your main international competitors (in each country if possible)? Do your competitors display their respective countries? Are they successful?
3	Do you emphasize the country of origin information in your products (bulk, bottle or boxes)? And in promotion activities?
4	If country of origin is emphasized, in what form is this performed? Do you use specific colours on the label, or the flag (e.g.) that indicate the country of origin? Do you use the label “Made in South Africa” or “Proudly South Africa” slogan? Does the name of the product show its South African origin? Do you use any other sounds, slogans, or pictures
5	Is the use of South African biodiversity effective in highlighting the country of origin? What other elements related to South African multi-culture, climate, or country characteristics can be used?
6	Do you always provide information on the country of origin (if you do) or do you stop using this information once the product successfully gains a foreign market?
7	What is the importance of the brand in the commercialization of a product? Is your brand well-known and strong? Is your brand stronger and more positive than the image of South Africa?
8	In international competition, what advantages and disadvantages does the use of the label “Made in South Africa” or “Product of South Africa” have?
9	In your view, what changes in the image that buyers have of South Africa could make the strategy of using the country of origin in the promotion of South African wines more successful?
10	How can the South African government promote an improvement in its country image to positively influence the sale of South African products in foreign markets?
11	What can the wine sector’s exporters do to improve the country image to ultimately influence the sale of South African wines in international markets? (e.g bulk wine and pricing strategy)

Appendix 2: US Wine Labeling requirements

MANDATORY LABEL INFORMATION FOR THE USA (On 750 ml South African bottled wine)

A DRAFT LABEL MEASURED AGAINST THE USA'S MANDATORY LABELLING REQUIREMENTS

BRAND NAME
Fine - More than 2 mm, legible, separate and on the front label. If the wine did not have a brand name, the importer details (see below) would have become the brand name.

CLASS AND TYPE DESIGNATION
Fine - More than 2 mm, legible, separate, more conspicuous than descriptive information and on the front label. The vintage year (2006) is not part of the class and type designation. Note that the USA has a 95% requirement for vintage wine, whether imported or not. As is required to be able to use the name of a cultivar, the wine is a certified wine - Wine of Origin Western Cape.

IMPORTER DETAILS
Fine - More than 2 mm, legible and separate. In stead of "Imported by" a similar appropriate phrase, "Sole Agent USA", is used. The name (Palm Bay Imports Inc) of the importer is shown. The address includes the name of the importer's city (Boca Raton) and state (FL = Florida). Make sure these details are identical to those on the importer's basic permit.

ALCOHOL CONTENT
Fine - More than 1 mm, not more than 3 mm, legible, on the front label, in a correct format and not set off with a border or otherwise accentuated.

HEALTH WARNING
Fine - More than 2 mm, legible, separate and apart from all other label information, not more compressed than allowed, in a continuous paragraph and in the correct format ("GOVERNMENT WARNING" in capital letters and in bold, the rest not in bold, commas at the correct places!).

FRONT (BRAND) LABEL
This is the FRONT label for all the items that must appear on the front label of the container, appear thereon: brand name, class and type designation and alcohol content. According to the TTB this is within their law.

APPELLATION OF ORIGIN
NOT fine - should be "Wine of Origin Western Cape", but is allowed (by SA legislation) as such for geographical units only until the end of 2007. Not a normal USA mandatory item, but is obligatory if a cultivar name(s) and/or vintage year is shown. Our legislation has the same rules. Both origin and vintage year indications must appear "in direct conjunction with and in lettering substantially as conspicuous as" the name of the cultivar.

COUNTRY OF ORIGIN
NOT fine - should be "Product of South Africa" or "Produce of South Africa". The TTB has confirmed that they will not accept "Wine of South Africa" in place of the first-mentioned expressions.

ALLERGEN DECLARATION
Fine - More than 2 mm, legible and separate.

NET CONTENT
Fine - More than 2 mm, legible and separate. Only "750 ml", without "Net content", is also acceptable.

BACK LABEL
Although this is what will face the consumer, for purposes of the USA's legislation it can be regarded as the back label as all the items obliged to be on the front label are on the label above.

Figure 9: Mandatory label information for the USA (SAWIS, 2014)

http://www.sawis.co.za/winelaw/download/USA_WINE_LABELLING_GUIDE.doc

(accessed on 04.30.2014)

Appendix 3: EU Wine Labeling Guide

Further reading

http://www.sawis.co.za/winelaw/download/EU_labelling_guide_July_2012.pdf

(accessed on 04.30.2014)