

Marketing Wine on the Web

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View from Chateau Souverain, Northern Sonoma, CA



Kenwood Vineyards tasting room, Kenwood, Sonoma Valley, CA

E-Commerce: A useful Marketing Innovation for Agriculture & Agribusiness?

Statements from the long-past:

"The Internet will revolutionize retail and direct marketing."

(Al Gore, 1997)

"Middleman functions between producers and consumers are being eliminated through digital networks." (Tapscott 1996)

"... low-cost hardware and software have permitted tiny outfits to compete with large multinational corporations."

(Bill Gates, 1995)

But:

- "... electronic markets will require intermediation services, albeit in ways that differ from traditional physical markets." (Bailey and Bakos 1997)
- anonymity on the web favors opportunism
- bulk-to-value ratio matters
- power laws govern the distribution of website visits

Approach: Study an early adoption industry! → the wine industries in Australia, California, and Germany

Why Wine?

- Highly differentiated product
- an information-intensive experience good
- vigorous international trade
- intensive competition: New World vs. EU exporters
- tradition in catalog and direct sales
- and: **wineries adopted e-commerce early!**

Why Australia, California, and Germany?

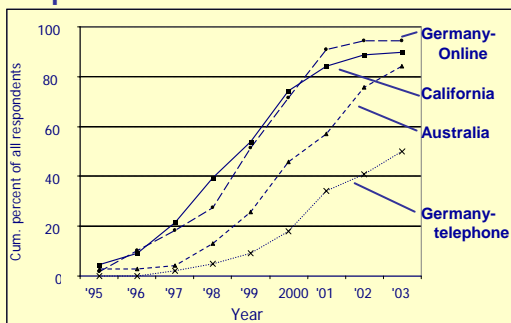
- ~ 90% of US wine production from CA
- are among the world's 7 largest wine producing countries
- jointly account for 18% of world wine production
- gradient in export shares: AUS 53%; GER 34%; USA: 16%
- variation w.r.t. regulations, winery sizes, distance to markets
- e-commerce readiness: varies but unconstrained by digital network infrastructure

Theory: Transaction Cost Economics Method: Analysis of Survey Data

Online survey, 3rd Q. 2003

- 1.690 wineries contacted by e-mail
- questionnaire responses recorded on the web
- 268 responses (response rate: 16%)
 - 70 Australia (r.r. 13%)
 - 89 California (r.r. 16%)
 - 109 Germany (r.r. 20%)
- +100 German wineries surveyed by telephone
- Total: 368 responses**

Diffusion of online-access among respondent wineries



Winery characteristics

Characteristic	AUS	CAL	GER	All
Family owned [%]	84	92	94	91
Median vineyard area [ha]	10	18	8.5	10
Median full-time labor [person]	3	5	2	2
Own website in 2003 [%]	87	98	75	82
Website for wine sales [%]	59	73	42	52

Results & Insights

Website impact on direct wine sales

Region	No. wineries	Website has increased direct wine sales(*)	
		Yes [%]	No [%]
California	67	83.6	16.4
Australia	51	43.1	56.9
Germany	115	55.7	44.3
online survey	79	63.3	36.7
telephone survey	36	38.9	61.1
All	233	60.9	61.1

(*): Chi-square test significant at the 0.01-level

Results

- Winery size determines
 - whether & when website is adopted
 - intensity of website use
- Website success factors
 - maintenance status
 - sales channel conflict management
- high per unit shipping costs for small consignments → **web sales are domestic sales**
- some sales from gift orders from abroad
- website attracts tourists