

What price: points and medals?

Larry Lockshin

A wine marketing academic and consultant gets asked a lot of questions. However, I have never been asked whether a winery should aim for gold medals from wine shows or high point scores from wine writers. It seems to be taken as a given; these ratings or rankings are useful goals for aspiring wineries. On the other hand, there are vocal critics of these systems, many of whom eschew entering shows or submitting their wines for ratings. What is the proper course? Do these ratings and awards sell more wine? Is it good marketing to try and achieve them?

The answer to the first question is of course, yes. Wines that receive good reviews in well-read publications do show large increases in sales. In fact, it is not unusual for these wines to sell out in a matter of days after a top review by a well-known wine writer. Many times, however, the wine is already highly regarded and may already be sold out. The review just confirms the status quo. So, the questions may be more apropos for newer and less known brands, although it can be argued that maintaining good reviews keeps the demand and price high.

First, let's look at some research I was involved with several years ago¹. We used James Halliday's rating scores of wines along with winery reputation (star rating) region of origin, winery size and vintage for predicting the price of four varietals (Shiraz, Cabernet, Chardonnay and Riesling). The quality ratings, along with the region of origin and winery reputation were significant predictors of the price of the wine. A five star winery charges a premium of about \$6 more than a 4.5 star

winery and \$14 more than a 4 or 3.5 star rated winery for wines of comparable quality (point scores).

Quality scores also influenced price. A single point rise in quality for red wines resulted in a price increase of about 14%; for white wines the increase was about 10%. So what does this mean? For example, if a winery had done some small batch experiments and shown that reducing yields on a certain Shiraz vineyard from six tonnes per hectare to three tonnes would result in the quality rising from 88 points to 91 points, they

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should be able to raise their prices by 14% × 3 (points) or 42%. If their bottle price for Shiraz was \$18, they might be able to raise their price to \$25. This would mean about \$3.50 more per bottle at the winery wholesale price. If they made about 3,000 cases of this wine, this would mean an increase in gross margin of \$105,000, which could be compared to the cost of the reduced yields in the vineyard to see if this is a feasible investment. We found similar increases in price for region of origin. Barossa Shiraz commands a 13% premium for equal quality points over McLaren Vale Shiraz and a 17% premium over Clare Valley. For Cabernet, Margaret River and Coonawarra have an 11% premium over McLaren Vale and a 17% premium over Clare Valley for equal quality wine.

We also did some experimental research offering consumers various wines to choose to buy for dinner at home with friends². Here we varied the brands, regions and prices, and added a gold, bronze or no medal. The bronze medal did not add much to the likelihood of purchase and was similar to no medal. The gold medal did have a reasonably large effect on

purchase probability, though the effect differed for big and small brands, well-known and less known regions, and at different price ranges. Above \$20, a gold medal had the smallest effect. It did add to the purchase probability for wines from big brands and well-known regions at lower prices, but had less effect on not very well known regions. A gold medal was very positive for a smaller winery from a well-known region, but had the least effect for an unknown winery from a less-known region. We should remember the results for both projects are the averages over

hundreds of wines, so they may not provide exact advice for any single winery.

So, we do find that good ratings and gold medals influence the price paid and the demand for wines. These especially help smaller, less-known wineries from regions which already have a wine reputation. Should wineries pursue these awards and scores? Part of the answer lies in the results reported above. It makes sense for wineries in regions to pursue a regional style that wins awards and high point scores. Wine writers and judges are looking for specific styles and, yes, sometimes over the top versions of these styles score very well. The scores bring attention and sales. However, two potential problems are lurking in this pursuit of what may sometimes be called 'extreme style' wines. The first is simply the failure to make such wines, due to lack of raw material and/or winemaking. Getting no medal is not as bad as getting a low score, which then sticks with the wine for quite awhile. The other problem stems from setting style based on certain parameters, scoring well, and then being trapped in that style. If the grapes, winemaking, or

¹ Ling, Bith-Hong and Larry Lockshin (2003) "Components of Wine Prices for Australian Wine: How Winery Reputation, Wine Quality, Region, Vintage and Winery Size Contribute to the Price of Varietal Wines", *Australasian Marketing Journal*, December.

² Lockshin, L., Jarvis, W., Perrouy, J P, d'Hauteville, F. (2005), "Using Simulations from Discrete Choice Experiments to Measure Consumer Sensitivity to Brand, Region, Price and Awards in Wine Choice, Food Quality and Preference, forthcoming.

even the fashion trend for styles changes, the winery is left with a potentially outmoded style of wine and the reputation of producing it. The winery also sets themselves up to maintain high points and medals. Failure to do so can damage sales and reputation, when the rating points fall below the magic 90 points.

Selling high-priced wine is difficult for newcomers. Gaining medals and scores can influence those sales by gaining attention from the trade and consumers. Many of today's cult wines in Australia did not start out seeking such attention. They came from a passion to further develop and express a regional style and in doing so set benchmarks. Many of the wineries do not enter shows or submit wines to wine writers. They are secure in their style and direction. In general wine shows and wine writers respond to wines that follow accepted regional and varietal styles. Trying to make a wine that is not typical possibly could set a trend, but could also set expectations that are impossible to meet over time. Other research by the Wine Marketing Group's Wade Jarvis has shown that the well-known grape varieties from well-known regions command more loyalty (repeat purchase) than do minor grape varieties and less-known regions. People try these, but return to the better known ones. Gaining top scores and medals makes some sense as a strategy as long as it links to the style direction of the region and the variety. Flash-in-the-pan success is usually just that.

The recent release of the new Langton's long term ratings for Australian wines based on their price at auction shows many of the top wines are not submitted to wine shows or even to wine writers to rate. A few of them are highly sought after and actually receive relatively low ratings (points in the 80s). Each of the wines in the list, however, is there because of long-term demand built mainly from long term quality as viewed by an audience of wine buyers willing to part with their money to purchase them. Gaining gold medals and/or high point ratings can be one part of a strategy to grow brand and quality awareness. The fact is most wines do not receive either and few are able to do so for any long period of time. The ones that do are actively pursuing a stylistic strategy over the long term, not aiming for a single possibly lucky review. The successful wineries use a wide range of marketing and relationship techniques to build and maintain their image over time.

LARRY LOCKSHIN is director of the Wine Marketing Research Group at the University of South Australia.

GONG BREATHES LIFE INTO HEARTLAND

Vicki Arnold knows what winning a major gong can do for wine sales, especially when the local newspaper has sponsored the award and provides the sort of publicity that money can't buy!

Vicki is general manager of South Australian wine brand Heartland, whose 2004 Langhorne Creek-Limestone Coast Shiraz has just won Wine of the Year at the annual Advertiser/Hyatt SA Wine of the Year awards in Adelaide. What followed was blanket coverage in *The Advertiser*.

So, what *has* it done for business?

"It has translated into excellent, immediate sales," Vicki says. "It's great for us as we are relative newcomers with the brand in Australia. We have been concentrating on getting export sales up and running first and quietly working on domestic distribution in the background.

"We have also been rather quiet in the home market as we wanted to get all the packaging and other sales and marketing details sorted out before we presented the brand to agents and retailers, or promoted and advertised. For this reason, there was an audible whisper around the room at the Hyatt as each award was read out. They were saying, 'Who the hell are Heartland?'

"We are now well positioned and ready to get busy. And busy we are!"

Heartland Shiraz not only won Wine of the Year by the judges, but it was also given the nod by a panel of everyday wine consumers.

"The award is very clear and meaningful to the consumer," Vicki says. "It has been judged by people we respect and whose brands we admire.

"The endorsement of consumers makes it more interesting and understandable. The awards are also clear. None of the 'Class 33' stuff that doesn't mean a thing to the average consumer. Wine companies don't seem to try very hard explaining these classes to even journalists in press releases let alone the consumer."

Vicki says it's important for Heartland to gain recognition in its home state of SA, and the award will go a long way towards achieving that.

"Everyone at Heartland is excited about the award but it is even more meaningful to us getting this recognition in our home state," she says.

"It has put us on the map in our own market which is notoriously tough to crack. Everyone at Heartland has been part of the wine industry here for a long time so it is very satisfying and thrilling to see consumers enjoying our Shiraz and Viognier-Pinot Gris at last. Well, when I say for a long time, our winemaker Ben Glaetzer (we call him 'Junior') is only 28 and the other owners are almost twice his age ... but we figure he must be reincarnated or a very old winemaker trapped in a young man's body for his brilliant winemaking skills!"



Photos: Chris Potter