

THE DEVELOPMENT OF A BRAND STRATEGY FOR THE ROMANIAN WINE INDUSTRY – A PERSPECTIVE FROM ROMANIAN WINE EXPORTERS

Daniel Marian MICU, Georgiana Armenița ARGHIROIU, Silviu BECIU

University of Agricultural Sciences and Veterinary Medicine of Bucharest, 59 Marasti Boulevard, District 1, 11464, Bucharest, Romania, E-mails: daniel-marian.micu@doctorat.usamv.ro, arghiroiu.armenita@managusamv.ro, beciu.silviu@managusamv.ro

Corresponding author: daniel-marian.micu@doctorat.usamv.ro

Abstract

The global wine industry is facing numerous challenges, such as declining consumption, consumer preferences (especially among younger people) for other types of beverages, the shrinking or disappearance of certain markets, and the effects of the COVID-19 pandemic, which have impacted purchasing and consumption behaviour and caused significant disruptions in supply chains. To promote overall economic growth and wine exports in particular, more and more wine-producing countries are choosing to build and promote a sectoral brand for their wine industry. The Romanian wine industry should also align with this global trend. The aim of this paper, which is based on applied qualitative research, is to present the perception of Romanian wine exporters regarding how Romania is viewed as a wine-producing country in foreign markets, what the export objectives are for the next five years, and which are the most important target export markets. Additionally, the paper seeks to evaluate the main critical success factors for entering international markets, the key elements of a brand strategy and brand architecture for the wine industry, and who should manage the project of building and promoting such a brand, as well as how it should be managed.

Key words: wine, exporters, sectoral brand, brand strategy, brand architecture, market, Romania

INTRODUCTION

In recent years, the international wine market has been under constant pressure. The global decline in wine consumption (221 million hectolitres in 2023 compared to 241 million hectolitres in 2017, a decrease of 8.3%), the shrinking of significant markets (the Chinese market, the 8th largest in the world, saw a drop in consumption from 1,928 million litres in 2018 to 685 million litres in 2023, a decrease of 64.5%), or the near-disappearance of others (the Russian market, due to the war with Ukraine) [13], the reduction in consumer income, the shift of some consumers toward a healthy lifestyle that involves eliminating alcohol consumption, or conversely, the preference of certain consumer segments for high-alcohol beverages, and the constant pressure from substitute products (e.g., beer) have placed the wine market and industry at a crossroads [14]. In response to these challenges, one of the strategies many

countries have adopted is the creation and promotion of a sectoral brand to support their national wine industry [14]. The concept of a sectoral brand is derived from the concepts of nation branding, country branding, and country of origin of products [8].

A nation generally refers to a large group of people of the same race and language, while a country represents a land area occupied by a (part of a) nation. Although "nation" and "country" are often used interchangeably in academic literature, there is a difference between nation and country branding [5]. The concept of nation branding refers to the nation as a whole and describes its intangible assets without any explicit connection to a specific product [5]. The only benefits that a nation brand might create for a target audience are rather emotional than functional. A nation has only one official name, which cannot be easily changed, but it can have multiple "brands" depending on its objectives [5].

At the same time, research suggests that consumers are more willing to purchase products from countries with developed economies, consistently using information about the nation of production as an indicator of quality [2]. A brand with strong origin has impact on increasing tourism and investments, and also hold up the sale of its products abroad. Country-branded outcome highly benefit from the existing perceptions of the country to increase their observability, generate image, and influence consumer thinking about their quality [9]. If a country brand is stronger, this will bring more advantages in terms of preference, price, and commitment [5].

The country of production has relevant impact on consumers' attitudes and behaviours in relation with a product or service [5]. Many examples show the connexion between various categories of products and the country they belong, having an important role in differentiation and in adding value for the consumer. These products, bring besides their intrinsic quality, meaningful experiences related on the production traditions that connect them to their country of origin.

Starting from the definition of a brand, the concept of a sectoral brand is extrapolated and defined as "a group of products from a specific sector of a country whose purpose is to identify and differentiate them from products in the same category from other countries" [17].

A sectoral brand operates based on both competitive and comparative advantages [10]. The same author associates the sectoral brand with the existence of a territorial concentration related to a product or economic sector. A sectoral brand involves the collaboration of entrepreneurs within the same sector, with or without support from the country brand (which would function as an umbrella brand in this situation). Each sectoral brand represents an economic/industrial sector with its own distinct identity, but a very large number of such brands can be difficult for the country to manage [4].

In the current context of international trade, when competitors offer similar products in

terms of price and quality, consumers begin to look at other factors to help them choose between brands from different countries [3]. Intangible resources, including sectoral brands, do not deteriorate over time and are more difficult for competitors to imitate because they involve unique elements developed over time based on a distinct organizational culture [12].

In the case of wine, various conceptual categories have been developed to classify wine-producing countries, and the classification that divides the wine industry geography into two "worlds" has been widely applied [16]. According to this taxonomy, we have "Old World" wine-producing countries and "New World" wine-producing countries [6]. Other authors [15] argue that "Old World" wine-producing countries have emphasized the origin of the grapes and promoted the names of wine regions, while the "New World" has primarily focused on supporting branding through proprietary labels and grape varieties.

Another perspective suggests that the classification of wine-producing countries into "Old World" vs. "New World" can be combined with the categorization of "traditional producer" vs. "non-traditional producer" [18]. While the "Old World" vs. "New World" categories consider the country's history as a wine producer, the "traditional producer" vs. "non-traditional producer" classification refers to the country's relevance in global wine exports. Therefore, a non-traditional exporter indicates a country with a limited presence as an exporter in the international wine market.

In the higher and higher market competition, each country tries to develop more efficient brand strategies [11].

In this context, the purpose of the paper is to analyze the perception of Romanian wine exporters regarding how Romania is viewed as a wine-producing country in foreign markets, what the export objectives are for the next five years, and which are the most important target export markets.

MATERIALS AND METHODS

The research methodology is based on the "honeycomb" model elaborated by Wilson [21].

From a research philosophy standpoint, the epistemological approach follows interpretivism, while the ontological stance is rooted in subjectivism [21].

The research approach is seen as inductive, and the research strategy is seen as qualitative. While the type of research is considered exploratory, the research plan combines elements of action planning and case study. The data used are primary, and their interpretation is qualitative with elements of quantitative analysis [21].

The study was conducted from March 10 to 12, 2024, at the largest international wine fair, ProWein Düsseldorf.

The information was collected through direct interviews based on a questionnaire with 21 closed-ended questions, with either a single or multiple response options.

A total of 26 representatives from Romanian wine exporters participated in these interviews, one from each company present.

The first four questions of the questionnaire were designed to identify the company's main business activity, the wine region it belongs to, the respondent's position within the company hierarchy, and the company's revenue (expressed in millions of euros, in the form of a value range).

The purpose of questions 5-9 was to further profile the companies by identifying the share of exports in their revenue, the main export markets they operate in, how they conduct their exports, their objectives for increasing exports over the next 5 years, and their primary target export markets.

Questions 10, 11, and 12 (multiple-choice questions on a 5-point Likert scale) were structured based on the model developed by Keller [7] regarding the strategy for building a strong consumer-based brand.

Thus, a strong brand (expressed through its equity) is created through shaping the brand associations that occur in consumers' minds. Consumer-based brand equity is defined by Keller [7] as "the differential effect that brand knowledge has on consumer response to brand marketing". This framework maps brand

knowledge as a cognitive construct that must exist in consumers' minds for the brand to be recalled and/or recognized.

Brand image consists of a set of attributes, benefits, and attitudes developed by the consumer towards the brand. Consumer-based brand equity is a framework through which the strength, favourability, and uniqueness of a brand can be measured against those of the competition [7].

Questions 13 and 14 aim to gather the participating companies' views on the need for government involvement in supporting Romanian wine exports and the specific ways in which this support could be implemented. Question 15 aimed to identify the critical success factors that exporters consider when entering new export markets or seeking to expand their activities in markets where they are already present.

Questions 16, 17, and 18 aim to understand the perspective of Romanian wine exporters on the need for creating a sectoral brand for the Romanian wine industry, the potential differentiating elements of this brand, and the structure of the brand architecture. To identify differentiating elements, the approach proposed by Trout and Rivkin [19] was followed, while for understanding a potential brand architecture, the "brand relationship spectrum" model [1] was used.

This model proposes four main strategic options for organizing a brand portfolio and the concept of the driving brand role, which reflects the importance of the brand in influencing the customer's purchasing decision. Despite criticisms, this model is considered one of the most comprehensive in the study of brand architecture [20].

Finally, questions 19, 20, and 21 aimed to identify aspects related to the management of a project for building a brand for the Romanian wine industry (who should finance it, who should develop and implement such a project) and the main obstacles to its implementation.

RESULTS AND DISCUSSIONS

The responses to the first question (*Q1 – What is your company's main business activity?*)

revealed that the vast majority of participating companies (92.3%) have wine production as their primary objective, while only 7.7% focus on marketing and management consulting. There were no responses selected for wine exporter, wine importer or consulting in wine production. A preliminary conclusion is that Romanian producers prefer to be directly involved in their own wine export activities.

In terms of the wine region, they belong to (*Q2 – Which wine region is your company located in?*), most companies come from “Dealurile Olteniei si Munteniei” (38.5%), “Dealurile Moldovei” (19.2%), and “Colinele Dobrogei” (15.4%), which together accounted for 73.1% of the total participants. “Podișul Transilvaniei” had 11.5% of participants, while “Dealurile Banatului” and “Dealurile Crișanei și Maramureșului” each had 7.7%. No responses were recorded for the regions of “Nisipurile din Sudul Țării” and “Terasele Dunării”.

In terms of company representation (*Q3 – What is your position within the company?*), the largest share is held by “top managers” (65.4%). Together with “shareholders” (15.4%), they account 80.8% of the participants, reflecting the significant importance that top executives place on promoting exports and opening new markets/distribution channels. Only 19.2% of participants hold “middle management” positions in the companies they represent.

The objective of *Q4 - What is your company's revenue?* (expressed in millions of euros, in the form of a value range) was to understand the profile of the participating companies in terms of revenue and subsequently, to relate the value of exports to these figures (Table 1).

Table 1. What is your company revenue?

	Your company's revenue is:	Responses
1	Bellow 1 million euro	15.4%
2	Between 1 - 5 million euros	46.2%
3	Between 5 - 10 million euros	19.2%
4	Above 10 million euros	15.4%
5	Don't know/Prefer not to answer	3.8%

Source: Own calculation.

It is observed that companies with a revenue between 1 and 5 million euros are predominant (46.2%), and companies with

revenue between 1 and 10 million euros' account 65.4% of the total.

Questions *Q5 – What is the share of exports in your revenue?* and *Q8 – By what percentage do you want to increase export value over the next 5 years?* aimed to understand the orientation of the participating companies towards exports and to assess their determination to increase their revenue from sales in international markets.

The largest share is held by companies with exports between 5% and 10% of their revenue (42.3%), while companies with export values up to 25% represent 88.5% of the total.

Only 3.8% of companies reported exports ranging from 25% to 50% of their revenue. An immediate conclusion is that, even for the companies that engage in exports, the domestic market remains the primary market. Regarding export objectives for the next 5 years, their "aggressiveness" stands out, with 84.6% of companies aiming to increase export value by percentages ranging from 25% to over 100%.

These bold export targets further underscore the need for developing and promoting a sectoral brand for the Romanian wine industry.

Questions *Q6 – What are the main countries/geographic regions where you currently export?* and *Q9 – What are the main countries/geographic regions you are targeting for exports in the next 5 years?* highlight a shift in the focus of Romanian wine exports.

Markets such as those of BeNeLux, Germany, and the United Kingdom seem to be losing their importance and attractiveness, while others like Ireland, Denmark, Sweden, the United States, Poland and Canada are becoming increasingly significant (Table 2).

Regarding the methods used for exporting (*Q7 – How do you handle exports?*), the majority of producers (50%) use multiple local distributors, 23.1% work through a single distributor, and only 19.2% export directly to international retailers.

As for question *Q10 - How would you like Romanian wine to be perceived in international markets with respect to the following attributes?*, 96.1% of respondents

disagree or strongly disagree with the attribute "low value for money", 88.5% agree or strongly agree with the attribute "good value for money", 80.8% agree or strongly agree with the attribute "high value for money", and 88.5% disagree or strongly

disagree with the attribute "low price (cheap product)". It is noteworthy that Romanian producers do not want their products to be perceived as having low quality and, consequently, low (cheap) prices.

Table 2. Main export countries/regions

No. Crt.	Country/Region	Q6 - Countries where you export (number of responses)	Q9 - Targeted export countries in the next 5 years (no of responses)	Variation
1	BeNeLux	17	11	-35.3%
2	Canada	10	12	20.0%
3	China	3	13	333.3%
4	Denmark	5	8	60.0%
5	Switzerland	3	3	0.0%
6	Germany	14	11	-21.4%
7	Ireland	3	4	33.3%
8	United Kingdom	16	10	-37.5%
9	Poland	5	11	120.0%
10	United States	10	19	90.0%
11	Sweden	3	9	200.0%

Source: Own calculation.

Through question *Q11 –How do you evaluate Romanian wine in international markets with respect to the following statements?*, the aim was to understand Romanian exporters' views on how Romanian wine is perceived in foreign markets. These statements were structured based on the model proposed by Keller [7] for constructing Customer-Based Brand Equity, which involves developing brand awareness and brand image through attributes, benefits, and attitudes. The first three statements refer to attributes of Romanian wine. Regarding the first attribute, which concerns the optimal price at which Romanian wine is sold in international markets, opinions are polarized: 46.2% of respondents disagree or strongly disagree with the statement that Romanian wine has an optimal export price, while the same percentage (46.2%) believes Romanian wine does have an optimal export price. For the second statement related to the quality of wine, 84.6% of Romanian exporters agree or strongly agree with the statement that Romanian wine is perceived as having optimal quality. Concerning the distribution

of Romanian wine in international markets, all participants disagree or strongly disagree with the statement that Romanian wine is easy to find/purchase.

In terms of the advantages related with consuming Romanian wine, over 88% of questioned people agreed that Romanian wine pairs very well with food, the same percentage believed that Romanian wine offer moments of relaxation, and almost 85% thought that Romanian wine means sensory gratifications. In terms of the attitudes generated by consuming Romanian wine, only 57.7% of respondents agree or strongly agree that Romanian wine fits their lifestyle, and just 46.2% believe that Romanian wine is a good reflection of their social status.

As for the general attitude of foreign consumers towards Romanian wine (*Q12 - How would you describe the general attitude of foreign markets towards Romanian wine?*), 61.5% of Romanian exporters consider this attitude to be unfavourable or not very favourable, compared to only 38.5% who view it as somewhat favourable or favourable. Notably, no respondent believes that the

attitude of foreign consumers towards Romanian wine is very favourable.

Through question *Q13 - Do you believe that the government should support the export of Romanian wine producers?*, the aim was to understand how Romanian exporters view the need for government intervention/support in Romanian wine exports. With an almost absolute majority (92.3%), exporters desire the involvement of the Romanian government in supporting wine exports.

Regarding specific ways of support (*Q14 - What ways do you want the Romanian government to support the export of Romanian wine?*), participation in fairs and exhibitions (96.2%) and conducting advertising campaigns (76.9%) are the most desired forms of support by Romanian wine exporters. Additionally, 61.5% of them seek support from diplomatic missions, 53.8% request assistance with networking and negotiation, and only 42.3% desire help with market research.

Through question *Q15 - How do you evaluate the importance of the following factors for entering foreign markets?*, the aim was to understand the critical success factors that Romanian exporters consider important when penetrating new external markets or increasing their presence there. Access to distribution channels is considered very important and important by all respondents (100%), as is collaboration with local distributors (96.2%), products with an optimal price/quality ratio (88.5%), running advertising campaigns (84.6%), access to HORECA channels, knowledge of local buying and consumption habits, and having sufficient stock for consistent delivery (80.8%). Only 61.5% of respondents consider low transportation and storage costs to be very important and important.

Question *Q16 - Do you consider the creation of a "country brand" for the Romanian wine industry necessary?* aimed to clarify Romanian wine exporters' stance on the subject of developing a brand for the Romanian wine industry. A percentage of 84.6% considers the creation of such a brand to be very necessary, while 15.4% consider it necessary. In practice, 100% of those

interviewed believe that such an initiative is necessary or very necessary.

In the context of developing such a brand for the Romanian wine industry, question *Q17 - What do you think is Romania's competitive advantage compared to other wine-producing countries?* aimed to understand the elements that could differentiate the Romanian wine sector from wine sector in other regions with which it is in direct competition on the world market. The most important criteria for differentiating the Romanian wine sector are "wide variety of national grape varieties" (80/8% of responses), "tradition in wine production" (61.5% of responses), and "new & advanced production technologies" (34.6% of responses). "Optimal geographical positioning for access to international markets" received 19.2% of responses, while "high productivity", "positive perception in international markets" and "low production costs" each received less than 10% of responses (7.7% for each). "International recognition", "significant foreign investment in the industry" and "advanced research in viticulture" each received only 3.8% of responses.

Building a sectoral brand also involves defining the brand architecture, and the purpose of question *Q18 - How do you assess the importance of the following elements in the brand strategy for the Romanian wine industry?* was to determine the importance of the master brand (Romania – wine-producing country), sub-brands, and the hierarchy among them. The master brand "Romania – wine-producing country" is considered very important by 92.3% of respondents and important by 7.7%. The "wine-growing region", as a sub-brand in the brand architecture, is seen as very important and important by 75% of respondents, and not very important and not important by 19.2%, with 5.8% being indifferent. Other evaluated sub-brands, such as "vineyard" are considered very important and important by 73.1% of respondents, "national grape variety" is considered very important and important by 65.4%, and "producer's brand(s)" is considered very important and important by 88.5%. The

analysis of these data indicates that Romanian exporters want to create a sectoral brand for the wine industry but do not wish for it to overshadow their own brand(s).

Regarding the management of such a project, in response to question *Q19 - Who should develop and implement the branding strategy for the Romanian wine industry?*, 65.4% of respondents indicated the Ministry of Agriculture, 61.5% opted for one of the professional organizations of wine producers, 38.5% mentioned a new private structure under the coordination of wine exporters and only 34.6% indicated an independent consulting firm.

As for the funding of such an initiative (*Q20 - Who should fund the development and implementation of the branding strategy for the Romanian wine industry?*), 76.9% of respondents indicated the Ministry of Agriculture, 46.2% pointed to one of the professional organizations of wine producers, 26.9% mentioned only the wine exporters from Romania, and only 23.1% indicated all of the above.

The final question of the questionnaire aimed to understand the obstacles to implementing such a project (*Q21 - What do you believe are the current obstacles to developing a branding strategy for the Romanian wine industry?*). 80.8% of respondents mentioned lack of involvement from the Ministry of Agriculture; 57.7% indicated lack of involvement from professional organizations of wine producers; 46.2% chose major producers/exporters prefer to manage on their own; lack of know-how was mentioned by 42.3% of respondents, and 11.5% selected both high costs of such a project and all of the above.

CONCLUSIONS

Romanian producers choose to be directly involved, through top managers and shareholders, in export activities. They predominantly come from the wine regions of Dealurile Olteniei and Munteniei, Dealurile Moldovei and Colinele Dobrogei.

Even for Romanian companies that engage in exports, the domestic market remains the

primary sales market. This reflects a major disadvantage and a lag compared to competitors from other wine-exporting countries.

The vast majority of companies aim to increase their export value by percentages ranging from 25% to over 100% compared to current levels. These bold export goals further underscore the need for developing and promoting a brand for the Romanian wine industry.

In terms of perception in international markets, Romanian wine producers do not want their products to be perceived as having low quality or low (cheap) prices. The vast majority of exporters believe that the attitude of foreign consumers towards Romanian wine is either not favourable or not very favourable. With an almost absolute majority, exporters desire the involvement of the Romanian Government in supporting wine exports, and all respondents unanimously consider the creation of a brand for the Romanian wine industry to be necessary and very necessary.

The most relevant criteria for differentiating the Romanian wine industry, according to exporters, are "*a large variety of national grape varieties*" (80.8% of options) and "*tradition in wine production*" (61.5% of options). They desire the creation of a sectoral brand for the wine industry but do not want it to overshadow their own brand(s).

Romanian wine exporters identify the Ministry of Agriculture as the main organization that should be involved in financing, creating, and implementing a branding strategy for the Romanian wine industry. The lack of involvement by this Ministry is also cited as the primary obstacle to realizing such an initiative.

The authors aim for this study to be followed by another one that will seek to determine the perception of foreign professionals in the global wine industry and foreign wine consumers regarding Romanian wine. The results of both studies will need to be compared to identify positioning gaps and to determine the actions required to improve the global perception of the Romanian wine industry.

REFERENCES

- [1]Aaker, D.A., Joachimsthaler, E., 2000, The brand relationship spectrum: the key to the brand architecture challenge, *California Management Review*, 2000, 42(4): 8-23.
- [2]Agbonifoh, B.A., Elimimiam, J.U., 1999, Attitudes of developing countries towards country-of-origin products in an era of multiple brands, *Journal of International Consumer Marketing* 11(4): 97–116.
- [3]Baker, M.J., Ballington, L., 2002, Country of origin as a source of competitive advantage, *Journal of Strategic Marketing* 10(2): 157–168.
- [4]Del Pino, A., Acevedo, O., 2019, Model for the implementation of sectoral brands: Proposal for methodological development, *Iberian Journal of Information Systems and Technologies - RISTI*, E20: 49–62.
- [5]Dinnie, K., 2008, *Nation Branding*, Butterworth-Heinemann, Elsevier, Oxford, 24-100.
- [6]Johnson, H., Robinson, J., 2013, *The World Atlas of Wine*, Mitchell Beazle, London, 32-36.
- [7]Keller, K.L., 2013, *Strategic Brand Management - Building, Measuring and Managing Brand Equity*, Pearson Education Limited, Harlow, 141-170.
- [8]Kotler, P., Keller, K.L., 2012, *Marketing Management*, Prentice Hall, New Jersey, 608-616.
- [9]Ladaru, R.G., Beciu, S., 2014, Marketing research on wine consumers preferences in Romania. *Scientific Papers. Series "Management, Economic Engineering in Agriculture and rural development"*, Vol. 14(3), 127-130.
- [10]Lazo, L., 2006, International brand positioning levels, *Contabilidad y Negocios*, 1(2): 36–40.
- [11]Micu, D.M., Beciu, S. 2023, Study on brand strategies and brand architecture in the wine industry – case study: Drăgășani vineyard, Valcea County, Romania . *Scientific Papers. Series "Management, Economic Engineering in Agriculture and rural development"*, Vol. 23(4), 523-530.
- [12]Molloy, J.C., Chadwick, C., Ployhart, R.E., Golden, S.J., 2011, Making intangibles “tangible” in tests of resource-based theory: a multidisciplinary construct validation approach, *Journal of Management* 37(5): 1496–1518.
- [13]OIV, 2023. State of the World Vine and Wine Sector in 2023, https://www.oiv.int/sites/default/files/documents/OIV_STATE_OF_THE_WORLD_VINE_AND_WINE_SECTOR_IN_2023_0.pdf Accessed on July 12,2024.
- [14]Prowein, 2023, ProWein Business Report 2023, https://www.prowein.com/en/Media_News/Magazine/Business_Reports Accessed on July 24,2024.
- [15]Remaud, H., Couderec, J.P., 2006, Wine business practices: A new versus old wine world perspective, *Agribusiness*, 22(3), 405–416.
- [16]Rodrigues, H., Rolaz, J., Franco-Luesma, E., Saenz-Navajas, M.P., Behrens, J., Valentin, D., Depetris-Chauvin, N., 2020, How the country-of-origin impacts wine traders’ mental representation about wines: A study in a world wine trade fair, *Food Research International Journal* 137(4): 109-48.
- [17]Stranton, W., Etzel, M., Walker, B., 2000, *Fundamentos de Marketing* (11th edition.) McGraw-Hill, New York, 226-232.
- [18]Thorpe, M., 2009, The globalisation of the wine industry: New world, old world and China, *China Agricultural Economic Review* 1(3): 301-313.
- [19]Trout, J., Rivkin, S., 2010, *Differentiate or Die, Survival in Our Era of Killer Competition* (2nd edition), Wiley, New York, 16-48.
- [20]Vlachvei, A., Notta, O., Efterpi, T., 2012, Branding strategies in Greek wine firms, *International Conference On Applied Economics (ICOAE)*: 421-430.
- [21]Wilson, J., 2014, *Essential of business research – a guide to doing your research project*, Sage Publications, London, 25-42.