

From technical missions to communication: towards a classification of the French AOC wine interprofessions

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Abstract

The purpose of this article is to analyze the communication strategies of the 17 French inter-professions for wines with appellations of origin. The data was collected in 2008 through a survey of the inter-professions, an analysis of their activity reports as well as several interviews and phone calls. We first take a look at the missions of the inter-professions, and we then show that they do not all spend their budgets the same way. Although an important part of the investments is often made in communication, the figures show that different strategies exist. An exploratory factorial analysis identifies six variables which enable us to draw a two-dimensional map that highlights very distinct governance models. A further analysis of the data by means of an agglomerative hierarchical classification shows that there are three categories of wine inter-professions based on the share of the budget allocated to communication and technical research. Because of atypical characteristics, the Champagne inter-profession forms a fourth category on its own. We finally discuss the differences between the categories regarding the communication strategies implemented by the inter-professions.

JEL classification: M37, Q13, Q18.

Keywords: wine market, French inter-professions, appellations of origin, communication, Champagne.

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1 Introduction

The purpose of this paper is to come up with a classification of the French wine interprofessions by analyzing how they invest their budgets. We will therefore refer to a study that was carried out in 2008 with 17 French AOC wine interprofessions. We believe that the differences in how the budgets are spent do not only highlight the diverse economic situations in the winegrowing regions, but also the different strategies adopted by the operators. With the development of new world wines, French wine interprofessions have a very important role to play. Whilst the first interprofessions used to concentrate on technical missions (research to prevent diseases such as phylloxera, mildiou, etc.), they are now more and more orientating their activities towards communication. By communicating on collective appellations essentially, they are promoting all the wines produced in the appellation.

In reality, two fundamentally opposite strategies can be noted. Traditional countries emphasize the importance of the concept of terroir, which can be defined by a territory identified by characteristics that are physical, geographical, agro-climatic, but also historical, cultural and social. In France this strategy is directly connected with the AOC system (Appellation d'Origine Contrôlée). The French AOC's are comprised of numerous small operators who all have to follow very strict production rules (register of specification of the AOC). On the contrary, New World producers are structurally much more concentrated and their strategy is focused on the link between a brand and a grape variety (Genton 2004). The communication resulting from this approach is much clearer to the consumers and to a great extent it accounts for the international success of New World wines (Ernst & Young 1999).

These varietal wines are simply made and easy to understand. They offer immediate satisfaction and good value for money (Goohue *et al.* 2007).

Communication and promotion have thus become key issues for the French wine industry (see the following reports on the subject: Berthomeau 2001; César 2002; Pomel 2006; Bastian 2008; Roumegoux 2008). The communication touches many actors of the French wine industry, combining individual brand strategies with collective strategies at the appellation level. Since French wine producers tend to work individually, they generally cannot afford to develop a strong international brand strategy of their own (Giraud-Héraud *et al.* 2002). As a result, half of the promotional investments for French wines are made in the form of collective campaigns that are mainly conducted by the interprofessions. However, despite the importance of the matter, only very few studies have been made on the collective communication strategies in the French wine industry, as opposed to Anglo-Saxon

wine countries such as the United States (Alston et al. 1997).

Given the strong international competition and the reduced consumption on the traditional wine markets, how do the interprofessions spend their budgets? And what importance do they give to promotion and communication? Are there different promotional strategies from one wine interprofession to another? And finally what is the relationship between appellations and brands in the communication strategy? In order to answer these questions, we will first look at the different missions of the interprofessions as well as their financial importance in the interprofessional budgets (1). We will try to establish a first typology based on the budget share given to each type of mission, and particularly to communication. Thanks to an exploratory factorial analysis followed by an agglomerative hierarchical classification, we will take the study further and find categories, the relevance of which can however be discussed (2). We will then finally take a look at the particular case of the Champagne AOC.

2 Diverse missions with a focus on communication

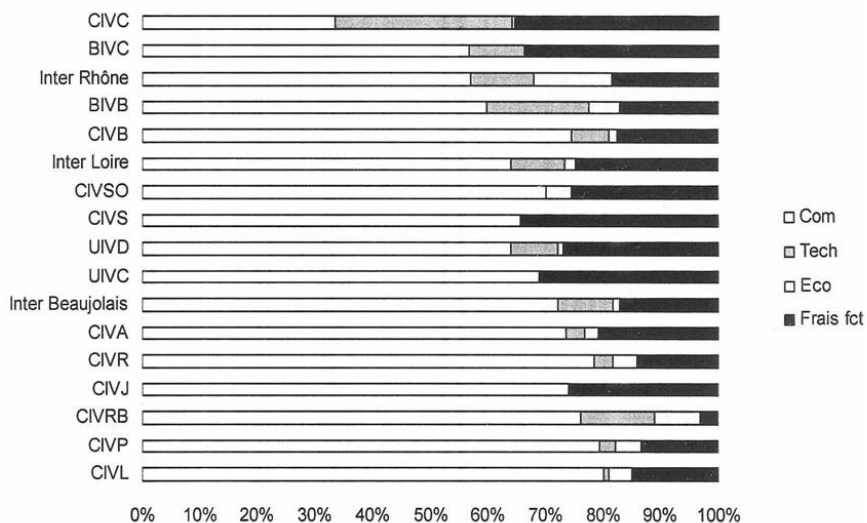
The main missions and the field of expertise of the interprofessions are defined in the second article of the law dated July 10th 1975, which has been amended several times and is recognized at the European level with rule # 2200/96. In a nutshell, the activities of the interprofessions cover three important missions: assistance to professionals and applied research (technical mission), knowledge and organization of the markets (economical mission) and collective promotion (communication mission). The first mission was what made the producers unite to form the very first syndicates at the beginning of the 20th century, just after phylloxera. The purpose of the second mission is to manage the production fluctuations from one harvest to the other, and the third mission aims at promoting the products and helping them reach the markets.

Depending on the approach taken by the professionals and the type of problems encountered in the appellation, these three key missions are not always given the same importance. Since interprofessions are free to use their budget according to the reality of their appellation, different strategies can be defined based on the budget share given to each mission.

We contacted the 17 French AOC wine interprofessions and managed to gather some very interesting figures and quantity indicators. On top of substantial differences regarding the total budget spent, a first study shows the following budget breakdown for each interprofession:

We can clearly note that the budgets are used for different purposes depending on the interprofession. In most cases, promotion and communication represents

Figure 1: Distribution of budget for each interprofession



an important part of the budget (65% of the budget on average), except for the CIVC (33%) which gives a greater importance to the technical mission compared to other interprofessions. It is also worth noting that the operating costs also generally represent an important share of the budget. As far as the the economic mission is concerned, its weight remains rather limited compared to the two other missions (only 3% of the budget on average).

When compared to the number of hectoliters sold, a first typology appears and reveals very different levels of promotional investments:

- There is a first group with the interprofessions that invest more that 5 Euros per hectoliter on promotion and communication (Alsace, Jura and Roussillon) ;
- A second group with those that invest between 3 and 5 Euros/hl (Burgundy, Bordeaux, Languedoc, Bergerac, Beaujolais, Loire and Rhône);
- And a third group with the interprofessions that invest less than 3 Euros/hl (Centre, Champagne, Provence, Savoie, South-West, Cahors and Duras).

In order to better understand the differences noted regarding the breakdown of the budgets, we will now use a cluster analysis.

3 A classification of the French wine interprofessions

The cluster analysis enables us to find connections between the different French AOC wine interprofessions. We first made an exploratory factorial analysis in order to determine which indicators enable a data factorization thanks to their correlations. We selected seven variables, the first four of which are institutional :

- the budget share allocated to communication and promotion (*Mkt/Com*) and the share allocated to the technical mission (*Tech/SAQ*), which should enable us to determine the nature of each interprofession’s activities;
- the budget compared to the volumes commercialized (*Budhecto*) and the number of people employed by the interprofession (*Nbempl*), which are indicators of the interprofession’s size and implication.

The other three variables are more related to the wine growing region itself: the number of producers (*NbrExpl*), the average vineyard surface per producer (*Surfmoy*) and the average yield per hectare (*Rendt*).

We use ratios to establish a coherent factorial analysis (or else the determinant of the correlation matrix would indicate a risk of singularity of the matrix, resulting from an important size effect with one single axis to explain almost the entire variance). Due to the very low communality on economic activities, we decided to exclude the budget share allocated to the economic mission. Finally, all the data are normalized (centered and reduced data or Z-score) so as to avoid unit difficulties. We thus obtain two axes that explain 82% of the variance.

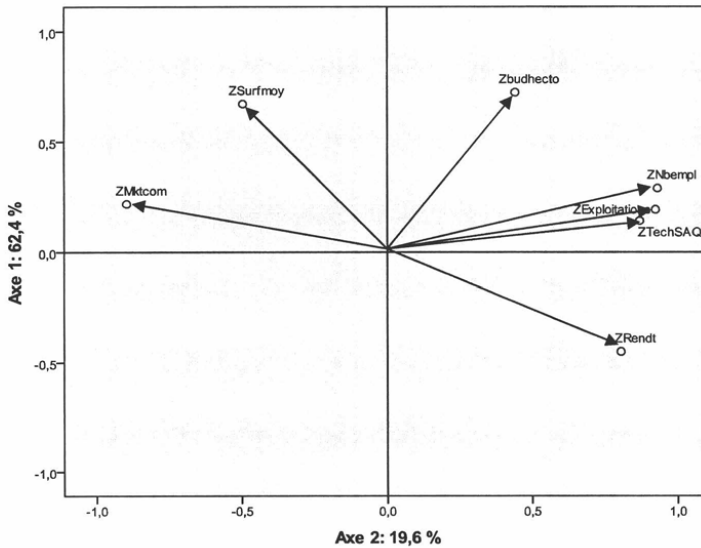
Table 1: Principal components

	Component	
	1	2
Nbempl	0.931	
NbrExpl	0.924	
% Tech/SAQ	0.870	
Rendt	0.805	
% Mkt/Com	-0.896	
Budhecto		0.725
Surfmoy		0.673

Kaiser - Meyer - Olkin (KMO) = 0.708, test de Bartlett (ddl 21) sign. 0.000

The first axis differentiates interprofessions based on their two main missions: promotion and technical research and assistance. The second axis represents the importance of the interprofession in its vineyard.

Figure 2: Projection of principal axes

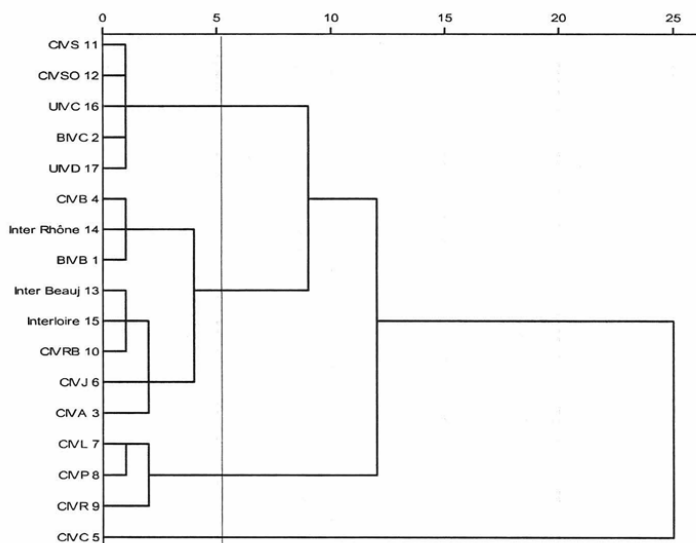


The first axis gives the two main missions: Promotion versus technical. The second axis represents the implication of these interprofessional organizations. Using the two components extracted, we draw a typology that is confirmed by the agglomerative hierarchical classification. We use the Ward criterion with a square Euclidian distance as a measure of distance, in order to obtain a number of groups and their final composition.

Four groups can be clearly identified (see figure 4). We note that the CIVC does not appear on the graph.

The first group is exclusively composed of small interprofessions the total budget of which is lower than 1 million Euros and which have less than 10 full-time employees. Their financial means are all the more reduced that a relatively big share of their budget is allocated to operating costs (almost one third on average). These interprofessions therefore concentrate essentially on promotional activity (between 57 and 67% of their budget). This promotional investment represents less than 3 Euros per hectoliter sold, that is to say about 2 cents per bottle on average. They do not allocate much resource to technical research and assistance,

Figure 3: Graph of the hierarchical clustering process (Dendrogram)

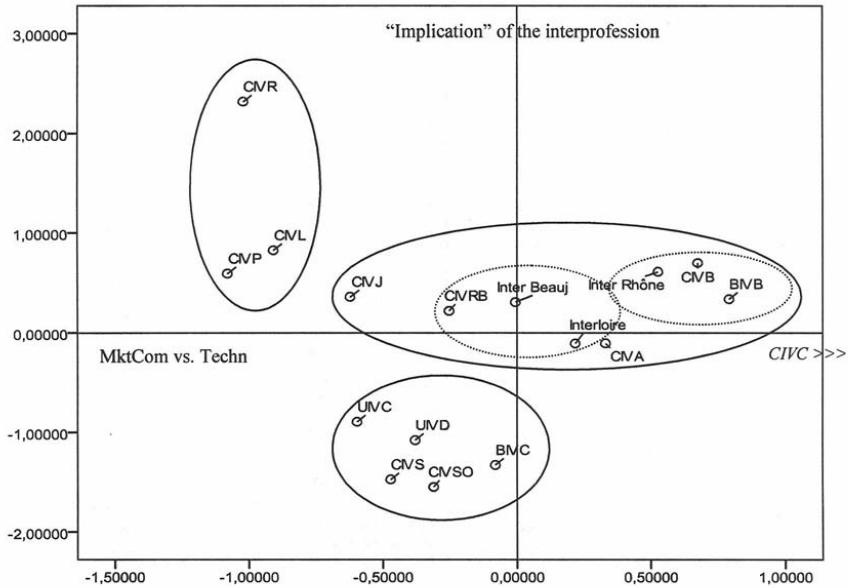


since this mission accounts for only 1% of the budget on average. The size of the vineyards is relatively small: between 2.000 and 7.800 hectares, with average volumes sold of 220.000 hectoliters, a small share of which is exported (except for BIVC - Centre).

The second group is composed of average-sized interprofessions, with budgets ranging between 3 and 7 million Euros, and which employ 10 to 15 people. The communication expenditure is high (between 73 and 80% of the budget) and the share of operating costs is lower (17% on average). The budgets allocated to promotion exceed 2.5 million Euros, which is almost 5 times more than the highest promotion budget of the first group (UIVC - Cahors). The yields are also much lower than those of the first group and the budgets allocated to the technical mission are also very low. The two first categories are composed of recent interprofessions, created after 1980.

The third group is a little more heterogeneous. CIVJ (Jura) is present in this group because of the importance of its budget compared to its size. It is also very close to the second group because of the level of promotional expenditures per hectoliter sold. Finally, its small size (only five employees) and its budget (600.000 Euros) drive it closer to the first category. A deeper analysis shows that this particular interprofession is difficult to classify in every case. It is also true,

Figure 4: Perceptual map of interprofessions



to a lesser extent, for CIVA (Alsace).

Apart from CIVJ, this group gathers the largest interprofessions in terms of budget (between 3 and 40 million Euros) and number of employees (between 13 and 52). This third category is not exclusively turned towards communication and grants a comparatively more important attention to the technical mission (10% of the budget on average), and to the economic mission (5% of the budget on average). All these interprofessions were created after 1980. We can note that the three largest interprofessions (Inter Rhône, CIVB and BIVB) clearly stand out compared to the others.

The last group is constituted by the CIVC (Champagne) alone. Its characteristics make it very different from the others and do not allow us to classify it in one of the three main categories (CIVC is out of the graph).

4 Conclusion

To conclude, the study of activity reports on every French AOC wine interprofession confirms the importance of promotion and communication, which is developed differently according to the existing human and financial means. We obtain rel-

atively homogeneous categories of French AOC wine interprofessions (except for Jura and Alsace), the size of which has a direct impact on the budget spending strategy applied.

Moreover, our analysis shows the unique character of the Champagne AOC and its interprofession (CIVC). The Champagne interprofession forms a fourth category on its own because of its very particular use of its budget and the communication tools used. The CIVC has one of the most important budgets (comparable to the budget of the Rhône Valley and half of the Bordeaux budget) and gathers almost one third of the total number of employees of the French AOC wine interprofessions. The communication tools used are also very particular since the CIVC allocates only 2.5 Euros per hectoliter to communication, which can be compared with the budgets that the smallest interprofessions allocate to communication. The CIVC is thus the only interprofession that spends less than half of its budget on communication.

However, Champagne is probably the French wine that suffers the least from a deficit of communication on the international markets. The main reason for this situation is that the Champagne houses have always developed a strong private brand communication. This strategy has been possible thanks to the size of the main houses. Most of them belong to big international wine and spirits groups such as LVMH, Pernod Ricard or Rémy Cointreau. This intensive use of brand development tools distinguishes Champagne both from generic wines (Spawton 1991) and from other French AOC wines. For still AOC wines, brands mean an industrial production with a low-end quality connotation (Coelho and d'Hauteville 2006). On the contrary, a Champagne brand has a very clear positioning which is appreciated by consumers. This brand strategy contrasts with a communication based on the concept of "property" or "château" in Bordeaux (Réjabot 2000) or with the numerous AOCs in Burgundy. It is closer to the strategy of New World wine producers. In the other French vineyards, brand communication is almost nonexistent (apart from a few notorious exceptions), producers and merchants mainly rely on collective promotion. We can then wonder to which extent the Champagne model, particularly successful, could be reproduced in the other French vineyards.

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