A Deeper Analysis About The Communication Strategies For The Port Wine Industry

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A Deeper Analysis About The Communication Strategies For The Port Wine Industry

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Dissertação
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Abstract

This Master thesis deals with the international communication strategies of Port wine companies. We will start by a complete analysis of the sector; the history, the origins, the product, the positioning, the several actors involved as the Port wine companies, the distributors and the main markets, the competitors and the institutions. Further, we will consider the different international communication theories, the communication tools and evaluate the global strategies of the wine sector. In the practical part, the main objective is to identify the global communication problem of the Port wine sector and offer solutions with the help of the previous research, to improve the communication.

**Keywords**: Communication, Strategy, Port wine, Internationalisation, Adaptation, Exportation

Sumário

Esta tese de Mestrado lida com as estratégias de comunicação internacional nas empresas de vinho do Porto. Começamos com uma análise do sector: a história, as origens, o produto, as diferentes entidades envolvidas nas empresas de vinho do Porto, os distribuidores e os mercados principais, a concorrência e as instituições. Depois, iremos considerar as diferentes teorias de comunicação internacional, as ferramentas de comunicação e avaliar as estratégias globais do sector dos vinhos. Na parte prática, o objectivo principal é identificar os problemas de comunicação global do sector do vinho do Porto e oferecer soluções com a ajuda de pesquisas anteriores para ajudar a comunicação.

**Palavras Chave**: Comunicação, Estratégia, Vinho do Porto, Internacionalização, Adaptação, Exportação
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Introduction

Vinho do Porto
Vinho de Portugal
E vai à nossa
À nossa beira mar
À beira Porto
À vinho Porto mar
Há-de haver Porto
Para o nosso mar

Vinho do Porto
Vinho de Portugal
E vai à nossa
À nossa beira mar
À beira Porto
À vinho Porto mar
Há-de haver Porto
Para o desconforto
Para o que anda torto
Neste navegar

Carlos Paião – Vinho do Porto
1. Presentation and justification of the theme

Throughout time, Port wine evolved from a set of farmers producing local wine to the most well-known Portuguese wine of the world.

This process began in the second half of the seventeenth century when it was first called “Port wine”. Due to political events, French wine was no longer allowed in England, so English wine merchants had to find a way to provide them and found a place for that in the Douro Valley.

The key merchants of Port wine store and age wines in the lodges of Vila Nova de Gaia. They are the ones that promote and sell the wine around the world. Formerly the Port trade was largely dominated by English companies, but nowadays the realities are different.

The reasons for our choice is based on the fact that I worked in the Port wine cellars, as tour guide, offering visits to French, English and Dutch speakers. I quickly adjusted my speech, depending to whom I was speaking. I asked myself: if I adapt my speech in the cellars it means that probably on a larger scale there is also a communication adaption by the companies, depending to which market they address themselves.

Port wine is mainly an export product. About 87% of the production goes to foreign markets which are mostly European.

The Port wine industry is also confronted with an aggressive competitive market and it is important for each company to approach each market with a personalized communication strategy.

Indeed, the communication of a Port wine brand or product has to deal with the culture differences, habits and social behaviours of each market.
Although, Port wine is a very old product, it is surprisingly to notice how few people have knowledge of it. But is it also surprising to discover that Port wine companies do not “really” adapt their communication?\(^1\)

### 2. Objective of the investigation

The ultimate goal of this work is to explore existing communication strategies for Port wine industry, and to provide a basis for future research on the subject.

There is already a lot of research about wine and its international communication, its adaptations methods to reach a market and its communication tools. Nevertheless, no documents exist that approach the specific subject of Port wine.

The questions that we will raise in this dissertation will be the following:

- What are the global communication problems for the Port wine sector?
- What are the international communication strategies that Port wine companies can use to adapt their communication?
- What are the appropriate communication tools for the Port wine companies to improve the communication in international markets?

Port wine is not just a wine. It is a unique product, that has centuries of history and has the opportunities to increase its prestige and sales.

We also think it is important to analyse this subject, because there is a lack of research in this area.

\(^1\) Interview Henri Sizaret, 2014
3. Method of the investigation

To carry out this work, we consulted several documents, internet sources, magazines and newspapers. The keywords were mainly: Port wine, wine in general, communication and marketing. We also had the chance to interview several major players of the Port wine industry like Henry Sizaret, former marketing director of Symington Family Estates, Nich Heath, marketing director of Fladgate Partnership and André Ribeirinho, director in chief of the "Wine Evangelist".

Furthermore, I had the opportunity to work in two different wine cellars as a tour guide: Graham’s owned by the British Family Symington (SFE) and Sandeman, from the Portuguese wine company Sogrape Vinhos.

About the communication strategies of the Port wine industry itself, we did not found a lot of recent works that treated the subject. The dates of research are important, because the Port wine communication improved a lot this last decade with the development of new technologies and the emergence of social network.

We also discovered that the Port wine industry is a conservative world and we received very little feedback of the concerned players. On one hand we understand that the several managers do not want to share their strategies, but on the other hand we were expecting a bit more collaboration, which made our work more difficult and on some points, incomplete.

This work is divided into three parts: the first part aims to explore all facets of the Port wine industry and we will also pinpoint the various problems in the sector.

In the second part, rather theoretical, we explain the different concepts of communication, internationalisation, international communication theories and the development of a communication plan. We also dedicated a small section on the international strategies of other wine sectors and we took as example Champagne, a Controlled Designation of Origin (AOC\(^2\)), like Port wine.

\(^2\) Original in French: Appellation d’Origine Contrôlée
Finally, in the third chapter we offer solutions to the proper communication problems of the Port wine industry, identified in the first two chapters. We propose a communication plan that can be used later as a basis for other, more specific, researches on the subject.
Chapter 1 - Characteristics of the port wine sector

In the wine literature, Port wine is often considered as “the most famous and copied wine in the world”

1. Introduction note

Port wine is one of the oldest wines of the world, with a history of more than 300 years. Coming from a region that in the past was very poor, the habitants of the Douro Valley, where Port is produced, had always a reputation of hard workers. The Port wine drinkers were part of a masculine aristocracy, which enjoyed a glass of the red liquor after the meal with a big cigar. But that was more than two hundred years ago. Nowadays, we can find and drink Port wine almost everywhere in the world. It can be enjoyed as an aperitif or as a digestive, depending of the country and the culture where it is consumed.

In order to understand better the internationalisation of Port wine and its communication, we are going to start by taking a look to the history of Port wine, the Douro Valley, where Port was born and Vila Nova de Gaia, where Port is stored and aged. Furthermore, we will analyse the whole Port wine market; the product, the position, the markets, the companies, the competitors and the institutions. Finally, we will realise a SWOT-analysis of the Port wine sector and a conclusion about the global communication problem of Port wine.

2. The historical background

There was always a strong historical influence from England in Portugal. Both countries are known as the world's oldest allies.
Since the Treaty of Windsor, signed in 1386, England and Portugal forged closer political, military and business relations. Under the terms of the treaty, both countries committed to ensure equal rights - of residence and doing business - with their respective merchants.

Exchanges between the two countries have lead many English merchants to settle permanently in Portugal. In the second half of the 15th century a large amount of Portuguese wine was exported to the British Isles, often in exchange for Bacalhau in Portugal.

In 1654, a commercial treaty between England and Portugal created new opportunities for the English and Scottish merchants living in Portugal, granting them special privileges and preferential customs duties.

In 1667, Colbert, Prime Minister of King Louis XIV, launched a series of measures to limit the French imports from England. In reprisal, King Charles II of England stopped the importation of the French wine. English wine merchants had to find other sources of supply.

The merchants were looking to ample and more full-bodied wines from the hot region of the interior: the Alto Douro, behind the Marão Mountains, where the Port is still developing today.

The wines take the name of the port from where they are exported. In Portugal, they called it Vinho do Porto, "Port wine" in English. The first shipments of wines known under this name are attested in 1678. “By the end of the 17th century, annual exports reached 7000 pipes” (Martins, 2011).

The Methuen Treaty, signed in 1703 between England and Portugal, gave a new boost to the export of Port wine: customs duties on Portuguese wines were much lower than those on French wines and the Douro became the most important wine provider of England.

The British wine merchants, around 30 (between 1745 and 1756), were much fewer than the Portuguese. Although, they had the leadership of the sector by

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3 One pipe is more or less 550 litters.
owning 60% of the business. Portuguese had 35% and the rest (5%) was in the hands of German, French and Dutch traders (Martins, 2011).

2.1. A wine for the British

British were always very seduced by the Douro wines. At the time, it was already a habit to add a bit of brandy in the wine casks so that the wine wouldn’t turn bad during the sea trip until London. This was the first step towards the style of Port wine we know today, a fortified wine.

At the very beginning, the wine was not sweet. Although, depending of the British taste, some farmers would add sugar to the wine fermenting. At the same time, the traditional dry Douro wine was still being produced. The debate went on for a long time: which wine represented the best the Port type? “There was the evident historic British influence which had the final say as to the style of the wine – sweet, deep purple black and full bodied – yet the steps taken to reach this were slow and irregular” (Martins, 2011).

Nonetheless, 1820 would be the turning point to start this style of Port.

2.2. The 18th century: Demarcated region

At the end of the 18th century, were the Anglo-Saxon trading must now reckon with Dutch and German merchant families, the Flemish and the British increased their demand for the Douro wines. The producers tried to follow the high demand of the market but as it already happened with all great wines, speculation and infraction are used.

British merchants accused the farmers to produce poor quality wine and the farmers accused the merchants of falsifying the wine.

In consequence, the future Marquês of Pombal created the “Companhia Geral das Vinhas do Alto Douro” in 1756. “The objectives of the Companhia were clear:
encourage the cultivation of vines in the Alto Douro, safeguard the authenticity of the product and control its price” (Martins, 2011).

This would also abdicate the monopoly of the British that had a dominant position in the sector and dictated the laws of supply and demand.

Furthermore, to guarantee the quality of the wine, the Compania imposed several rules and prohibitions.

Far to please everyone, the rules however lead to improved quality of Port wine that marks a new era of growth and prosperity, both for producers and traders. The first demarcated and regulated region in the world was born.

But it did not last long: in 1777, King José I died and the Marquis of Pombal lost his seat in the government. The Companhia was totally remodeled, giving it less control, what lead to counterfeited Port.

2.3. The 19th century: natural disasters and frauds

The 19th century alternates the best and the worst, torn between economic growth and natural disasters.

In the beginning of that century, Port wine represented 80% of all Portuguese wine exported. The Douro region also developed and new “quintas” were constructed.

But, with the invasion of Napoleon and the fall of the absolutist monarchy (1820), Portugal knew twenty years of unrest. Indeed, the exports decreased a lot.

Around the middle of the 19th century, European winemakers and growers had begun to import North American vines. However, they were unaware of the fact that at the time these plants often carried yellow aphids, barely visible to the naked eye that were devastating for European vineyards. Phylloxera (1868) destroyed almost all of the vineyards.
Despite this, they found a solution to the problem, grafting European vines on the roots of American vines resistant to the parasite, there was huge economic damage and a lot of farmers were ruined and abandoned their “quintas”.

The impact of the crisis forced the Douro to become reorganised. They started to reconstruct the vineyards and spreading them over a wider area than before. Agricultural practices, the transport (railway) and the Douro Superior improved. At the end of the 19th century, to control better the production, shippers started to buy their own “quintas”.

Nevertheless, the Douro was faced to another crisis: fraud. French Ports, Tarragona Ports, Hamburg Ports were invading the main markets of Port wine at a much more concurrent price. The market suffered again.

2.4. The 20th century: regulation

On 10 may 1907, João Franco, an important Portuguese politician at that time, decided to react by signing a decree that would regulate the production, the sales, the export and the control of Port wine. The state intervened in the port trade to protect the denomination and to control the quality.

The next year, Admiral Ferreira do Amaral’s government re-demarcated the region “in a total area similar to the one that exists today (Decree-Law of 26 June 1986)”’. The exports increased a lot, “more than one hundred thousand pipes in 1924/1925, and a volume of trade that would only be surpassed at the end of the 1970’s” (IVDP).

A new regime was born on the 28th of May 1926 and the Port wine trade underwent new changes for stricter government control. That year, the government obligated the Port wine traders who wanted to age their wines, to build their lodges in the area of Vila Nova de Gaia. This meant the end of all direct trade from the Douro.

Several entities were created, governing the sector:
- The “Casa do Douro” (1932) by the farmers,

- The Port Wine Institute (1933) “to study and promote the quality, control and dissemination of the product” (IVDP) by the state and

- The Guild of Port Shippers⁴ (1933) by the merchants.

Starting from 1937, a register was created of the vineyards and their quality. Farmers would receive licenses to produce a specific quantity of wine.

The seal of guarantee exists since 1942 and was created to control the exports. Every wine from the Douro had to come first in Vila Nova de Gaia for a strict governmental control.

The sharp decline in exports during the Second World War greatly weakened the small trading of Port. Producers are often absorbed by larger or more profitable trading houses, the same melting process which is taking place in the distribution sector.

Around the 1950’s, the cooperative movement began to develop and the next decade it “represented about 10% of all growers and all regional production” (IVDP).

This period marks a turning point in the Port industry, forced to adapt to the new demands of a world and a market so profoundly different from those before the war.

After the Revolution of 1974, Port wine shippers joined to form groups of companies. Meanwhile, these companies bought their own estates and vineyards and invested in production.

The Demarcated Region of the Douro was, in 1995, re-organized and this is how the Interprofessional Commission for the Demarcated Region of the Douro (CIRDD) found place. From then, farmers and producers “had equal representation and a joint goal: to discipline and control the production and sale of wines from the region entitled to the denomination of origin” (IVDP).

⁴ Today: AEVP : Associação das Empresas de Vinho do Porto
In 2003, the CIRDD was replaced and is today an Interprofessional Council which is part of the Douro and Port Wine Institute.

According to Martins (2011) 240.000 pipes of wine are produced each year and only the half (or less) are made in port. The “surplus” of grapes is used to make table wines from the Douro Valley.

3. The Douro Valley

Centuries before Portugal became a nation, the Douro Valley was already producing wine. The mountainous region, in the north-east of Portugal, cultivates vines since the prehistoric time. The region is characterized by a unique soil and climate and the long tradition has created a cultural landscape of outstanding beauty. The Hungarian Tokay and the Italian Chianti regions were been delimited earlier than the Douro, although it wasn’t regulated. Port is thus from the oldest and first regulated demarcated region in the world (1756). Now, the Douro is the region with the biggest wine production and wine business in Portugal.

The climate conditions of the Douro Valley are unusual: it can be extremely hot and dry in the summer and very cold in the winter.

The Valley has an old wine proverb "the more the soil is poor, the better the quality of the grape." The soil is from schist and produces the best grapes, but in small quantities. Although the region has more than 100 different grape varieties, there are five here who have been identified as the best for the production of Port. Through the Institute of Port and Douro Wine (IVDP), the government limits the amount of Port that is produced each year per vineyard, according to its individual characteristics and the needs of the market (Linder, 1996).

Nowadays, the Douro valley represents 250.000 hectares but only 45.613 (18%) are occupied by vines for the production of Port wine or table wines called “DOC”. This area is divided between more than 33.000 winemakers (Martins, 2011).
3.1. The sub-regions

The region is divided in three sub-regions: the Baixo Corgo, the Cima Corgo and the Douro Superior.

Fig. 1 exposes the characteristics of the sub-regions.

<table>
<thead>
<tr>
<th>Sub-Região</th>
<th>Área Total (ha)</th>
<th>%</th>
<th>Área com vinha (ha)</th>
<th>% da Área total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baixo Corgo</td>
<td>45.000</td>
<td>18</td>
<td>14.501</td>
<td>32.2</td>
</tr>
<tr>
<td>Cima Corgo</td>
<td>95.000</td>
<td>38</td>
<td>20.915</td>
<td>22.0</td>
</tr>
<tr>
<td>Douro Superior</td>
<td>110.000</td>
<td>44</td>
<td>10.197</td>
<td>9.3</td>
</tr>
<tr>
<td>Total</td>
<td>250.000</td>
<td></td>
<td>45.613</td>
<td>18.2</td>
</tr>
</tbody>
</table>

Fig.1 - Characteristics of the sub regions, IVDP, 2013.

The Baixo Corgo is the sub-region with the most exploited area (32.2%). Because it is closer to Porto, it has also better lines of communication. It was the first to attract the attention of the merchants of Porto. Because it’s a very fertile region, it has a high productivity but because of the heavy rainfalls the wines are less concentrated and complex. None of the vineyards in this area has a “A” classification (highest quality).

The Cima Corgo is a dryer region, the climate there is more aggressive and the yield per mile is less, but producers can make higher quality Port. The landscape of this region changed a lot after the 1980’ with the new plantings. It is also the region were you find the biggest area with vines (20.915 ha).

The Douro Superior was for a long time not really important to the farmers, and that is why this region has the less exploited area (10.197 ha) but in the beginning of the 20th century they started to develop the area. The vineyards here are easily mechanized, the production costs are lower and we can produce high quality Port.
Wine tourism in the Douro Valley started only to develop since the last ten years and there is still a lot to improve.

3.2. Vila Nova de Gaia

Porto is the muse who inspired the name of Portugal and Port Wine. Built on a series of hills at the mouth of the Douro, the city, ceremonious, stately and hardworking is the workhorse of the oldest state in Europe.

Porto is more similar to cities in northern Europe than its Mediterranean neighbours. Smaller, compared to larger modern cities, the city lives of its commercials activities. The warehouses of the Port wine shippers are located along the river, across from the Ribeira. Their famous names are spread over the terracotta rooftops: Sandeman, Calem, Ferreira, Graham's, Dow's... (Linder, 1996).

Until 1986, only the companies that were located in Vila Nova de Gaia could export Port. Nowadays, farmers and cooperative wineries can also bottle and sell their wine directly from the Douro (Martins, 2011).

Nevertheless, most of the Port is still being sent to the lodges in Gaia. Historically, it was easier for merchants to ship wine from there. Also, the climate is ideal for aging Port, as Vila Nova de Gaia is located north of the river. Temperatures in the lodges remain constant during the year, which is a great advantage in contrary to the Douro region that has very hot and dry summers.
4. Commercialisation of Port wine and its main operators

“Port wine is a world of its own”

(Martins, 2011)

According to the sections before, we know that the industry of Port wine is one of the oldest in terms of internationalisation and one of the most focused on external markets.

Port wine is mainly an export product; 87% of the production goes to foreign markets.

In this section we are going to focus on the production of Port and the different categories that exist. We will also abort the unique position of Port, the main operators and markets, the concurrence and the institutions that exist to promote Port wine.

4.1. Presentation of the product

Port wine is a natural sweet and fortified wine, produced exclusively in the demarcated region of the Douro Valley.

From the vineyard to the bottle, there is a whole production world between. The harvest begins when the grapes are mature enough to be hand-picked, usually in September. To make port wine, we will interrupt the natural process of fermentation by adding a neutral brandy (77%). This neutralizes the action of the yeast before all the sugar from the grapes turns into alcohol. This is the great difference from other wines.
At the approach of the spring, the wine is transported to the lodges of Vila Nova de Gaia where the winemaker and his team examine the potential of each wine and decide of their future.

Fig. 2 gives a summary of the several steps of the production process of Port.

**Fig. 2: Production process of Port**

<table>
<thead>
<tr>
<th>1. Harvest</th>
<th>2. Fermentation (2/3 days)</th>
<th>3. Fortification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Around mid-September, the grapes are hand-picked and brought to the wineries.</td>
<td>The grapes are trodden to extract a maximum amount of color and flavor. More and more sugar is converted into alcohol.</td>
<td>When the must reached the required sugar level, a neutral brandy of 77% of alcohol is added.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The new wines stay the first winter after the harvest in the Douro Valley wineries</td>
<td>The Port wine is transported to the Vila Nova de Gaia cellars for the aging process</td>
<td>The wines are selected by their quality and become Wood or Vintage Port.</td>
</tr>
</tbody>
</table>

By Alison Hamoir

Thanks to a great history, several types of Port were created. We can classify Port by colour – white, rosé or red -, by aging method – wood or bottle - or by quality – Standard or Special Categories (Premium Port).

Ruby’s age in large wooden barrels (maximum six years). Protected from contact with the outside, it retains its primary characteristics. It is a young and fruity Port.

Tawny ages longer in small oak barrels (minimum five years) where it can breathe and stay in contact with the wood. It evolves physically by its reaction with air and wood.

The Vintage Port is a superior quality wine, from one single harvest that will mature in the bottle (minimum 12-15 years).

The IVDP divides Port by quality and we are going to choose this type of classification further on in our research. Fig.3 summarizes what those categories imply.
Fig. 3: Categories of Port wine, Alison Hamoir.

<table>
<thead>
<tr>
<th>Category</th>
<th>Standard</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Ruby style</strong></td>
</tr>
<tr>
<td>Rosé</td>
<td>Reserve</td>
<td><strong>Tawny style</strong></td>
</tr>
<tr>
<td>White</td>
<td>Reserve</td>
<td><strong>Vintage</strong></td>
</tr>
<tr>
<td>Ruby</td>
<td>Crusted</td>
<td></td>
</tr>
<tr>
<td>Tawny</td>
<td>Late Bottled Vintage</td>
<td>Colheita</td>
</tr>
</tbody>
</table>

After the aging process, the Port wine is bottled in Vila Nova de Gaia, promoted, sold and distributed around the world.

4.2. The position of port wine

In an over-communicated environment, it is important for a brand to have a specific position on the market. According to Ries & Trout (2002), the position of a brand is the way that it is perceived by the target market and how it is different compared to other brands. It is important to have a unique position.

Port wine definitely has a different position in comparison to other wines. It is a unique product in the world that has a large portfolio and it is from high quality. It can only be produced in one delimited region, with specific and well selected casts. There’s an idea of exclusivity (Miralles, Moretto & Schmitt, 2008).

Moreover, in the Portuguese wine sector, Port wine has an important position and is a recognized symbol of Portugal (Moreira, Moutinho & Pereira, 2012). Port wine has also a leading position in the category of Portuguese fortified wines, by representing 90% of all sales\(^5\) (Loureiro & Fernandes, 2011).

Today it is realised that consumers begin to have interest for "different" products and appreciate those who bring with them an identity. It is necessary to highlight the unique identity of Port, the authenticity of the product, as an exploiter factor, well positioned and differentiated. For Miralles & co. (2008), it is up to the Port

\(^5\) The others are: Madeira wine & Moscatel (Setúbal & Douro)
wine brand managers to create unique associations for the product. All of this can be realised with a financial investment and a greater dedication in this direction by those involved.

4.3. The Port wine network

The Port wine network, as for the complete wine industry, is a really complex system. We will approach this topic because it is important to be aware of the several actors involved in the communication process of Port wine. However, we will only focus on the actors who play a crucial role in the international communication process of Port wine; shippers, distributors, customers, competitors, and governmental organisations or associations.

As Brito mentions in his diverse researches on the topic (c1997, 1998 & 2006), Port wine firms are not independent entities acting on their own in the market.

All the actors are linked together and important relations are built. It is a real investment, literally because it has a high cost of changing, but also because they are commitments for the future. That is why those relationships are stable, but changing; there is a constant evolution (Brito, 2006).

In sum, for a Port wine firm it is important to build a long-term relationship with the several implied actors to have a working communication strategy.

Following Brito (1997, 2006), the Port wine network has four main categories of actors: farmers, wine cooperative societies, shippers and distributors.

Fig. 4 is a representation of the Port wine network, its actors and the “most significant relationships among them” (Brito, 2006).

This figure shows how complex the Port wine network is and the numbers of actors involved in the communication process of Port wine.

Brito divides the network into two: the production net and the trade net. We are going to focus on the second net, which has an important role in the international communication process of Port wine. The trade net is again divided into two
different categories: the shippers and the distributors, who are linked together. It is the role of the shippers to establish trust relationships with the distributors of a specific market in order of creating a good communication strategy.

Fig. 4: The Port wine network, Brito, 2006
4.4. The companies

Despite a large number of Port wine producers, we observe a process of concentration in the Port wine trade since the 1950s (Lages, 1998). Due to economic changes, foreign companies invested in the Port sector: during the 1960s UK firms, later French and Spanish firms (Rebelo, 2007).

The intervention of multinationals in the Port wine trade brought a lot of changes, mainly in the way how the product was sold. However, in the last 20 years due to the hard competition changes, we can observe a disinvestment of those multinationals which led to a concentration in family economic groups (Moreira et al., 2012).

Today, 80% of the total sales of Port belong to five groups (Symington Source, 2010).

Fig. 5 resumes the market share for the five biggest companies who own 80% of the total market.

Martins (2011) relies on the fact that there is an inevitable trend of concentration of interest, what he does not consider as positive for the Port wine market.

“…This also means that in a world that is so demanding in terms of advertising and marketing, there are fewer travellers selling Port around the world, fewer oenologists holding tastings in each and every market, less is spoken of Port wine”.

Moreira et al. (2012) also points out the fact that the family economic groups make strong investments, but they are forgetting about their own distribution, which led to find “alternative solutions to maintain and/or develop the presence of Port wine brands in the global market”.

Although those companies have a long tradition referring to the Port wine, they are too focused on the production, what brings a lack of research in the field of marketing, sales and distribution (Porter, 1994).
<table>
<thead>
<tr>
<th>Producer Company / Market share</th>
<th>Brands</th>
</tr>
</thead>
</table>
| Symington Family Estates (Portugal, but english family) -- **22%** | Warre  
Dows  
Graham’s  
Cockburns  
Smith Woodhouse  
Quinta do Vesuvio  
Gould Campbell  
Quarles Harris  
Martinez |
| La Martiniquaise (France) -- **20%** | Cruz |
| Sogrape (Portugal) -- **16%** | Ferreira  
Sandeman  
Offley  
Robertsons |
| Fladgate Partnership (Portugal, but english family) -- **14%** | Taylor’s  
Croft  
Fonseca  
Krohn  
Delaforce |
| Sogevinus (Spain, Caixa Geral) -- **10%** | Calem  
Kopke  
Burmester  
Barros  
Gilberts |

*Fig. 5: Five biggest company of Port, Adapted from SFE source, 2010.*
4.5. The distributors

We can distribute Port wine to the final customer on two different ways (Temiz & Yaroshyk, 2008):

- **Direct channels**: through a personal contact with prospective consumers.

- **Indirect channels**: through a third party intermediary: agents, distributors or retailers.

By using direct channels, the company is able to control better the communication and the motivation of the members. In contradiction, the control on the indirect channels is more difficult. That is why the Port wine companies have to build a trustful and long-term relationship with the distributors.

Hall & Mitchel (2008) affirm that the choices of the distributors are an important point for the communication plan. The choices are influenced by the questions: how to reach the target and communicate the brand values?

Furthermore, the cultural, institutional and legal frameworks, the media, the competitive structure as the economic aspects from each market, have an important influence on the distributors trade (Mühlbacher et. Al, 1999). Nick Heath (interview, 2014) gave as an example Finland, Sweden, Norway and Canada where most of the wines are sold through state monopolies.

We will approach this subject later in our research.

4.6. The main markets

Port wine represents about 1/3 of the total wine exports of Portugal and is commercialized in approximately 106 international markets (source: IVDP).

Although, according to the last data of IVDP (2013), Port wine is mostly sold to European countries. Nevertheless, there is an increasingly interest in new markets as the USA and Canada. The five main markets are France (28%), the Netherlands (14%), Portugal (13%) itself, the United Kingdom (12%) and Belgium (10%).
Together they have 77% of the market share. Following the top five, we have the USA (5%), Germany (4%), Canada (2%), Denmark (1%) and Spain (1%).

For Martins (2011), Port wine is “far from reaching the acme of its splendid career. There are still more consumers to attract, more of the Douro region to explore, much more left to study and to discover”.

Fig. 6 represents the quantities of litters sold, the price by litter and the total value for the five greatest markets. We divided the commercialisation of Port wine into two categories: the standard Port and the premium Port.

Fig. 7 shows that the main markets focus on quantity, forsaking the quality of Port. Conversely, the UK imports less, but relies on the quality of the product. We can explain this phenomenon by the fact that the UK has already knowledge about the product due to its strong historical attachment to Portugal and Port wine. Where the other major markets have no knowledge about it and purchase the basic product.

This is an important fact for the rest of our research. It confirms that there is a lack of education, and thus, communication, about the product for the concerned countries and that there are still a lot of things to explore, to improve and to develop.

Nick Heath (interview, 2014) also confirmed us that the United States, Canada and England are four countries for which quality is important and therefore the markets should not be neglected.
Commercialisation of Port wine for the five main markets

<table>
<thead>
<tr>
<th>Markets</th>
<th>Standard Port</th>
<th>Premium Port</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity (liters)</td>
<td>Value (€)</td>
</tr>
<tr>
<td>France</td>
<td>19,955.722</td>
<td>65,006,584</td>
</tr>
<tr>
<td>Netherlands</td>
<td>10,306,541</td>
<td>32,819,548</td>
</tr>
<tr>
<td>Portugal</td>
<td>8,902,370</td>
<td>32,748,363</td>
</tr>
<tr>
<td>UK</td>
<td>3,905,040</td>
<td>12,891,152</td>
</tr>
<tr>
<td>Belgium</td>
<td>7,579,737</td>
<td>26,974,138</td>
</tr>
<tr>
<td>Total</td>
<td>50,649,410</td>
<td>170,439,785</td>
</tr>
</tbody>
</table>

Data collected from IVDP, 2013
Created by Alison Hamoir

Fig. 6 : Commercialisation of Port wine for the five main markets.

Fig. 7 : Comparison Standard/Premium Port. Data collected from IVDP, 2013.
4.6.1. **New markets**

For the global wine business, Russia, Asia and Scandinavia are three markets that are of particular interest to producers and distributors of wines. Russia and the four Scandinavian countries (Sweden, Finland, Norway and Denmark) have surpassed Spain in consumption (Epuran, 2008).

In the case of Port wine, we notice an emergency of new markets as Brasil, China, Japan, Poland and Russia (IVDP, 2013).

4.6.2. **The evolution of the sales**

According to Moreira et Al. (2012) and Henri Sizaret (interview, 2014) the sales of Port wine have increased until 2000. But since then, the sales volume decreased almost drastically and in 2008 it knew its worst performance since 1994: it went 5% below the 2007 volume.

Fig. 8 compares the sales between 2006 (oldest data available on the site IVDP) and 2013. We can see that for each market of the top ten the sales decreased.

![Comparison Sales 2006/2013](Fig. 8 : Comparison Sales 2006/2013. Data collected from IVDP, 2013.)
The question that we have to ask ourselves is, what are the reasons of this decrease of sales?

According to Lages (1998), the Port trade is confronted to several threats and the industry lacks of consideration of those threats.

In addition to common problems like the global economic crisis, the new competitors on the market (New World) have a strong influence on the consumer.

The Port wine industry didn’t always considered those new competitors. Henri Sizaret (interview, 2014) gives the example of France: Port is drunk there as an aperitif. However, little or almost no Port houses take this into consideration and therefore do not adapt their communication and marketing strategies. This led to the fact that other beverages considered as an aperitif are ahead compared to the Port industry.

We can also observe important factors which influence the sales into the Port industry: the increment of concentration of the distribution channels, the competition pressure, the social changes, the technical evolution, the anti-alcohol campaigns, the legislation of countries and the legislation of the Port wine industry itself, are examples.

Furthermore, by my own experiences being in contact with thousands of people from different nationalities (cellars Sandeman & Graham’s) and confirmed by Henri Sizaret and Nick Heath (interview, 2014), it looks that the industry of Port did not make a lot of effort to change its image; a beverage for old people, of low quality, for women. What is a total contradiction to the global image of wine; a luxury product, a symbol of status and a fashion item (Hall & Mitchell, 2008).

There is an important lack of knowledge about Port wine, specifically about the different types and categories (Barros, 2013).

Consumers know there are two types of Port, whites and reds, however, are unaware of the different types and the consumption occasions associated with them.
According to Rocha and Moura (2002) this fact affects the choice of the consumer at the purchase, as they start to give greater emphasis on the brand, the price and the appearance of the packaging. On the other hand, if consumers are unable to distinguish the different types of Port wines and make associations, they will be often the subject of unpleasant experiences (Brazil, 2001).

A study led by AEVP in 1999 shows that even in Portugal, consumers do not recognize the existence of different types of Port (21%). The IVDP (the Institute of Port and Douro Wines) concluded after a study in 2004, that there was a certain ignorance of Port wine and that a part of the interviewees confused the types of Port with the brands (Melo, 2006).

There is a widespread recognition of the quality and originality of Port, but the actual knowledge of the consumers about brands and the types of Port wine is still too low (Magalhães, 2000; Rocha 2002).

4.7. The competitors

Like for all industries, the competition is hard and increasing what can bring dynamism but also instability and risk.

Competition is difficult, because consumers are more demanding and pay more attention to the price because of the diversity of products available. This demands a constant revaluation of strategies (Dicken, 2011).

Following Lages (1998) Port has two different competitors:

- **Internal**: the different brands of one multinational

- **External**: the other fortified wines like Sherry, Vermouth, Madeira, Marsala and Mistelle.

It is also important to mention the counterfeits. Port is one of the most imitated wines in the world and counterfeiting is a high profitable business. We can find those “fake” Ports from Australia, to South Africa, Peru, Moldavia, the United
States until Belgium. There are many unscrupulous producers who do everything for usurping the image of Port wine (Publico, 2011).

Brasil (2001) states that wines and spirits are the main products that compete with Port, as consumers and the moments of consumption are generally the same.

That is why the competitors of Port wine varies from country to country: each brand has a different positioning and importance in a specific market. Also, it depends on the way that Port is consumed: as an aperitif (France, Belgium), or as a digestive (Netherlands, England, Portugal…) with desserts or cheese.

The way to react quickly and adapt to the constant changes of the global market is, according to Moreira et al. (2012), to establish collaborative strategies between companies. This can happen by “a mechanism of mutual exchange of technology, knowledge, competence, market contacts, products and/or financial resources” (Oliver, 2000).

4.8. Port wine associations

There are several Port wine associations and institutions which communicate about Port wine. In this section, we are going to summarize the most important ones that help to inform the consumers of Port and promote the wine around the world.

4.8.1. IVDP

www.ivdp.pt

The Douro and Port Wine Institute (Institutos dos Vinhos do Douro e Porto) is one of the strongest and most important institutional arrangement for the Port wine trade. Founded in the early 1930s, it is a government funded and sponsored institute. Its role is to regulate the whole production process of Port, control the quality and protect the denomination. The institute is the only one that is authorised to give the Certificate of Origin (Certificado de Origem) and to issue the Guarantee Seal (Selo de Garantia).
There exist several rules issued from the institution which were created to achieve the purpose of the institute:

- **Beneficio**: each year, the IVDP decides how much Douro wines can turn into Port.

- **Lei do Terço (One-Third Law)**: this law implies that producers can only export one third of the stock in the course of one year.

In addition, the IVDP also has other functions as relating information about the Port wine sector through several studies and setting up campaigns to promote education and knowledge about the wine around the world.

4.8.2. **Port Wine Shippers Association**

[http://www.aevp.pt](http://www.aevp.pt)

The Associação de Empresas de Vinho do Porto includes the majority of the Port wine shippers. The main purpose of the Association is the promotion and development of Port trade around the world. It performs important publicity and public relations (Brito, 1997).

4.8.3. **Confraria do Vinho do Porto**

[www.confrariavinhodoporto.com](http://www.confrariavinhodoporto.com)

The Port Wine Brotherhood is an organisation created in 1982. The purpose of it is communicating, promoting and reinforcing the reputation of Port wine. The Brotherhood accepts persons who have a professional activity in making and exporting Port wine. They also have members who make “a significant contribution to the image and knowledge of Port Wine”.

30
5. Swot Analysis of Port wine and conclusions

A SWOT analysis is used to evaluate the Strengths, Weaknesses, Opportunities and Threats who are involved in a project. Strengths and Weaknesses help us to identify all the internal factors of the project. Opportunities and Threats are the external factors.

We decided to create a SWOT analysis for the Port wine industry to conclude this chapter.

Fig. 9 presents the SWOT analysis of Port wine, with the view of the author and the previous research.

Fig. 9: SWOT analysis of the Port wine industry. Alison Hamoir.
Despite the fact that Port wine is one of the oldest wines in the world, with more than 300 years of history and a long exportation tradition, the “Northern Star” still does not exploit all of its potential.

Port wine is a unique product, produced in one of the most beautiful wine regions in the world and proposing a large variety of quality products. These are facts. Nevertheless, a too small number of people know those facts.

Even though we observed that Port wine is mainly an export product, with 87% of the production that goes to foreign markets, it is mainly concentrated in European markets; France, Netherlands, UK, Belgium, Germany,....

By analysing the sales, we could conclude that those markets, beside the UK, are essentially focused on quantity, which is unfortunate due to the large variety of products that the industry proposes. Moreover, it does not always give a positive image of Port wine.

We could also observe a small decrement of the sales over the past seven years. Of course, the Port wine industry is, like all industries, affected by the global economic crisis. And the competition of the New World countries is really strong and aggressive. We can neither forget the social changes, the new laws and anti-alcohol campaigns that fully contribute to the decrease of the sales.

But further than that, we think that the Port wine industry should focus more on the product itself than on the production. Sizaret (interview, 2014) insists on the fact that companies forget far too many times to include all the competitors of one specific market and this leads to the fact that their marketing and communication strategies are not adapted to the market. Each country has their own consumption and social habits and the image of Port is still too many times associated to an old ladies drink.

Although those threats and weaknesses of the sector, we cannot forget the growth in new markets as Brazil, China, Japan, Poland and Russia, without obliterate the USA and Canada that are already potential markets for quality products.
According to Nick Heath (interview, 2014) the future of Port lies in the quality of their products: “in the future, we will sell less, but from higher quality”.

“Because it is good, it will sell” is something that the general wine producer needs to forget, as confirmed by Hall & Mitchel (2008). For the authors, it is important to focus on the target markets, understanding them and being aware of all the trends going on there to accomplish a great communication strategy. More than that, creating a long-term and trustful relationship directly with the consumer or indirectly with the distributors is also really important.

To improve sales, expand markets and amend the image of Port wine, it is important to educate the potential target. For this, a good communication strategy is needed.

Thus, there is clearly a need of better international communication strategies, where shippers, distributors and institutes should be involved.
Chapter 2: International communication theories

1. Introduction note

The first chapter gave a complete analysis of the industry of Port wine, identifying the different aspects regarding the strengths, weaknesses, opportunities and threats of the sector. It is now time to take a look at the global international communication strategies available for companies.

All international activity involves communication and that implies that all companies that tend to internationalisation must make changes in its communication. The differences between countries and regions are important: it is crucial to understand the expectations of local consumers, as the culture and habits of each (Kotler & Dubois, 2004).

When a firm elaborates its international communication plan it needs to define its objectives and politics.

According to Kotler & Dubois (2004), the company has to evaluate the several markets where it wants to communicate and five questions need to be answered:

- What is the actual potential of the market?
- What are the local economic, politic, cultural and commercial conditions?
- How will the buyer evaluate the advantages of the product or service?
- What is the budget?
- What are the profits?

We will start by defining the concept of international communication, dividing it into two terms well defined: internationalisation and communication, as well as the
whole picture. We will also discuss the difficulties encountered by the international communication.

Next, we will review the choices which companies have for their international communication and how they can develop a communication plan with specific goals, target audiences, its message, how it will spread its message, the expected reactions and the budget management.

Finally, we will have a look at the communication strategies for the wine industry, the environmental aspects and how the prestigious brand “Champagne”, which is also an AOC, works.

2. Definition of a concept: International Communication

To understand clearly what international communication is, we are going to divide the concept into two parts: internationalisation and communication. In the following sections, we will explain those concepts.

2.1. Internationalisation

The term internationalisation, according to Featherstone (1990), represents the several definitions of an enlarging communication space. It also stands for the history and its diversity of worldwide communication.

Internationalisation is linked to a need, created by recent changes in the global economic environment. (Lemaire et al., 1997).

For Pasco & Berho (2002), internationalisation is a process, series of steps, for a company to achieve a progressive learning of foreign markets.

It is a term which first of all refers to an evaluation of worldwide demand: tastes, consumer preferences, and their sense of fair prices… it tends to come universal.
Secondly, this expression refers to the offer: products and services become increasingly standardized and the competition in certain sectors would be across the globe.

### 2.2. Communication

Communication is a wide term which we can define as any transfer or exchange of information between a sender and a receiver. It is not limited to the verbal exchanges, also by written words and by images.

Engel et. al. (1994) describes it as a “transactional process between two or more parties whereby meaning is exchanges through the intentional use of symbols”.

For Berkowitz (2000), the communication process requires **six elements:**

1. **Source:** can be a company or person
2. **Encoding of the message**
3. **Message:** the information sent by the source
4. **Channel of communication:** such as media, salesperson, events...
5. **Decoding of the message**
6. **Receiver:** consumers

In an international context, communication is a very important aspect of the marketing plan. Because it is not enough to produce and make available your product or service, you must also inform and persuade consumers to buy it.

The company which sets up a communication strategy aims to sell its products and increase sales volume. To advertise its products and brands and motivate consumers to buy, it will favour the “communication products”, highlighting their distinctive benefits and the value they may pose to current and potential customer and thus provide them with a positive image.

International communication policy is similar to national communication in its principle and in the tools used. However it is more complex in its implementation.
and more random in terms of results. Internationally, the company is facing difficulties in coordination and in the consistency of broadcast messages. That is why it must take into account a number of additional constraints such as local legislation, the availability and habits of media as well as cultural and linguistic differences to avoid the failure of communication (Jkaoua Btissam, 2013).

The failure of communication is everything that blocks the understanding of a given message.

This is why feedback is important. The function of feedback is to know if the message was understood like it should (Junarso, 2009).

### 2.3. Difficulties of international communication

Communication is not identical from country to country, culture to culture. It is important to be aware of the several difficulties companies can encounter across cultures. At the other side, international communication can have a strong influence if it is well prepared. Companies using international communication can encounter several restraints (Sources: Inc.\(^6\) & Jkaoua Btissam, 2013):

#### 2.3.1. Ethnocentrism

One of the first communication problem is when participants from one country/culture, cannot understand the communication practices from the other part. The term ethnocentrism “is the belief that one's own cultural group is somehow innately superior to others”. For both parties, their way of communicating sounds correct and logic, because it works for them. Each culture has his own values, and it is normal that there are some divergent. To avoid communication problems, one of the parties need to understand those differences.

James Lee (1996) proposes an approach to eliminate ethnocentrism:

\(^6\) Article on the site: [www.inc.com](http://www.inc.com): “Cross-Cultural/International Communication”
- Define the problem or goal in terms of cultural characteristics, customs and norms of the country of origin.

- Define the problem or goal in terms of cultural characteristics, customs and norms of the foreign country.

- Isolate the influence of ethnocentrism on the problem and examine it carefully to see how it complicates the problem.

2.3.2. **The stereotype**

The stereotype is a ready-made opinion. It is the result of a categorisation that organises our experience and guides our behaviour, particularly in relation to a particular group or population of a given country. The stereotype never describes the behaviour of an individual; it only describes the behavioural norm attributed to all members of a particular group (Adler, 1994).

2.3.3. **Language**

When a number of participants do not know the language, communication is slowed down; the representatives of the minority must use a language that is foreign to them or hire interpreters (Adler, 1994).

2.3.4. **Environment and technology**

A numerous of environmental factors can have a great influence on the communication; climate, topography, population size and density, availability of natural resources…

For not having a communication barrier, it is crucial to accommodate environmental differences. Cultures have different views on technology and its role in the world. We can distinguish three cultures in this area:
- Control cultures: such as in Europe and North America, technology is seen as a positive aspect for controlling the environment.

- Subjugation cultures: In those cultures, environment is seen as positive, but technology is viewed with some skepticism, like those of central Africa and southwestern Asia.

- Harmonization cultures: a balance is tried between the use of technology and the existing environment. None of it is considered as good. We can observe this kind of cultures in many Native American culture and some East Asian nations.

2.3.5. Social organisation and history

Education values, class structure and social mobility, job status, religion, politics, gender differences, racism, attitudes at work etc. can be different from one culture to another. For instance, in North America and much of Northern Europe, companies will chose their employees based on their résumé. In cultures such as Arabic, central African, Latin American or southern European, they will prefer to hire somebody who they know than a stranger. It has to do with trust and accountability.

2.3.6. Nonverbal communication

Nonverbal communication is also one of the greatest influences in international communication. Having knowledge of the culture where we want to communicate is good, but not enough. It only represents a small part of the communication process. Body language, clothes, eye contact, touching behavior, personal space etc. diverges for one culture to another. It is important to learn the attitudes wanted, before communicating.
International communication is necessary for any company which wants to expand, but the earlier mentioned points made us realise that there are a lot of difficulties related. Lack of understanding of a specific culture where we want to communicate can be a barrier to any business and can result in conflict.

3. The international communication strategies

The communication strategy is the art of directing and coordinating the actions necessary to achieve communication objectives. Defining a communication strategy is essential. It allows having a global vision of the actions that are deployed and control it.

Companies have the possibility to choose between three main forms of international communication: Standardisation communication, Adaptation communication and intermediate practices as Standardisation Positioning (Malaval & Décaudin, 2005).

To choose the optimal solution with respect to a given issue, it is essential for the company to know about the different strategies of international communication and their specific characteristics. In the following research, we are going to describe the several existing strategies with their advantages and disadvantages.

3.1. The Standardisation

The standardisation of the communication plan consists in using on all foreign markets an identical communication, regardless of the sociocultural differences. Communication campaigns need to be translated anyway into the local language, thus rare are the campaigns completely standardised.
Moreover, we cannot forget the countries which share the same language (for example where they speak English: USA, UK, South Africa, Australia...), are often different cultural speaking. It would be a mistake to ignore these differences (Btissam, 2013).

3.1.1. Factors encouraging the standardisation

There are several factors which will encourage a company to have a standard international communication (Btissam, 2013):

- **Budget**: A standard campaign costs less than an adapted campaign. SME’s (small-medium enterprises) who have often limited budgets tend to standardise their communication.

- **The industrial character of the products**: in general, communication will be easily standardised for industrial products than consumption goods. Surely, industrial products are more homogeneous: they tend to be purchased and used in the same way and for the same reasons in all countries and especially as their sophistication and technical complexity increase. Their sales arguments tend to be universal.

- **The homogenisation of markets and the standardisation of behaviour**: for some universal qualified products, it appears that “consumption differences” between markets tend to disappear: These products are used in the same way. Around the world - but especially in Europe, the United States and Japan - segments of the population who consume these global products share the same needs, the same expectations and motivations to buy, the same cultural values, the same purchase behaviours and require the same qualities from these products. Luxury goods, some clothes, music CDs, the hospitality industry and transportation are examples of universal products.
3.1.2. **Advantages of standardization**

There are numerous benefits to standardization (Btissam, 2013):

- **Scale economy**: at the level of conception, advertising design and production of the message, we limit the agency fees. The same communication in all markets prevents adaptation costs country by country.

- **Faster implementation**: thanks to a proper international coordination, the company can implement faster the advertising campaigns and an easier penetration in the markets.

- **Building an image**: building an image of a product, brand or company through a good international coordination.

- **Global uniform and consistent image**: a similar advertising positioning in multiple markets provides a uniform image of the product, company and brand. This avoids confusion when the consumer is internationally mobile and where there are possible overlaps in the media (cable TV now allows consumers to watch television programs from foreign countries).

- **Absence of conflicts between international communication agencies**: There will not be a conflict since they are responsible for implementing a standardised communication campaign. There is no question of determining which of them is the most powerful and most creative since this creative work was done once and for all. It also facilitates the control of the communication.

3.1.3. **Inconvenience of standardisation**

There exist several disadvantages related to standardisation of international communication (Btissam, 2013):
- **Loss of efficiency:** the message can lose its efficacy. If there are local specificities between markets, the standardisation can be inadequate. It may even generate negative reaction from the customer because it does not take into account their specific needs. The result is that they will turn to local competitors and the company will lose a significant market share.

- **Demotivation:** the local teams can be demotivated when the staffs of the company and the agencies are not involved in the development of communication programs. They may consider this campaign as irrelevant to their needs. In this case, they may not engage in the effective execution and implementation of communication.

- **Lack of competitive capacity and responsiveness:** the company will not be able to react immediately on possible competitive actions in specific markets (Malaval & Décaudin, 2005).

### 3.2. The Adaptation

The adaptation of the communication plan consists to adapt its components to the characteristics of each country. The company develops a specific communication for each target market. The position adopted in one market may be different from the one adopted in other markets. This does not mean that the entire strategy of a firm needs to be adapted: it is possible to have a standard product, service, brand, packaging, etc. and to develop a communication adaption at the same time (Malaval & Décaudin, 2005).
3.2.1. **Factors encouraging the adaptation**

The adaptation of international communication support several factors (Btissam, 2013):

- **Sociocultural differences**: apart from a tendency to homogenize behaviour and profiles observed in some markets and for some products, there still are many sociocultural differences. Individuals around the world differ in their needs (apart from the basic ones) and how they satisfy them. Customers from all around the world have different consummation behaviours and habits and appreciate messages differently.

- **The nature of consumer products**: consumer products in general and food in particular are closely related to cultural contexts and can rarely be a standardised communication and more generally a uniform marketing mix.

- **Unavailability of the media**: If specific media are available in some markets and not in others, developed messages and materials will be modified to fit into the available media.

- **Different language**: Linguistic features involve having to translate the messages and manage all the difficulties associated with translations. Although English is increasingly accepted as an international language, companies cannot yet make communication campaigns in that language for all markets, except for certain industrial products or consumption goods for a population segment with high incomes and a good education.

- **Nationalist feeling**: It may happen that the audience for whom the message is destined do not easily accept foreign elements (sets, characters, text).
3.2.2. **Advantages of adaptation**

Adapting the communication strategies for each market brings some favours (Btissam, 2013):

- **Respect for specificities and local needs:** The company which systematic adopts the concept of adaptation increases its chances to better respond to the expectations of local consumers and local legislations.

- **Local image:** excellent image because the company takes into account the specific needs of the local market.

- **Motivation local teams:** if the organisation of communication is decentralised, the local managers can plan its campaign and at the same time take into account the local constraints, including the competitive situation (Malaval & Décaudin, 2005).

3.2.3. **Inconvenience of adaptation**

Naturally, the adaptation of a communication plan also brings some prejudices (Btissam, 2013):

- **High costs:** An adaptation of the communication strategy for each target market does not allow for a scale economy. Companies who adopt this strategy need to manage their communication budgets more closely.

- **Disparity risk:** there is a risk of disparity of the corporate image in the international markets. The global policy of the company may suffer.

- **Lack of synergy:** In terms of actions between markets, the differences between political communications do not allow complementarity of action even in geographically close markets.
3.3. Intermediate structure: the standardisation positioning

Many forms of international communication strategies are intermediaries for the adaptation and standardisation strategies. Communication strategies are no longer considered standard when an item is changed and adapted. Accordingly, these intermediate forms are numerous as they all relate to communication strategies which are not completely standardised or completely adapted (Malaval & Décaudin, 2005).

Among the various intermediate structures, there is the standardisation positioning, also known as the strategy of “glocalisation” or “globalocasation” (Malaval & Décaudin, 2005). This strategy is interesting because it is easy to implant.

The standardisation positioning strategy uses an identical positioning for the company, the product or the service in every country. What is different is the adaptation of the communication activities for each target market, to a specific culture and their market conditions. The message is the same but the shape of the message is different, adapted to each target market.

This communication strategy is a direct application of the principle “think global, act local”.

3.3.1. Advantages of standardisation positioning

As in the case of the two other types of strategies, standardisation positioning has certain advantages (Malaval & Décaudin, 2005):

- **Adaptation of each campaign for each target market**: the communication plan is based on a standard concept (the same message and positioning for the
identical product) but where cultural expectations, legal, ethical or competitive constraints and media situations are take into account.

- **Uniform message:** an equal message is transmitted thanks to an adaptation of communication technics.

- **The facility of communication control:** the international communication agencies are responsible for implementing a uniform communication plan, reducing the percentage of risk of conflicts between them. We expect from them that they take in consideration local specificities, legal, professional or cultural.

- The involvement of local teams: local managers of the communication can plan their activities based on local markets characteristics and competition.

### 3.3.2. Inconveniences of standardisation positioning

- **The high costs:** The cost is adapted to each country and can differ according to the nature of the message production, the nature of the chosen media ... etc.

- **The difficulty of the execution of a message:** The rigidity of the decision-making and the control over the local proposals by the responsible of the communication at the headquarter make it difficult (Malaval & Décaudin, 2005).

### 3.4. Summary of international communication strategies

Fig. 10 summaries the different strategies of adaptation, with their assets and detriments.
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Standardisation</th>
<th>Adaptation</th>
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</table>

**Advantages**

- Scale economy
- Faster implantation
- Building an image
- Uniform and consistent message
- Absence of conflicts between agencies
- Respect for the needs
- Local image
- Motivation of the local teams
- Globalisation of the image
- Communication control
- Involvement of local teams

**Disadvantages**

- Lose of efficiency
- Demotivation of the local teams
- Lack of competitive capacity
- High costs
- Risk of disparity of the corporate image
- Lack of synergy
- High costs
- Difficulties of execution of the message
4. Elaboration of an international communication plan.

A plan is nothing without a specific strategy. Objectives and goals need to be settled, a message has to be created for a specific target audience and the message has to be communicated with an appropriated medium. All of those elements depend of course of the resources of a company. In the next sections we are going to explore the several elements of a communication plan.

4.1. Communication plan

To realise a successful communication strategy, a six-stage process is needed (Blythe, 2005):

1) Identification of the target audience: for whom is the message?

2) Determination of the response sought: what should the audience do after they get the message?

3) Choice of the message: what will be the message?

4) Choice of the channel: what will be the medium to communicate the message?

5) Selection of the source’s attributes: what has to be communicated?

6) Collection of feedback: how successful was the message?

Communication is not always a cheap investment that is why it is important to elaborate a comprehensible message for the target audience. The AIDA approach can help to create the message, it includes four elements: Attention – Interest – Desire – Action. This implies that the company has to get the attention of the customer first and has to make the message interesting. If the message is good, the customer will have desire for the product/service and will take action.

Of course, this is a simplified view. Normally companies use a mix of approaches, they call it: the promotional mix.
4.2. **The promotional mix**

The basic promotional mix consists of several tools which will help to communicate a message and which consist of advertising, sales promotion, personal selling and Public Relations (Blythe, 2005).

But with the time, other tools have appeared as; direct marketing, sponsorship, E-communication and worth-of-mouth. We will make a brief review of the several implied elements.

### 4.2.1. *Advertising*

Advertising is non personal, expensive and it has to call the attention of a large number of people: it has to have a clear message (Blythe, 2005).

For Farris & Buzzel (1979), companies who use advertising need to have a standardised product and many end users. Furthermore, the typical purchase has to be small and the sales have to be made through intermediaries channel rather than directly to customers.

There exist different advertising campaigns: it can be a teaser, a lifestyle, a rational campaign, for example.

The negative side of advertising, besides the high expenses, is that you do not have directly feedback.

Advertisements are always culturally based: what will work in one country, will not always work in other countries.

### 4.2.2. *Sales promotion*

Sales promotions are short-term activities and the main purpose is to stimulate sales of the products. Often low-value items, there are different techniques (Blythe, 2005): free tasting, money off vouchers in press advertisements, two-for-the-price-of-one, piggy backing with another product…
The benefits are temporary and much sales promotion activities is a respond to a competitive threat: it is used with the intention of spoiling competitor’s (Blythe, 2005).

4.2.3. **Personal selling**

Personal selling is a real powerful tool, but is generally the most expensive method for a company. That is why they are going to use it only for high-value items.

Kotler (2010) speaks about a two-way flow communication between the seller and the buyer. It is a “face-to-face” communication.

The aim of personal selling is that a customer decides for a specific product/service.

Following Blythe (2005), it is important that the seller finds the customer’s needs, so that he can explain the product/service and connect it with the customer’s needs.

That is also why the advantage of personal selling is that the seller there is a direct feedback: the seller can instantly react on objections of the customer and adapt the message for every customer.

4.2.4. **Public Relations (PR)**

For Berkowitz (2000), PR is a communication management which influences feelings, opinions and beliefs. Not only for customers but also for stockholders, suppliers, employees etc.

The role of PR is creating a favourable image in the mind of the customers and consumers, but also with everything that has to do with the firm. Furthermore, it can counter bad publicity and improve the motivation of employees.

The different tools that we can use are events, lobbying efforts, annual reports, news story, press conferences, handling incoming criticisms and complaints …
News stories are free publicity for the company. It has much more advantages than advertising because it is free, it has a greater credibility and it is more likely to be read (Blythe, 2005).

Organisation of media events where we invite journalists with a free lunch and drinks has a limited success. The concerned journalists may have the feeling that the company is trying to buy them.

4.2.5. **Sponsorship**

Sponsorship was defined by Meenaghan (1991) as “*an investment, in cash or kind, in an activity in return for access to the exploitable commercial potential associated with this activity*.”

According to Pelsmacker (2010) sponsors contributes to funds, goods and services. The sponsor helps with communication objectives: building brand awareness, reinforcing brand, corporate image, and increasing sales, entertain clients …

Here it is important for the sponsors to communicate a good message about the reasons of sponsorships by making a link with the sponsored and the sponsors.

Sponsorship helps to generate positive feelings about a company; customers will feel gratitude towards the sponsors.

4.2.6. **E-communication**

The internet is an important new tool, which is hard to control because there are almost no laws about its use. It gives the opportunity to communicate on new ways and having interactivity with customers. A company can communicate about its products and itself through several ways as the website of the company, blogs, opinion sites or social media.

In accordance with Blythe (2005), internet communications have a high social presence if they are synchronous (happens immediately) and the advantage compared to other tools is that the customer has control of the time and place where he access to the information and control the content.
4.2.7. **Word-of-mouth**

Word-of-mouth is a very powerful communication tool (Blythe, 2005). People in general like to speak about products or services. People will always talk good or bad and there is no way to control it.

According to Blythe (2005), there is anyway some ways to increase positive word-of-mouth: good press release, bring-a-friend schemes (existing customer recruit a friend in exchange of a small reward), awards and certificates…

Unfortunately, lots of word-of-mouth are negative and spread three times faster than a positive one.

4.3. **The budget of an international communication strategy**

The company determines a communication budget in order to develop a consistent communication mix compatible with its budget. However, in practice, the budget communication is often difficult to define.

In practice, firms usually adopt a method based on experience and common sense. Instead of trying to estimate a budget for the communication, the company determines the necessary tools in the context of exploration and communication. It then evaluates the expenses required to implement these tools and checks finally if it can support it (Btissam, 2013).

Yet, in theory, according to Btissam (2013), several methods exist to determine the budget for an international communication strategy.

- **Applying a percentage of the business revenue:** In this method, it is the sales in a market which determines the amount of communication to achieve. As a result, when sales decrease, the communication budget is also reduced without further consideration in the long term. Normally, communication is destined to generate sales and not the reverse. This method does not take into account the situation of the company in each market. Some situations, such as launching a new product or entering a new market, require significantly more intense
communication efforts. Moreover, competition in a market may be insignificant while on others it will be hard. This method limits the capacity of reaction of the company and avoids market opportunities.

- **Alignment with competitor’s budget:** Some companies align their advertising budget to those of their competitors to compete on equal terms. It is unlikely that this method is solid to deal with foreign markets but this is not always true, because in most markets, it is difficult for the company to determine the communication budgets of their competitors. In addition, the company does not take into account the particular situation in which the business is located. As a foreigner in the market, a company does not maintain the same relationship with local consumers as firms who belong to the market.

- **Fixation based on objectives:** This method determines initially the objectives of communication (for example, in terms of sales, brand awareness...). In a second step, it will evaluate the tasks necessary to achieve these objectives. Finally, it will estimate the costs of performing these tasks. This approach is relevant, especially in foreign markets, as it connects the communication budget and the objectives of the company in this market.

However, it is necessary that the company sets realistic goals. To do this it must have a thorough knowledge of the local market, which is rarely the case. Setting specific targets becomes more difficult. If this is the case, it is better that the company turns to the method of percentage: it is easier to implement. Furthermore, this technic relies on a series of random assumptions and does not necessarily respect the budget constraints.

There is also an **intermediate method** which consists of grouping markets into categories:

- **The comparative analysis:** The categories are based on similarities in relevant characteristics in communication. A country can serve as a “test market” for the other targets. Then, different methods of budgeting can be applied to each group. This technique is useful for companies who own many markets. Moreover, it is more flexible than the approach of uniform percentage.
5. International communication strategies for the wine industry

Over the last decade new competitors in the wine industry have emerged as Australia, New-Zealand, Chile, Argentina, South Africa or the United States, known in the wine industry as the “New World” countries. Those are a great challenge to the European countries, referred as the traditional producers, the “Old World” countries (mainly France, Italy, Spain and Portugal).

For a long period, the Old World countries had the control over the wine production but since the past thirty years, things have changed. The main reasons for that are the “very aggressive marketing and communication policies” of the New World, while in the “Old World countries this trend does not occur” (Pesenti, 2011).

Communicating about wine raises two questions (Charters, 2006):

- How do we understand what other says about wine?
- How do we manage our judgments in an understandable language?

Lehrer (1974) affirmed that when we communicate about wine it is more about social interaction than information. This is an interesting point: it is not WHAT we say, but HOW we say it that is important.

5.1. Internationalisation of wine: the effects

Internationalisation in the wine market is not something new, especially in the case of Port wine. Of course, over the years, it has developed a lot and brought some effects for the global wine industry.

We already noticed for the Port wine industry that there was an increment of concentration. According to McGovern (2005), this counts not only for Port wine, but for the total wine sector: firms think that it is a way to have less competition.
A positive effect of internationalisation is the global transmission of technology: ideas and technics are developed from one country to another. With the emergency of the New World countries, we observe a lot of innovative production techniques and technologies (Pesenti, 2011).

Also an important aspect of internationalisation of wine are the new markets, especially the ones who in the past did not consume a lot of wine, like China to give one example.

5.2. Adaptation to the environment

When a wine company creates its international communication plan and decides about its strategy, it needs to take several cultural and social trends in consideration, as the economic situation, the legislation, the physically environment and the technology of one specific market (Hall & Mitchel, 2008).

As mentioned earlier in this chapter, it is really important for a company to know to whom it will communicate. This means to define a specific target, but also to analyse the international environment of the target audience.

For Hall & Mitchel (2008), “The majority of wine businesses probably analyse their industry environment, although typically on an informal non-systematic basis and often only in consideration of their immediate local environment.”

Fig. 11 shows the macro-environment of the wine industry.

Fig. 11: The macro-environment of the wine industry. Hall & Mitchell, 2008
Culture determines and influences many of the actions of the customer. It guides its behaviour and habits. To understand the behaviour and motivation to buy, a good understanding of local and cultural specificities of wine consumption is necessary.

A good knowledge of the habits allows the company to adapt its communication (Mbengue, 2007).

Cultural constraints also play an important role in the industry environment. We can think for example of a dominated religion of one culture where it is forbidden to drink.

In the past year, we also observed many social changes (Hall & Mitchell, 2008) as for:
- **Lifestyle:** “drink wine in moderation”, “have a healthy lifestyle”…

- **Demographic:** The world’s population is aging. It is important to educate the next generation of wine drinkers. “The wine industry doesn’t show interest in young adults, targeting the same people for the past thirty years (quoting Roberts Darryl, Decanter, 2007). It is also important to motivate the customers of countries which traditionally don’t have a wine culture (China, India…).

- **Consumer knowledge:** it depends the country. We can take the example of Heegger (2007) that spoke about the “French paradox”: a programme (1991) “indicated that despite eating food with high saturated fat and getting little exercise, the French had a lower mortality rate from heart disease and fewer heart attacks than American. The broadcast raised immediate awareness of the connection between wine and health, and red wine sales increased by 40%” (Hall & Mitchell, 2008).

The wine communication in all countries is also influenced by **regulatory and institutional arrangements** (Hall & Mitchell, 2008): In Finland, Sweden and Norway as in Canada and in some states in the USA. The reasons are to control and restrict alcohol consumption (negative health, social impacts…).

Still according to Hall & Mitchell (2008), state monopolies are acting like specialist wine retail chains. The authors gave an example of Sweden and the Systembolaget; “by being a monopoly, they can maintain a more comprehensive product range, more rigorous quality control and better trained employees than anyone would be capable of in a market open to competition.”

Thus, state monopolies are not automatically a negative aspect for the wine business.
5.3. The communication strategies of another AOC: Le Vin de Champagne

In the chapter before, we noticed already a short decrease of the sales of Port wine. Maybe it is time to improve the communication with stronger tools and more adapted campaigns by taking example on other wine industries.

As we were advised by Nick Heath (interview, 2014), we think it is worth taking a quick look at the communication strategies of the Champagne houses. The reasons for this particular choice is that Champagne, a French sparkling wine, is also protected by a designation of origin (AOC) whose regulations required several centuries of gestation.

Its name comes from the Champagne region of north-eastern France. The geographical boundaries, grape varieties, yields and overall production of Champagne are the main characteristics of the appellation (delimited by the law of 22 July 1927).

Since its origins, Champagne has its success in part thanks to its communication, especially that of the major brands. Either through the great Champagne families, through campaigns and elegant event, launching bottle design or unusual goodies; major brands of Champagne have become “pros” of communication and now compete with ingenuity to attract consumers.

Thanks to their communication, Champagne brands attempt to seduce, attract and create a truly "exceptional product" for consumers.

The objectives of these communications are many as inform the customer about their brand and their products and communicate about the universe and the qualities of the brand.

According to Talky Walky, a communications agency dealing with several champagne brands such as Jacquesson, Taittinger, Drappier and many others, this communication is different than from traditional wines because “Champagne brands play more with “glamor” and feminine codes than Bordeaux and
Burgundy wines for example, which are more oriented on a communication about the terroir” (quotation source: winesup.fr).

One of the first particularities of the communication sector of the Champagne is to create a real chemistry around the products to give more attachment to their brand.

Besides that, this communication must also respect a double imperative: to stay loyal to the tradition of the house while expanding its target audience. As explained Walky Talky “in a sense, everything is highly codified for their corporate communications, and conversely, their communication to the night market flip side to all these rules”.

To achieve these objectives, champagne brands operate thus with numerous communication tools, including the “non-media” as: PR, wine tourism, events, sponsorship…

Depending on the different tools used and the axes of communication chosen, each company is trying to differentiate itself from its competitors. For example, Genevieve Dejoie, responsible for institutional and internet communication at Veuve Clicquot, defines the positioning of the several brands of Champagne from the group LVMH. She explains that “Moët & Chandon communicates as a night brand and plays with a festive vision of luxury, while Veuve Clicquot is more discreet and focuses more on the emotional part; escort consumers in special moments shared with friends… Veuve Clicquot is a generous brand and has a more day brand position. For Ruinart, the communication is more about the culture of excellence, carried by values of authenticity, quality, refinement and openness”.

The major Champagne companies use traditional channels to communicate about their brand. With special events for example, they can truly realise experiences between consumers and the brand.

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7 Quotation source: winesup.fr
8 Louis Vuitton, Moët Hennessy group
9 Quotation source: www.mercator-publicitor.fr
They also often put in place sumptuous campaigns with specific themes and make appeal to great stars like the communication campaign of Moet & Chandon with the muse Scarlett Johansson.

By these ways, companies generally communicate about tradition, expertise or even the elegance of their house.

With the apogee of new technologies, companies can also choose new communication channels, such as smartphone apps. For example, the application of the Champagne house Ruinart allows consumers to participate in an interactive tour of the cellars.

Thanks to new technologies, Champagne houses can reach the consumer in other ways and attract new ones. It is also a way to be able to enter in a permanent connection with the consumer.

The packaging is also an important factor of the communication because it helps to educate the consumer about the brand values. There are many examples of this, such as the collaboration between Jean Paul Gaultier and the brand Piper-Heidsieck who gave birth to two bottles wearing "haute couture" outfits, quite sensual (Bodyguard Champagne Piper-Heidsieck, Champagne Piper-Heidsieck dressed by Jean Paul Gaultier), the nonconformist Zarb Champagne, or the homage of the house Taittinger to the Reims Cathedral.

In parallel, the goodies or accessories allow to enter in the consumer's life, accompany him in his moments of consumption. In this area, one example is the foldable champagne bucket, the Ribbon Bottle Server, the handbag “la ballade” of Krug or the sunglasses of Moet & Chandon.
6. Conclusion

This chapter, mainly theoretical, ends.

We were able to define the term “international communication”, what it involves and the related problems to this type of communication.

We also learned about the various international communication strategies available for companies, the advantages and disadvantages of each as well as the questions that have to be answered in order to develop a communication plan. This involves the communication tools that a company can use and not forgetting the budget part, which is nevertheless an important point.

Finally, we focused on the internationalisation of the wine industry in general. In short, we discussed the effects of internationalisation on the sector, the environmental aspects and we explained the strategies of the major Champagne houses, which are also an AOC.

What we conclude is that there are number of choices for Port companies to communicate internationally. They can choose to not adapt at all and therefore not changing the communication that deals with various markets. Thus, communicating the exact same way on Port wine: the product, ways to consume it, the Douro Valley... They can also decide to fully adapt to all markets where they communicate, but it takes a lot of time and money. There are of course alternatives available where the company standardises and adapts its communication.

Once the Port company has chosen its international strategy, it is time to develop a communication plan linked to the strategy. Identifying the target audience, the desired reaction, the choice of the message and the media, the selection of attributes and the feedback, are six elements that they have to take into account in their communication plan.

There are different approaches to create an adapted message for a specific audience, which is why companies use promotional mix. The basic communication tools are; advertising, sales promotion, personal selling and public relations. We
decided to add three tools that could be interesting for our further research; sponsorship, internet and word-of-mouth.

Port wine companies also have different choices available to determine the budget for international communication. For this, it is really crucial that companies have a driven knowledge about the local markets where they will communicate.

Finally, if we look to the global wine industry, we can consider Port wine as part of the "Old World" countries and must therefore bear the aggressive communication strategies of "New World" countries. It is important today that companies take into account all the cultural habits, social, political, governmental elements of a country in order to "eliminate" this aggressive competition.

We ended this chapter with a short review about the communication strategies of Champagne houses. Why Champagne? Since it is also a unique product, tied to an old tradition and terroir.

What we discovered is that the different brands of Champagne have a concrete position in the market and is considered worldwide as a luxury and celebration product. Their strategies are based on creating emotional connections with their consumers through events, sponsorships, dealing with stars…

This makes us think...

It is now time to go to chapter three, our practical part.
Chapter 3: Practical part: The international communication of Port wine

“Portugal’s Northern Star”

(E. Carr, 2001)

1. Introduction note

As Mike Veseth (2014) describes it so well in his article, Port wine is timeless: “almost nothing is as traditional as Port, with its stencilled bottles and historic brand”. The author points out the fact that it has a positive and a negative effect: the plus is the brand recognition but the minus is that it is “wrongly associated with one-note sweet wines, like Sherry”. According to him, Port wine does not receive the respect it deserves (like Champagne, for example).

Luis Paulo Rodriguez (2014) mentioned on his blog the reasons of the great decline of Port wine in Brazil. According to him, Port wine lost 30% of its business in just two years, and in a business that, at the moment, is worth 3.8 million euros a year (value of exports of Port and Douro wines to Brazil in 2013), it would be worth to clear up the situation.

For Rodriguez (2014), it is not only because of the price barriers and the higher rates; Port wine companies also forget that they are not the only wines in the market. For him, there is definitely a lack of effective communication about Port wine in Brazil; in particular, the communication which enters in contact with the consumer.

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10 Wine Innovation : Lessons from Portugal, the Wine Economist.

11 luisrodrigues.blogspot.pt
But for Henri Sizaret (interview, 2014) it is not only Brazil; in general, he thinks that Port wine companies do not make real efforts to adapt their communication to the international market: “The port houses have, consciously or unconsciously, divided the world”. What Sizaret means is that Port companies, although they export in more than hundred countries, are focusing only on one or two markets.

For Sizaret, one of the biggest flaws of the Port wine industry is also the lack of reaction and concern for competition as other appetisers for example. This is considered as a great mistake because in France and Belgium, for example, people drink Port wine as an aperitif. Basically, they do not take into account the consumption habits.

As we will confirm later, Sizaret insists that the houses of Port wine must define a concrete position and ask them specifically: what is the message we want to transmit to our customers?

It is not only in Brazil where we observed a decline of the sales; all the sales for the major markets of the Port wine industry, without Germany, are subjected to a small but significant declination.

Following Rodriguez (2014) communication is a key element for a product to meet the consumer, creating in them a need for consumption. Communicating about Port, is not only introducing this wine in a given foreign market; the culture which surrounds the wine and the moments which invite their consumption engage the potential customer to the product.

The degree of knowledge about Port wine is essential to increase the general consumption. Increasing knowledge about Port wine involves teaching history, how to drink it, how to appreciate it and how to combine it with the various types of food of one culture/country.

Port wines have a multitude of features and differentiated products which suit many moments of consumption, the most solemn to the more relaxed, for warmer and colder climates - and the concerned markets need to have access to this knowledge to know the difference between a Port and the other wines in the world.
For Rodriguez (2014), a good wine depends, first of all, on the territory where it has been produced. That is why it is important to insist that there is no Port wine if it has not been produced in the Douro Region. To add value to Port, the communication has taken into account the wine, but also the environmental, the tourism, the cultural and the economic potential of the Douro region.

Also through the Internet, a new powerful communication tool since the beginning of the millennium, communication can, with an adapted language to each culture, take port wine directly to consumers.

Only then, Port wine can avoid having falling sales and could reverse the trend, not only for the Port industry, but also for the Portuguese economy.

Veseth also mention innovation in his article: “Innovation is a hot topic in the wine industry”. For the Port realities, there was already product innovation (rosé, cocktails…) and process innovation (new and more modern technics of wine making), but following F. Sizaret, there was never any great innovation of communication in the Port industry.

The port wine industry is still "too local”; it is a category not enough reflected.

For Rebelo & Muhr (2012), the connection between tradition and innovation is crucial for international competitiveness.

Of course, there is a fact we cannot ignore: we observe anyway an emerging of new markets for the Port industry. It is the evidence that there have been innovations in the mode of communication. Of course, it is important to keep and expand these new markets.

Like we saw before, long-term and trustful relationships are important with Port wine distributors. If the communication is not directly to the customer, it is important to communicate well with the distributor so that they can pass on the message correctly.

Finally, it is also important to point out that there is any academic and empirical investigation that approached the specific subject about international communication for the Port wine industry. In 1998, Lages was already
“complaining” in his work “Promoção no Mercado dos Vinhos” about this lack of investigation.

2. The international communication strategies for Port wine

In the two previous chapters, we analysed the sector of port wine and consulted theories of international communication.

It is now time to create a link between the two. In this section, we will at first respond to the requirements of a communication plan. We will identify global issues of the sector; choose the purpose of communication, target audiences and message to communicate. According to these criteria, we will choose a specific communication strategy and determine the method of financing.

Finally, we will select the communication tools that allow us to achieve our goal.

2.1. The global communication problem: the image

The main problem of Port wine, right now, is its international image: although it is recognized all over the world and is a true ambassador of Portugal, too many people still associate it to an old woman beverage of low quality. In the last decade we have seen innovations from the Port wine industry in order to improve that image and make it younger; the port rosé, the cocktails ... But this is forgetting the tradition part, by making it more “vulgar”, more accessible to anybody. It does not improve the image of quality.

We believe that the houses of Port wine may attract more consumers by educating and informing; how to drink what type of Port wine, with which occasion, with which type of food combined? Simultaneously, adapting its message to the cultural and social factors of the target market, Port wine companies will attract a younger and wider audience.
If we assume that all companies of port wine decide to improve this image with the objective to educate and inform consumers about the product; what will be the strategies? Which will be the target audience? Which communication tools will be the most convenient?

This is what we will try to find out in this chapter which will be our practical part. A solution proposal to improve the image of Port is having an international communication adapted to each market.

Port wine is fortunate to be a unique product, to have a different position compared to its directly competitors, ie. other fortified wine. It's time to react, to change the image of Port.

2.2. The objectives of communication

The communication goals for our research will be:

- Improving the image of Port wine in the international market by using a communication strategy which will inform the target audience about the variety and the quality of the product and educate the customer.

The key elements of our objective are the strengths of the Port wine industry: the quality and the uniqueness of the product, the beautiful demarcated region, the old tradition of production, the history…

As the sector of Champagne, it is important to create an emotional link with the customer. How we will do this is explained in the section of the communication tools.

2.3. The target markets

We decided to select the already main markets of Port wine, where sales are based on the quantity and not on the quality as France, Netherlands and Belgium

We also selected the new markets as Brazil, Russia, Poland and China.
The Port companies have to know to whom they are going to communicate in each market. For this, it is important to make a deep market analysis for each target audiences of one country/culture, which includes the:

- Socio-demographic characteristics
- Consumption habits
- Psychographic characteristics
- The way of consuming wine
- The gastronomy
- The entertainment
- The habits
- The climate
- The consciousness of the price
- Legislation of the country

We know already that the most important thing for any wine business is to understand their ideal customer. The best way to collect all those information is to work with specialists and local business to understand how the whole market operates. It demands time and money, but it is worth it. According to Nick Heath, the best way to know the markets is to go there.

2.4. The strategy: Standardisation, Adaptation or Standardisation Positioning strategy?

The Port wine industry, on the international market since more than two centuries, has the choice of three different international communication strategies, as we saw in Chapter II of this research. After a complete analysis of the market and the
strategies available, we concluded that Port wine companies should opt for the third strategy, an easy strategy to implement, ie: Standardisation Positioning.

This strategy involves that Port companies choose for an identical position for all its selected markets. These positions can vary, and can be of several types such as; quality of a product, prestige of a brand, traditions of a company, pleasure for the consumer, specific moments in life, uniqueness of a product ...

We can name a few examples for port wine industry with a clear positioning:

- Sandeman, Famous for pleasure (pleasure)
- Cockburn's, Makes good time last longer (occasion)
- Graham's, Crafting one of life's great traditions (tradition).
- Croft, A Passion for Port (prestige)
- Ferreira, Foi você que pediu? (Did you ask for it?) (uniqueness)
- Fonseca, The only Port with four 100 points scoring wines (quality)
- Kopke, It's part of your history (tradition)

All of these brands have a specific position, but is this specific position suitable for all their international markets? They should ask themselves this question before planning their total international strategy.

Thus, a Port wine company which chooses for the standardisation positioning strategy uses the same position for all of its markets, but adapts its communication activities for each market: the message is the same, but the form of the message is different.

Certainly it is important to choose its markets precisely and to analyse every facet since the implementation of such strategy has a high cost.

Port wine Companies with smaller budgets can opt for a standardisation strategy, but our previous research showed that this is not the most appropriate strategy for consumer products, which Port is clearly part of.
That being said, it is clear that there is a type of discrimination against these smaller companies, especially since we already noted a high concentration of companies in the Port wine sector, with five large groups holding 80% of the market share.

Despite these findings, the authors of this thesis believe that smaller companies can use the standardisation strategy for a first time, to establish themselves rapidly in international markets, developing an image and sending a consistent and uniform message, especially for homogeneous markets.

The Standardisation Positioning strategy, if you have the required budget, enables the Port wine companies to globalise its product image, control the communication more easily and it is also a motivation for teams working local, since everyone is concerned.

The difficulty with this strategy is to develop a clear message for potential customers and adapt the form, according to the market.

2.5. Determination of the budget

We found in the last chapter that different methods exist to determine the budget of an international communication strategy.

In our case, we chose the intermediate method: the comparative analysis.

Port companies will divide the different target markets in categories, grouping markets by their similarities with respect to the communication. They will after that select one market of a specific category and use them as "example", as a test.

This method is very useful for sectors that have a lot of markets, which is the case for Port wine. Moreover, it reduces risks and companies have the ability to calculate the budget very precisely. Finally, it is much more flexible than the other methods.
2.6. The communication tools

As we mentioned before, it is necessary to provide a regular and consistent message while using the various communication tools. Big companies have the opportunity to make a lot of choices and investments; they will use the most expensive types like advertising on TV, but it does not mean that it is the most appropriate for the type of message which the company would like to communicate and for whom the message is intended.

That is why it is important to choose the correct communication tool, media, adapted to each target market and depending on the message which a company wants to transfer.

In this section, we are going to describe the several communication tools which are necessary for Port wine companies who wish to inform and educate the consumer about the variety and the quality of the products as well as the food-pairing and the moments to enjoy it.

For this, we will base ourselves on a variety of sources which we have consulted and on our own experiences in the world of Port wine.

The table of Hall & Mitchell (2008, Table 9.1.), is an important basis for the selection of advertising communications. It cites us which are the different communication tools available for wines by classifying them by their relevance and capacity.

Keeping our goal of communication in mind, we selected on the basis of three criteria (reaching, wine quality and product information):

In-store retail and in particular the recommendations of friends and family reach the public averagely, but the communication on wine quality and information on the product is excellent.

Also, reaching few people, but with a more than effective communication on wine quality and product information are expert recommendations.
From there, it can be concluded that the recommendations in general, whether it be friends, family or experts is a good way to communicate a message with a great impact, although the reach is not great.

Of course, our choices are not limited to the vision of Hall & Mitchell, it goes further than that.

When we take a look at the four classic communication tools, we decided to select personal selling and public relation. We did not select advertising, neither sales promotion, because it is not effective for the objectives of our communication.

Although advertising on television, websites, in newspapers, magazines… is a classic communication tool, one of the most visible forms and it reach a large number of people, it is in general really expensive and does not inform correctly about the variety and the quality of Port and does not educate the customer.

Sales promotion activities are short-term oriented and applied to low-value items.

At the same time, we selected other tools of communication as wine tourism and internet.

2.6.1. Public Relations

PR is a really powerful tool and for our communication objectives it is one of the most important in terms of building relationships with several potential target audiences.

The advantage of this tool is that is has a low cost comparing to other promotional activities and the Port wine company can literally “educate the taste of the customer”. But it is a great investment in time and a lot of creativity is needed to elaborate press-releases, create institutional movies, write publications about the company, organise “open doors” and offer a special treatment to VIP, for example.

Using public relations in your communication strategy creates long term relations with all the actors who interact with the institution. It is a permanent application:
with the feedback you can have a mutual trustful relationship and construct a favourable reputation (Lages, 1998).

In the world of the Douro wines, it is a way of communication which is taking more and more importance. We can think for example about the “Douro Boys”, an SME of table wines from the Douro, which essentially use this tool.

PR activities include events, parties, press articles, communication to wine experts (media, trade and gastronomy), tasting of the wines, inauguration...

The strategy of the Douro Boys is divided into two PR (Rebelo & Muhr, 2012):

- **The theoretical part**: This should be serious and informative.

- **The practical part**: which includes moments of consumption, would be relaxed, informal and friendly.

Applying this strategy to the communication of Port, would easily attract the attention of potential consumers all by educating and informing them about the quality and diversity of Port.

Following Hall & Mitchell (2008), the Port wine companies can create two types of PR events: the more industry-oriented (seminars and workshops) and the more consumers oriented (Port wine events).

The importance here is to make an elaborate strategic plan and using media which are adapted to whom we are communicating with:

- **Seminars and workshops**

Port associations and companies can organise seminars and workshops in different potential markets where they will communicate to wine professionals; the trade, the press and sommeliers. To prepare those seminars and workshop, it is crucial to
know to whom we are going to communicate. That is why a good preparation is needed to communicate the message on a correct way, adapted to the public.

- **Port wine events**

  “*The Douro Boys have become famous for their parties and unconventional events*”

  (Rebelo & Muhr, 2012).

By creating original events, the Port wine industry will be able to build a relationship with its customers; because such events are less intimidating. Of course, it is here important to create an event adapted to the target-audiences. This means that Port wine events can be of various styles. It can be Port wine dinner, a Port wine tasting, a Port wine party…

The goal is to organize a creative event where customers are actively involved. An example may be that participants create blends from different lots of port wine (a lot of types of Port wines are blends from several harvest). The Sogrape group already has an event like this, but perhaps too exclusive and there is very little publicity about it.

Another idea could be a discovery tour and tasting of 3 or 4 Port wines: a tasting card can be given that will allow customers to serve themselves and try two or three Port wines. Eventually, it can be accompanied by a small snack (ham, cheese, chocolate or other typical dishes of the region where the event is organized) to increase pleasure.

There are many ideas and with a little imagination, the Port wine companies can organise unique events that will create an interesting word-of-mouth for the sector. The operations can be test on some events and with an innovative concept; companies can quickly organise regular events throughout the year in different selected markets. The purpose here is to create an unforgettable moment for the customer. In all those events, originality is the key of success.
- **Port wine cellars**

The Port wine centres for visitors are based in Vila Nova de Gaia. It is a strong communication tool to develop and maintain relationships with customers, to inform and educate the visitors, but also to reflect the brand image of the Port company.

The Port wine cellars are already largely used by the Port companies, not all of them with the same strategy or with the same goals.

Visiting the Port wine cellars can be a real and enlightening experience for the visitor if the presentation is well done.

For our research objectives, Port wine cellars can be an educational opportunity; if the staff (the guides) are well informed and trained, they can transfer an important knowledge about Port to the visitor: they can explain the origins of Port, the variety of the products, the differences of quality, the food-pairings and of course, the visitor will have the opportunity to taste and appreciate the Port.

Graham’s is one of the few Port wine lodges who gives an intensive training to their guides: they are going to the Douro Valley, receive a training of more than two weeks about everything which has a link with wine and Port (until the different glass sizes and a comparison to other wines as French or Italian for example).

More Port wine cellars have to apply this strategy and transform their staff into real Port wine experts. My experience as guide (Graham’s and Sandeman) showed that the training of the staff is crucial; for the image of the company, for the motivation of the staff and of course, for the customer who will have the experience to speak to an expert.

- **Press publicity**

A Port company has to create positive press relations to achieve its goal of communication. That is why it is important to have prepared material, adapted to each market, but also to wine and travel journalists around the world.
The advantage of publicity is that it is free and it is much more credible than paid advertisement.

Port wine companies already use a lot this type of tool and it definitely can influence the consumption of Port wine. Wine magazines as the Wine Spectator, the Wine Advocate or the UK decanter have a great influence on the customers.

Recommendations of wine experts are also very strong. We can cite the example of Robert Parker, an American critic and journalist that is really influential in the wine media.

The importance here is to forge links with the several wine media experts from each market.

**2.6.2. Personal Selling**

Personal selling has a great efficacy: it gives the consumer the information he needs.

Personal selling varies from country to country; that is why it is important to work with people who know the culture and needs of the potential consumers. He will have a better understanding and may also adapt the communication about the product, its diversity and quality.

Port wine personal selling can take place in different situations;

- **Port wine cellars**

It is a great example of personal selling. We already approached this subject and we insist on the fact that the staff needs to get a training about the product and sailing techniques.
- **Retailers**

The communication here is also important. What the Port wine companies have to keep in mind is that the retailers are the ones who communicate directly with the customer. Here, the communication strategy has to adapt to the retailers. Retailers have to know the product, which is why it is important to have long-term relationships and trust between the company and the retailers. The company can invite them for a “break” in the city of Porto, to show them the wineries and the Douro Valley.

It is important to choose correctly the type of retail stores; specialised ones are better opportunities because the customer can take his time to discuss with the owner and create a personal relation. Thus, being educated and knowing about the several Port wines and their qualities.

### 2.6.3. Wine tourism

The Douro Valley has perfect conditions for effective communication in external markets.

Wine tourism attracts a particular segment of customer who is motivated by the appreciation of the aroma and taste of the wine, but also by the traditions and culture of the regions which produce the beverage.

More than just "drinking" wine, eno-tourists enjoy landscapes, the gastronomy habits, the hospitality and the fun, stimulating the economy, namely local shops and other services. A good communication of a product with the uniqueness of Port thus has an impact on the public perception which "stakeholders" cannot have.

Since one decade, we observe a development of wine tourism in the Douro Valley. There are dozens of “quintas” (wineries) open for visitors; we think at Quinta do
Vallado, Quinta do Crasto (Douroboys), Quinta da Sequeira,... where you can taste the wine, dine or stay for the night. But we can also notice that some Port wine brands make direct links between their Port cellars in Gaia and one of their estates in the Douro; as Quinta do Seixo for Sandeman or Quinta do Bomfim for the Symington Family Estate, which will open its doors in the spring of 2015.

New restaurants and hotels opened, but it is important not to overstate; the beauty and the traditions of the region have to stay authentic.

By using wine tourism in the Douro Valley, the Port wine company will not only educate the customer and attract new market segments; it will also increase the brand loyalty.

That is why it is important for a Port brand to create or develop those experiences; it is bound to evolve positively.

There are already some researches on wine tourists or potential wine tourism segments which Port wine houses could use to develop its experience to the customer.

2.6.4. Online communication strategies

Since more than one decade, we observe the increasing importance of communication on the Internet. Alike Lages (1998) already noticed if it is done with quality it can attract the attention of the consumers. It gives an interaction (social media), it gives information about the product (Internet sites) and it works as a real powerful word-of-mouth tool.

Social media is already used by Port brands, but maybe not on a correct and controlled way.

The interaction here with customers is really important and Port wine companies have the chance to receive direct feedback.
It is important to adapt the message to the target market you want to reach. The Port wine company can for example adapt is communication about a product using images and making a link with gastronomy. It is crucial to understand which type of customer likes this kind of contents and directing the message to that effect (André Ribeirinho, interview 2014).

**Social media** serve different purposes and so, should be used differently.

- **Facebook**

  The advantage with Facebook is that you can link image and text at the same time and it is easy for a company as for a customer to spread the links among their contacts. Facebook can be used by Port companies to share wine experiences, educate the customer and share events.

  Customers can easily interact, share their ideas and give an interesting feedback. It is also an opportunity to increase the audience. According to Ribeirinho (interview 2014), it is important to tell a continuous story while using Facebook, so that customers follow and stay loyal.

- **Twitter**

  Twitter is the best for staying engaged with media. Port companies can use Twitter for live-event updates and other “live news”. Many people use it to broadcast information. The advantage of Twitter is that you can find a very large public; wine amateurs, wine professionals, journalists, sommeliers, wine bloggers… Another plus point is that you can “retweet” easily.

  There is more useful social media for Port wine companies as; TripAdvisor, Instagram…
3. **Review communication plan**

<table>
<thead>
<tr>
<th>Com. ID</th>
<th><strong>Objectives</strong></th>
<th><strong>Target audiences</strong></th>
<th><strong>Communication strategy</strong></th>
<th><strong>Budget</strong></th>
<th><strong>Communication tools</strong></th>
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</table>
| **What?** | Increase the sales of Port wine | Depends on each brand | Standardisation Positioning | Comparative Analysis | *PR  
  *Personal Selling  
  *Wine tourism  
  *Online Communication strategies |
| **How?** | Improve the image of Port wine: inform + educate the target audiences | Deep analysis of each market segment: understand the perfect customer | One same message, communicated differently | Division of the target markets and grouped by their similarities | Adaptation to each market |
4. The Conclusion

The objective of this work was to make a deep analysis of the communication strategies available for the Port wine sector.

In the first part we have shown that the Port wine industry is a complex world connected to a history of three centuries, a strong tradition and a unique product. It is protected by different institutions; the most important is the Institute of wines from the Douro and Porto (IVDP). This wine, naturally sweet and fortified, is produced in one of the finest wine regions is the Douro Valley, in the north of Portugal. Although the product is exported to over 106 countries, the top five countries are mainly European and hold 77% of the market share. In addition, the Port wine offers a wide variety of quality products, but the most important markets focus on a low quality Port wine.

Speaking of concentration: today, five large groups hold more than 80% of the market, which is not very positive for the sector. We also pointed the finger on the different problems of the sector, as the declining of the sales in the last ten years.

In addition, we were able to conclude that the Port wine industry has been falling behind compared to its competitors, it does not react on time to competition and do not adapts its communication to different markets where they are present, despite that adaptation is necessary in order to reach the target audience.

In the second chapter, mainly theoretical, we explained the different concepts of our work: international communication, divided into two specific terms: communication and internationalisation. We explained the difficulty of international communication, the different communication strategies available and we made a short selection of the communication tools. We also took briefly a look to the international communication of the wine industry in general, taking example of another AOC: the prestigious Champagne wine.

Finally, in the third chapter, we proposed solutions to the problems identified in the first two. It is true that Port wine has been suffering for more than ten years of a decrease in sales, despite the prestige of the trademark that gradually rises in the
international market. Indeed, Porto still suffers from its image of an “old beverage, mainly for women, of mitigated quality”. The communication to contradict this image is too slow and is insufficient compared to its major competitors.

To restore the image and increase sales, it is time for the Port wine sector to react, invest time and money in communication and marketing campaigns, to use an international communication strategy that can adapt its speech, to evolve, to innovate. The goal is to educate and inform potential consumers and create emotional connection with the customer.

In short, a communication that crosses borders, jumps barriers and that affects the right customers in emotions.

To propose appropriate solutions, we realised a communication plan as a basis for future research. Aware that we do not have all the information required to develop a realistic communication plan, we provided an update on five questions: what is the purpose of communication, which are the target markets, what is the strategy, what is the budget and what are the adapted tools to communicate our objective?

This work has allowed us to realise that there are communication problems for the Port wine industry. From the sector, there is a critical lack of innovation, adaptation and information.

Aside from the general reasons for the decrease in sales, there are also sector-specific reasons: the poor image of the Port wine and the delay in communication and marketing campaigns. It is crucial that the industry goes forward. The ideal consumer must be at the center of the communication strategy. It must be understood in order to touch him at the right place.

The sector must also make the effort to understand all the competitors for all potentials market to achieve effective communication.
5. Limitations and recommendations for future research

When we started this work, we did not expect that we would run up against so many barriers.

For the theoretical part, we were very limited, as there are few documents related to the specific topic we chose. Meanwhile, a lot of researches exist about wine marketing and it would be interesting to explore them intensely for future researches about the Port industry.

It made the work also very interesting, because we were able to discover that there is a lack of research in this area and made us realise that it is now time to change this, to improve the research, to proof the lack of communication of the Port industry, so that they can evolve for the future.

We were also strong disappointed by the lack of feedback and collaboration from the Port wine companies. Like already told before, we are conscious that the subject is fragile and that the Port wine companies do not want to expose their strategies. But we were not asking for that much. It is a very conservative world and we hope that for future research, the concerned players will be more enthusiastic to provide information that will not directly expose their strategy.

It would be a mistake to say that this work ends, because it is far from over. There is still a lot to explore, to identify, to adapt and to understand.

For eventual research, it is important to explore deeply the main markets, to identify other communication problems of the sector, to analyse other communication strategies for smaller budgets, to find other communication tools, to compare the international communication strategies of other wine sectors and finally, also analyse the involvement of the Port wine institutes and organisations in the improvement of the communication.
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2. Nick Heath (May, 2014) – Marketing Director of Fladgate Partnership
3. André Ribeirinho – Director in Chief of the “Wine Evangelist”

**Experience**