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Effects of institutional wine promotion on the Soave
wine foreign market

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ABSTRACT

Wine promotion is performed to gain new markets and to increase the competitiveness of a brand. The European Union have implemented the Common Market Organisation Reform, firstly applied in 2008, to sustain wine producers with different initiatives, one of which is the institutional funding for communication strategies in foreign countries.

Soave is a Protected Designation of Origin (PDO) still white wine made in North-East Italy, in Veneto region, very much dedicated to export, with more than 85% of the production destined abroad.

The aim of this research is to understand how the European funding for communication strategies in foreign market have impacted on the Soave market.

The consortium of Soave has started communication strategies since 2009 in USA, with participation to fairs and articles on wine magazines, to make contacts with American customers by directly explaining Soave wine peculiarities, and since 2010 in Japan, with a program addressed to restaurateurs, who every year are invited in Soave town by the consortium, and who are willing to sell Soave wine in their restaurants in Japan, pairing Japanese recipes with this Italian wine.

Through the regression method and the pool-regression method, the effect of the funding on the export has been analysed, with no apparent significant effects on the final sales. This result may be explained by analysing every variable that impacts on wine export.

First, the Italian competitors Pinot Grigio (still) and Prosecco (sparkling) are constantly increasing production and expanding their markets, together with a substantial saturation of the still white wine market.

Furthermore, every communication strategy might be not effective in such short terms, but should increase customers loyalty during the years.

Finally, the consortium has also sustained improvement of Soave wine quality by cutting the yields, that could be directly correlated with the reduced production and export, and, also, with the significant price increase of Soave wine.

1 INTRODUCTION

The market of wines is constantly evolving, due to social trends associated with different methods of production and changing lifestyles.

In the past, wine was mainly consumed in the traditional wine-making countries, France and Italy, and more in general only in Europe. During the last decades, vine-growers started to produce this beverage around the world, in the so-called “new producing countries” of which the most important are South America, South Africa, United States of America and Australia, that started not only to consume, but also to produce their own wines, usually using international vineyards.

At the same time, new techniques and economic opportunities enabled an increase in wine production in Italy and France, correlated with a decrease in wine consumption in these countries, and consequent problems of over-production.

While the market started to focus on export to overcome these problems, the European Union applied several regulations and laws, to stabilise the market and increase the social and environmental sustainability of wine production.

The first initiatives had the aim to reduce the European production of wine, with funds to grub up the vineyards and green harvesting to reduce the yields.

The more recent Wine Common Market Organization (CMO) initiatives (2008-2014) started to focus not just on reducing production, but to explore new markets outside the European Union (EU): about 30% of its resources are destined for promotion outside the EU, with funds that can cover up to 80% of the costs sustained for projects in such countries.

This could help wine producers to gain new markets, facing expenses for wine communication that could be too high to face without the public funding.

The aim of this work is to understand how much this part of CMO reform impacted on sales, focusing on the case of Soave wine.

This wine is traditionally made in Veneto, east of Verona, a good example of export-oriented wine, with almost 85% of its production destined outside Italy.

The aim of this research is to understand the effect of wine communication in Japan and United States of America which are the countries in which the Soave consortium has applied communication strategies for many years to increase sales.

The first part of the thesis explains the trends of wine market and its regulations, focusing on the European framework.

After that, the role of the communication will be explained, together with the case study, Soave wine, its history and its main characteristics.

Finally, USA and Japan cases will be analysed to understand the effects of the communication activities with the regression method, comparing it with Canada and Germany, two countries in which wine communication has not been done.

The choice of different communication strategies will be analysed, to understand and evaluate alternative routes to further increase export.

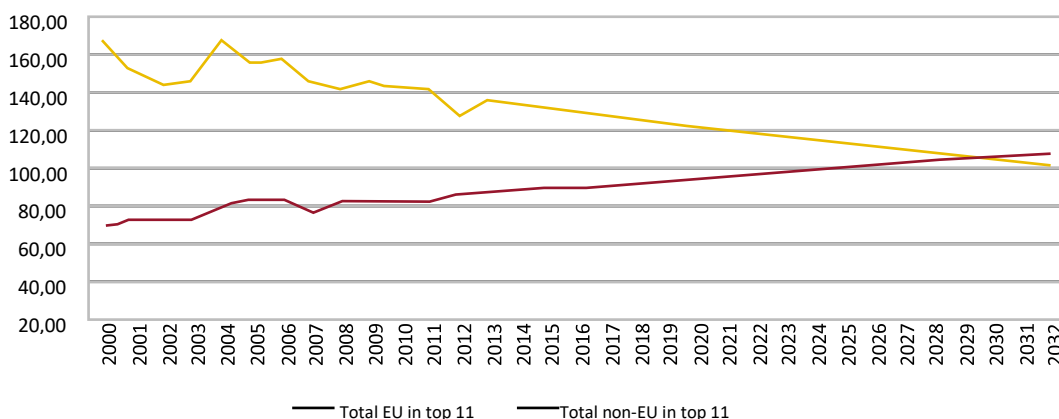
2 WINE MARKET AND EU WINE POLICY

2.1 BRIEF HISTORY OF WINE MARKET

Until the 90's wine industry was very fragmented, with local producers that had basically no/few contacts with foreign ones. Furthermore, most of the world's wine drinkers consumed mainly local wines, or traditionally imported ones (such as United Kingdom's with French wine). Under these conditions, every producer was following mainly their local traditions.

Afterwards, thanks to a stronger European Union and a more globalized world, wine industry has changed dramatically: less international barriers, decreased tariffs and logistical cost reductions have provided the opportunity to sell wines outside a limited region, with also higher competition with producers located faraway. This change generated the development of better marketing strategies, to better comply with this wider market and higher competition (Cholette et al, 2005).

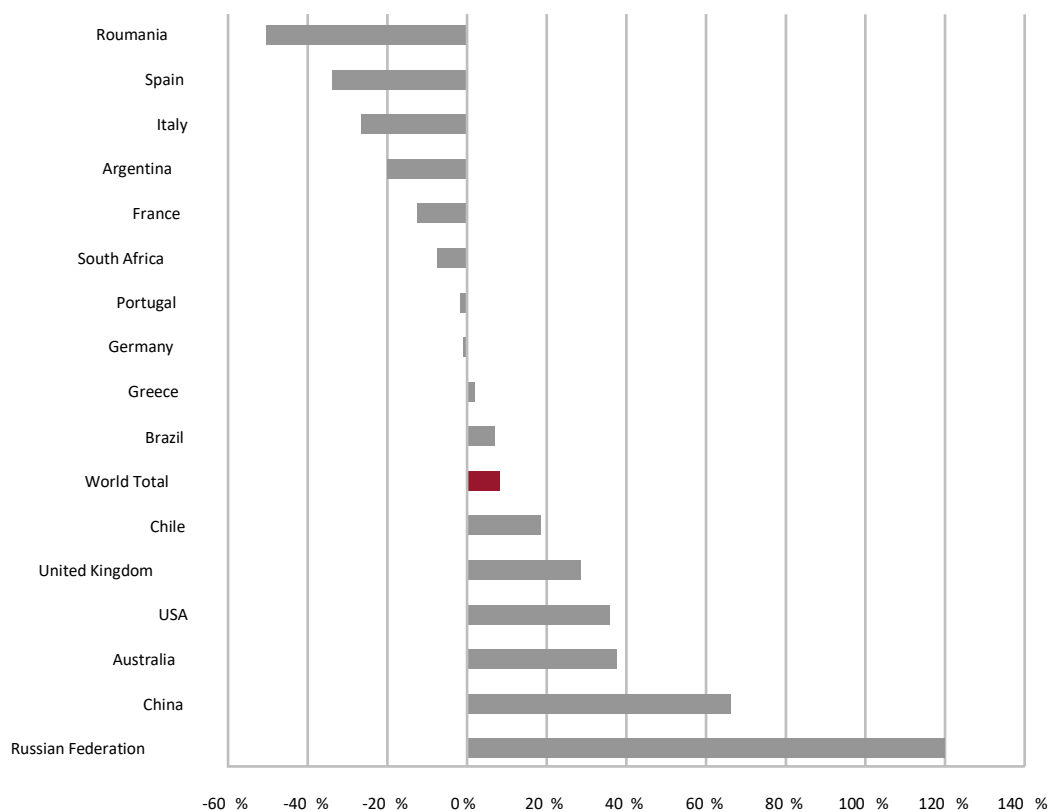
Figure 1: Wine production trends top eleven countries, EU vs. non-EU (.000 hl)



Source: OIV

Those changes have happened together with a shift in wine consumption: decreased demand in traditional producer countries like Italy and France, increased demand in new ones (Campbell and Guibert, 2006).

Figure 2: Wine consumption Trends



Source: OIV

This may affect the type of marketing strategies that should be developed: communication activity should be managed “ad hoc” on a country by country basis to be effective as much as possible. Different importance is given by EU and third countries to wine visibility and attractiveness (willingness to buy, recommendations, visual merchandising). Also, a different wine tasting

experience strongly impacts the appreciation of wines and different importance is given to certain information channels and/or reasons to buy Italian wine (Barisan et al., 2015)

Wine promotion in international markets must be different to be effective: for example, non-consumer countries are not aware about terroir factor like the traditional countries population.

Marketers should be aware about fraudulent marketing practices such as those that create the perception that terroir is meaningless. Public policy can reduce the risk against those behaviours, however while this is obvious in Europe, other parts of the world marketers should always consider that their potential customer could fall in mislead (Charters et al., 2016).

EU, USA, but also other developed countries like Japan are defending the public funding to stem third countries competitive pressure, thanks to lower costs of labour work and land, even if WTO (World Trade Organization) has the goal to increase the liberalization also for the agricultural sector. In the wine sector, more than in the general agricultural world, an increment of the entrepreneur's knowledge can be noticed, through the transition to more structured societies (Nomisma Tagliacarne, 2007).

2.2 GLOBAL WINE MARKET

Wine industry has gone through significant changes in recent decades; among the most important:

- market liberalization,
- changes in demand,
- fast growth of new producing countries.

This transformation has led to new dimensions for the global industry, more driven now by competitiveness and the opening to new international markets (Castillo et al., 2016).

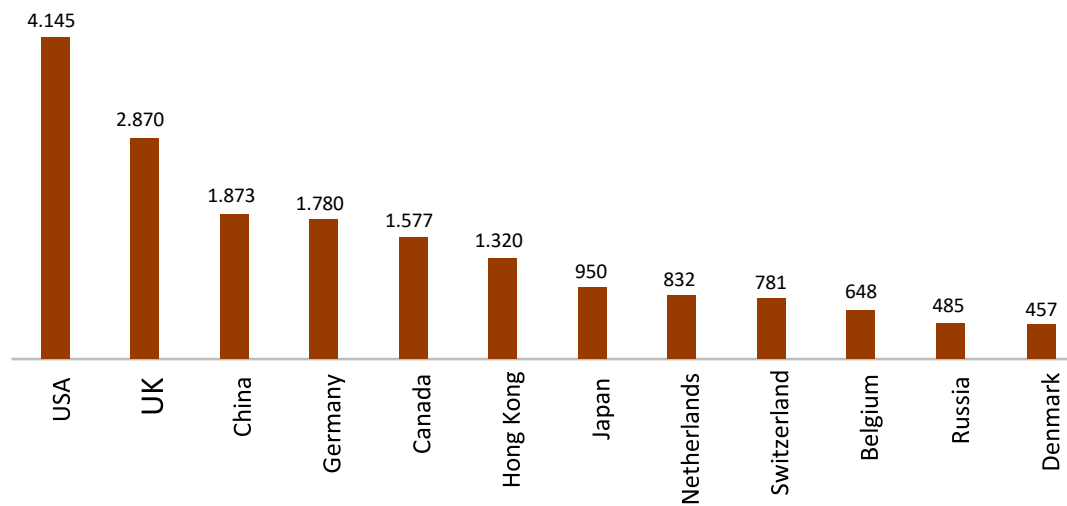
Wine has been very much a European product for several centuries. Still more than three-quarters of the produced volume, consumption and trade of wine involves Europe. In the late 1980s, 14% of the wine sold in the global markets were exports (Wittwer, Rothfield, 2007). From that time, until 2012, this proportion doubled, reaching the 30% of global wine sales (OIV, 2014).

France is the first largest world supplier in terms of value, while Italy is leading supplier in terms of volume. The big 2015 wine production countries are Chile, which has a good market in Asia thanks to free trade agreements, and New Zealand, with good sales to USA and Far East. South Africa and Argentina are stable. Looking to 2004/2015 decade, Old and New Worlds encountered similar regressions: over 4% growth in 2004/2009 to less than 1% in 2010/2015. In consideration of these trends, European share has decreased to 59%, with -6 percentage points in 11 years' time, and a complex stability of the New World (less than 1/3 share). On the contrary, the "rest of the World" countries registered a good growth, with a +7% between 2010 and 2015.

As regard to imports, USA is the world leader, with around 4.1 billion US \$ of imported wine, followed by Great Britain stable at 2.9 billion \$ and China, that

overcame Germany in the ranking of worldwide importers (winebynumbers.com).

Figure 3: Packaged Wines Importers 2015 (1: 1 million US dollars)



Source: (Inumeridelvino.it)

2.3 WINE TRADE BETWEEN EU AND THIRD COUNTRIES

Wine market has changed significantly in recent decades. New World wine producers increased their exports to European markets, incrementing in this way the competition for the category of wine. Traditional wine producing countries keep anyway to be the largest suppliers with the most important role at the global market. World largest EU wine exporter countries may price discriminate across their wine export destination. France, for example, can discriminate in Australia, Hong Kong, Mexico, United States, while Italy has market dominance in Japanese, Mexican and American markets (Ferto, Mate Balogh, 2016).

International wine commerce is one of European agricultural policy main goals. Technological innovation and decreased transport costs have increased the international wine market and the need to create better regulations for the commercial exchanges. New World wine producers increased their exports to European markets, incrementing in this way the competition for the category of wine. Traditional wine producing countries keep anyway to be the largest suppliers with the most important role at the global market. World largest EU wine exporter countries may price discriminate across their wine export destination. France, for example, can discriminate in Australia, Hong Kong, Mexico, United States, while Italy has market dominance in Japanese, Mexican and American markets (Ferto, Mate Balogh, 2016).

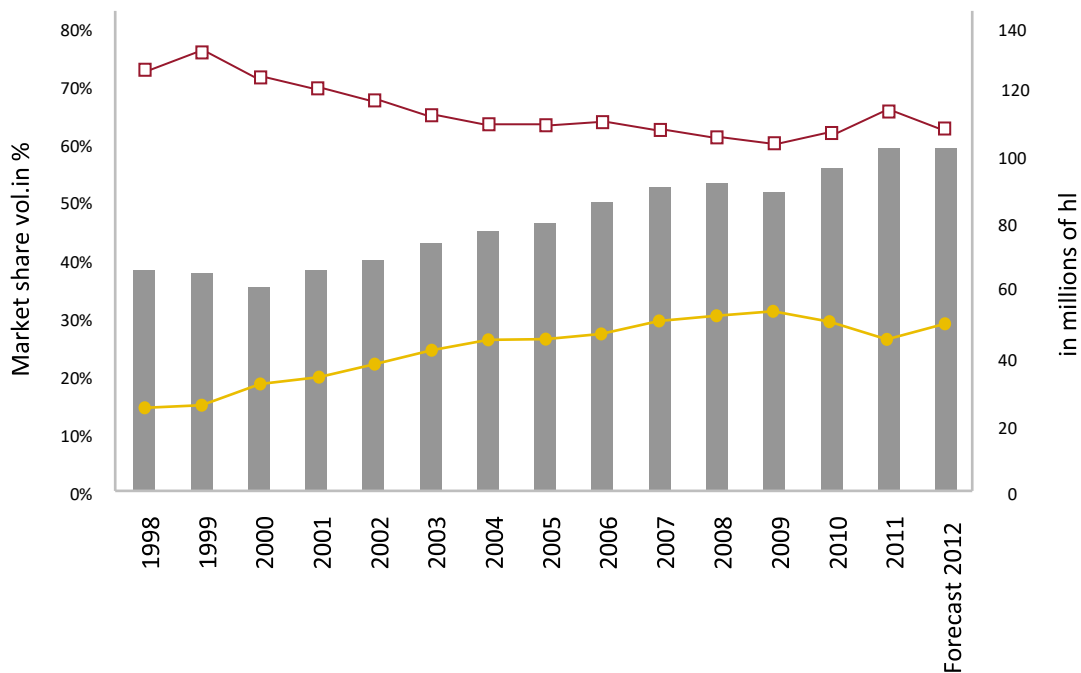
Wine is traditionally made in Europe, but new third countries such as Chile, Australia, Argentina and United States are increasing their wine production, with consequences on the international wine trade: increased competition and different methods of production (Piovene 2008).

Despite the attempts to stabilise the European wine market, for decades structural imbalances have been carried on, causing production of vast

surpluses of low-quality wines. These problems were also reinforced by social changes:

- First, the overall consumption of wine in EU has decreased since the 1980s. It has grown in some north European countries but decreased significantly in traditional wine countries like France and Italy.
- Second, competition and imports have grown from New World wines: mainly South Africa, South America, Australia (Piovene 2008).

Figure 4: Trends of wine world exports



Source: OIV, 2013

The last report about the trend of Italian wine market, updated to the first quarter of 2015 (ISMEA) shows that the international exchanges are above 100 million hectolitres of wine. Italy is the second world wine provider. It is found an increment of the value of still bottled wine (+3% PGI, +4% PDO, +10% table

wines). Demand has considerably grown in USA (+9% quantity, +14% value) and in Germany (+1% volume, +5% value).

ISMEA analysis has shown a better performance for whites than reds in the bottled dry wines section. This result is mainly given by the whites from Veneto region (Soave report 2015).

2.4 WINE CONSUMPTION

Wine consumption patterns have been changing since years: while in traditional wine-producing countries the consumption has continued to fall, with an increasing preference for higher quality wines, East Asia has become very important in terms of wine market (Anderson et al., 2016).

There are nowadays seven Asian economies where per capita grape wine consumption exceeds 0,2 litres per year. During the first decade of this century Asia doubled its consumption of alcohol, that rose till to just 3%, and one-fifth of wine's global share of recorded alcohol consumption (Anderson and Nelgen, 2011). Given the high population of these areas, it means that the potential for further expansion is enormous.

Asian markets are high-priced markets: their average unit import value in 2014 was 2,5 times that of the rest of the world, which makes this market very profitable especially for small producers of super-premium wines.

2.5 ALCOHOL CONSUMPTION DETERMINANTS

Alcoholic beverages consumption shows uncertain evidence of being resistant to changes in GDP, but some studies show that alcoholic consumption is positively correlated with Income.

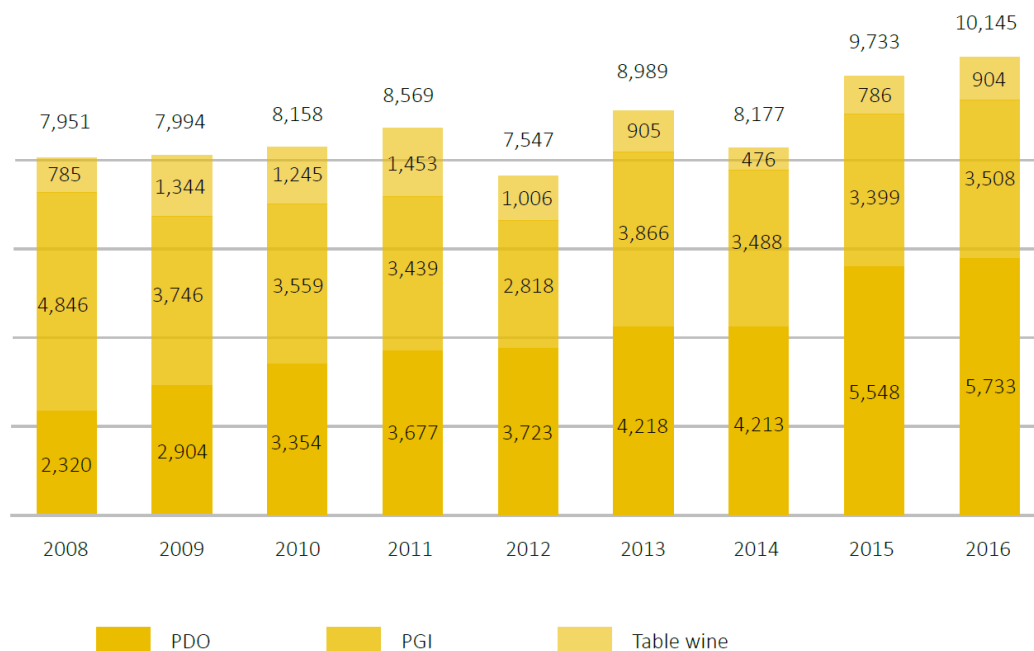
In the case of price, alcohol has an inelastic demand, and heavy drinkers have an even more inelastic response to alcoholic beverages price changes. In the case of wine, for countries like Japan, where it is considered a luxury good, wine consumption does not show a strong relation with changes in per-capita GDP or price changes (Rezai, 2017).

2.5.1 MILLENNIAL WINE CONSUMPTION BEHAVIOUR

Millennials are consumers born between 1977 and 1997. Wine is for people born during this year, other than a lifestyle product, it is a social product, which represents conviviality and company (Agnoli et al., 2011). They are also very meticulous about what they purchase (Richard K. Miller et al., 2011), so wine is an experience product. They can, even if their limited experience, evaluate wines using specific features, like the origin, the vintage, the brand, the grape variety, the label (Magistris et al., 2011). Furthermore, the value proposition seems to be very important (Thach and Olsen, 2006). Millennials are not just attracted by the wine lifestyle, but there is a deeper involvement with active participation in wine related activities that are not done just for its consumption, but also for experience, educational value (Bruwer et al., 2012). Millennials consider how congruent is a wine with their desire to be social; the philosophical, experiential and intellectual values of a wine are very important (Spielmann et al., 2016).

2.6 VENETO WINE PRODUCTION

Figure 5: Veneto Wine Production (1: 1 hectolitre)



Source: *Inumeridelvino.it*

Veneto wine production has reached 10 million hectoliters in 2016, 4% more than 2015, given by the white segment, particularly for PGI and table wines, while PDO ones are growing less. Veneto represents the 19% of the national production, 27% for whites and even 45% for the national PDO white wines production (4,8 million hectoliters against 10,6 as total production).

The growth for Veneto wine production is constant, around 200-250.000 hectoliters per year; according to ISTAT data, this growth is confirmed by the increment of vineyard surface of about 1.000-1.200 ha per year (2% of annual growth).

DOC wines production has grown by 3% (4,8 million hectoliters), while table whites showed an increment of +22% (756.000 hectoliters) and PGI +9% (2,2 million hectoliters).

DOC red wines have grown by 5% while DOC whites by 3%.

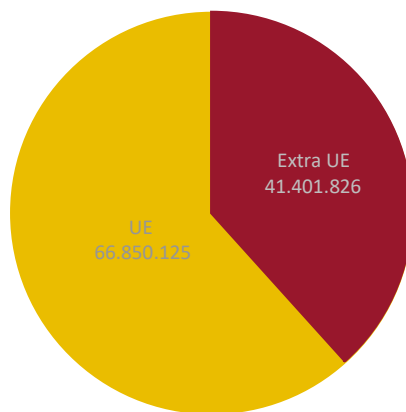
The area of production has significantly increased in Treviso county to produce Prosecco.

The average vineyard yields are very high, with 169 quintals (16,9 tons) per ha in 2016.

2.7 MARKET OF PROTECTED DENOMINATION OF ORIGIN (PDO) WHITES FROM VENETO

The export of PDO whites from Veneto has been constantly increasing during the last years. The total in volume (2013) is around 430.000 hectolitres, corresponding to a turnover of around 108 million €. Almost the 70% of it is exported to EU, even though the value of third countries export is about 40%, where the main third country is USA with around 50% of sales, followed by Japan and China (7%), Norway and Switzerland (5%) and Russia and Hong Kong (1%).

Figure 6: Export of white wines from Veneto, 2013 (EURO)



Source: Inumeridelvino.it

2.8 WINE REGULATION HISTORY

Wine Common Market Organisation (CMO) is one of the most complex structures within the Common Agricultural Policy (CAP). That has more to do with the heterogeneity of the actors involved than it does with the real market needs of the sector. The first legal text was published in 1962 (Reg. 86/1962) and it highlighted the needs for a political and economic balance between producing countries, to look for a stabilization of the market. The regulation was focused mainly on the creation of a wine land registry, the obligation for wine and must producers to declare the quantity manufactured and retailers to declare the quantity they held, the annual estimate of community resources and requirements by the commission, the adoption of basic rules produced in specified regions and the establishment of a management committee for the wine sector (Gaeta, Corsinovi, 2014).

In 1999 a new wine CMO was adopted as part of the Agenda 2000 reforms: it confirmed the ban on new vineyard plantings until 2010, changed the distillation policy from compulsory to voluntary and introduced restructuring and conversion measures for vineyards (Conforti, Sardone, 2003).

Furthermore, the Eastern enlargement of the EU, which integrated some wine-producing countries (Hungary, Slovakia, Slovenia in 2004, Bulgaria and Romania in 2007) stimulated another reform. In 2006 the EU commission proposed the immediate elimination of traditional market intervention measures (distillation, export refunds etc.), and the consolidation of previously adopted measures (Restructure of the vineyards) and the implementation with new measures (Subsidies for green harvesting, promotion in third countries, harvest insurance, mutual funds), and simplified labelling rules with the aim to make EU wines more competitive with New World wines (Cagliero, Sardone, 2009). Surplus would then be avoided through the green harvest.

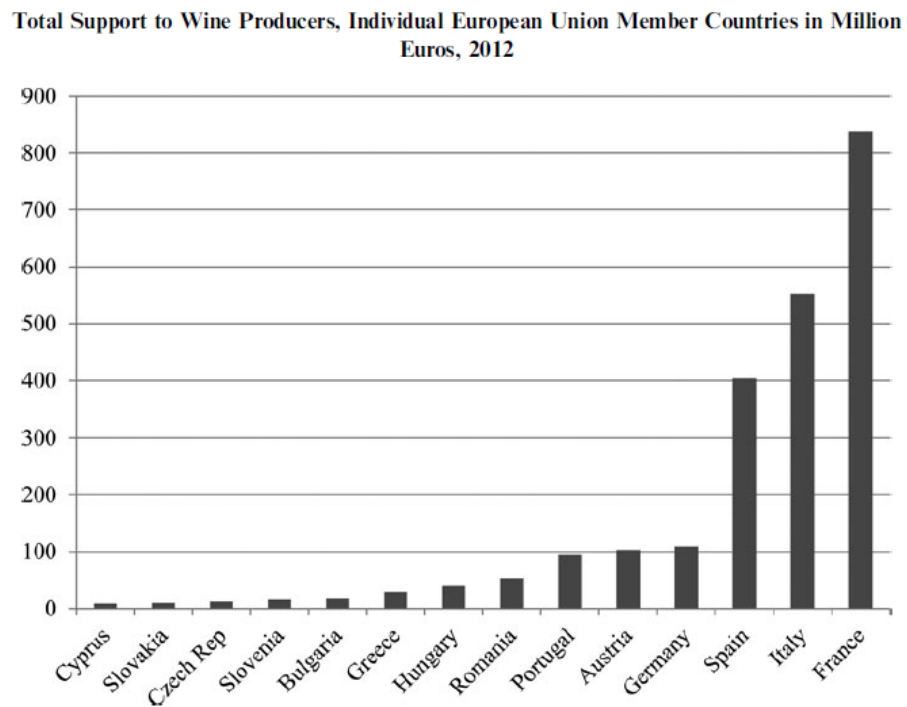
In addition to the pressure caused by the EU enlargement, there has been a change in the political coalition and consequently in the political debate. In the 2006 reform debate the EU wine industry and the Commission gained more power in the demand for less market intervention (Smith, 2008). After the approval of this reform, in 2007, the allocation of the wine budget has changed significantly.

A large part of the current EU wine regulation comes from French and Italian national regulation prior to their integration in the European Economic Community (EEC).

2.9 WINE COMMON MARKET ORGANIZATION (CMO)

Since from the beginning of the European Union there has been a Common Market Organization (CMO) for wine, to regulate and influence prices, quality, quantity for the grapes produced inside the European Union (Gaeta and Corsinovi, 2014; Meloni and Swinnen, 2013; Spahni, 1988). The European wine policy went through a major reform in 2008, which included a 3-year grubbing-up program paid by the institution itself to remove the vineyards. At the same time, there has been financial support for generic promotion of wine. The measure contains also subsidiaries for distillation of low quality wine and good practices to increase the quality of the grapes reducing the quantities, like the green harvesting.

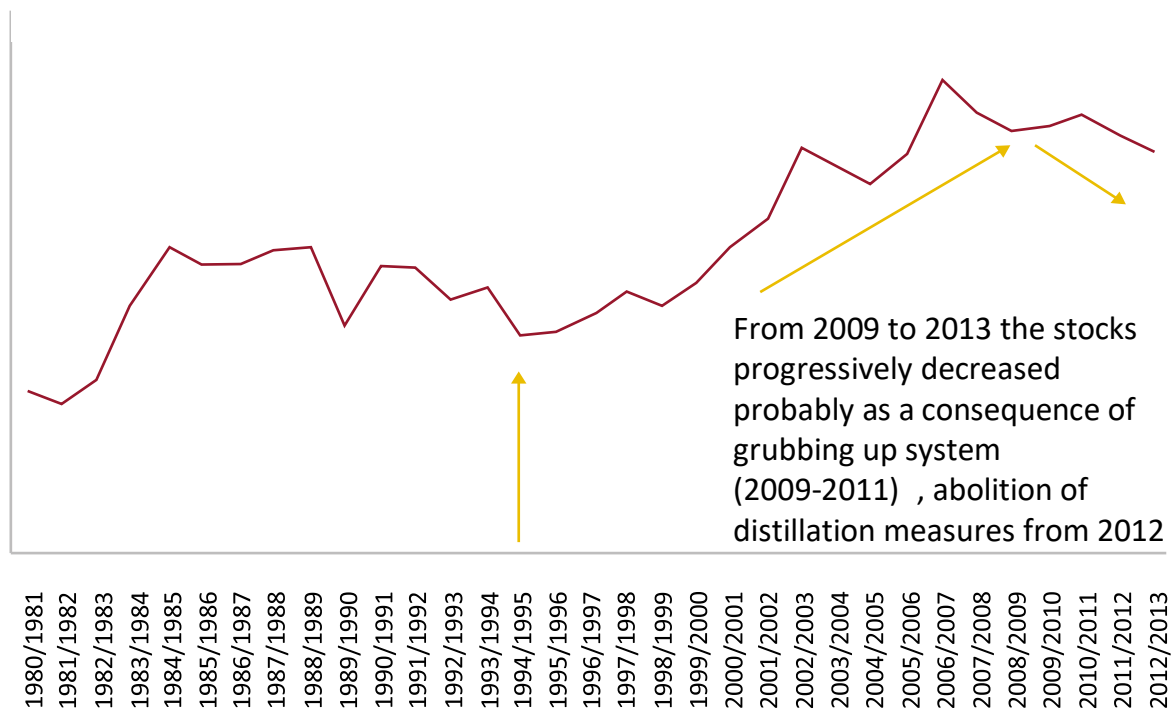
Figure 7: Support to wine producers per country



Source: Anderson and Jansen, 2016

CMO wine is the unique regulation of the European Union that communicates norms concerning the viticulture sector, regarding both the production and the backlinks for wineries. The funds are assigned by the Ministry of Agriculture of each country and by the single regions or autonomous provinces (ocmvino.it). The wine CMO is the legal and regulatory base for the European wine market, that covers every step of the winemaking. It is a set of measures which enables EU to manage the market of wine and to stabilise it, avoiding extremely low prices for farmers (Gaeta, Corsinovi, 2014).

Figure 8: Evolution of wine stocks by vintage year (1000hl)



Source: Gaeta, Corsinovi, 2014

Figure 9: 2008 reform vs 2013 reform

Reg. 479/2008 CMO wine	Timetable		Reg. 1308/2013 CMO single	Timetable
Single payment scheme	2009 - 2013		Promotion	2014- 2020
Promotion in T. countries	2009 - 2013		Restructuring & Reconversion	2014- 2020
Restructuring & Reconversion	2009 - 2013		Green harvesting	2014- 2020
Green harvesting	2009 - 2013		Mutual funds	2014- 2020
Mutual funds	2009 - 2013	→	Harvest insurance	2014- 2020
Investments	2009 - 2013		Investments	2014- 2020
By-product distillation	2009- 2013		Innovation	2014- 2020
Portable alcohol distillation			By-product distillation	2014- 2020
Crisis distillation	2009- 2012			
Concentrated grape must	Phasing-out			

Source: Gaeta, Corsinovi, 2014

2.10 COMMON MARKET ORGANISATION: THIRD COUNTRIES FUNDS

The third countries CMO funds allow to finance the costs of promotion outside the European Union with backlinks from 50% to 80%. The most significant refunds are the costs for travelling, the participation to fairs, the expenses to host potential buyers of journalists, internet activities. Furthermore, the costs for the staff assigned to the export (as much as 4%), the cost of wine used for tastings in restaurants, malls, meetings and the advertising expense (ocmvino.it).

The aim is to encourage the export covering the costs that a winery cannot sustain alone, with a maximum expense set at the 20% of the annual revenue (ocmvino.it).

Promotion for third countries markets covers around the 30% of the total resources guaranteed by OCM wine in 2014 (around 102 million euros).

Figure 10: OCM Funds spent in Italy

OCM reform application in Italy						
	2009	2010	2011	2012	2013	2014
Permanent measures						
Decoupled help for vine-growers						
Third markets promotion	7000000	35015687	48444438	82380817	102164449	102259267
Re-conversion and renovation	69778700	88108114	86450967	103636786	104392740	104465903
Green harvest						
Mutual funds						
Assurance						
Investments		14513527	23854429	44270888	77720199	77780439
Transition measures						
Help for wine producers who also distill	38639523	33864896	23854429	11057722		
Sub-products distillation	39498000	43450000	42848646	42848646	42291270	42324049
Crisis distillation						
Help to the must		73141435	73141435	58514748	46811798	
Reserve	10165342	10167342	10167342	10167342	10167342	10167342
Total	238223000	298263001	294134999	341173999	336736000	336997000

Source: Programma nazionale di sostegno nel settore vino

The maximum financing level for a given marketing activity is 50%, and should consolidate or favour the penetration into third countries; it regards some measures like:

1. Promotion and advertising which are focused on the advantages of the consumption of high quality, environmental-friendly products or on food safety;
2. Participation to fairs, expositions of international importance;
3. Information and promotion campaigns, also on geographical indications and denomination of origin;
4. Other communication tools (web, tasting, meetings).

The beneficiaries are the producers, “Consorti di tutela”, federations or other professional organizations with proven experience in wine sector and promotion of agricultural products.

It is also required that “beneficiaries should have a sufficient ability to cope with the specific needs of the third countries trade and adequate resources to guarantee an efficient and effective application of its strategy” (Reg. 555/2008, art.4 comma f).

The regions have a 70% of the share of the resources, while the other 30% is managed by the country. This helps regions having a low rate of export, like Emilia Romagna, Umbria, Lazio and Puglia (Chen et al., 2009)..

A strategic decision-making based on the type and the level of service provision has started to be fundamental to increase wine sales. Different channels to reach various consumers such as supermarkets are needed. Other examples are restaurants, appreciation courses, winery site sales, tastings, tourism, fairs, etc., which aim to increase customer involvement and interaction with service staff; this may also result in the value co-creation, by for example implementing wine label information.

Cellar door tastings are considered as one of the most effective way to increase this interaction, but with a very low amount of potential customer. Customer involvement can be obtained in internet, with user-friendly communications and smoothly-operating winery website (Chen et al., 2009).

The reform of the EU wine sector took place in 2008 aiming for market stabilization, deleting the ineffective measures and using funds in more positive and dynamic ways to increase the competitiveness of European wines (avepa.it).

Veneto region allocated 12.3 million € for 2016 as regional fund for third countries wine export. One million € is then allocated for multi-regional projects (avepa.it).

3 WINE COMMUNICATION AND CASE STUDY

Communication of a brand is the flow of information from the company to the final consumer. It may be done to increase consumer awareness of a brand or of some characteristics of the product sold.

There are different models for communication, based on the flow of information:

- a) The Public Information Model: one-way flow from the sender to the receiver, for companies which are not interested in the receiver's opinions. Usually used to increase efficiency and reduce production costs, to have lower prices for a larger segment of the market;
- b) The two-ways asymmetric Model: the company does communication activities to the receiver that at the end, comes back to the company, with influence on the company behaviour;
- c) The two-ways symmetric model: a dialogue between sender and receiver.

The case of wine products is distinguishable in classic communication activities, with a company which communicate to the consumers, or collective communication activities, where some producers do cooperative market through partnerships, which could be private, or public (Consortia).

3.1 WINE COMMUNICATION STRATEGIES

There are several communications principles which can constitute a communication strategy. These can be identified in:

- Message redundancy is related to message retention,
- It is more effective the use of several media instead of just one,
- Face-to-face communication is the most effective,
- Storytelling arouses the interest of the listener,

Wineries devoted to export should start and implement relationships with several types of consumers, so different kinds of promotion are needed. A good synergy must be provided with a face to face relation, both by producers and international distributors, even pushed with web marketing, the most valuable tool for international export (wine2wine.net).

It is also fundamental to monitor the impact of different promotion strategies in wine sales.

In the Australian's wine sector, the government always promoted wine tourism, events and festivals and staff formation (Wargenau & Che, 2006). A similar event can be noticed in Spain, where the lack of infrastructures or resources was over-passed with the government institutions support (Hall & Mitchell, 2001). In Italy, non-profit and non-governmental entities such as the "Movement for Wine Tourism" helps and/or organizes wine fairs, seminars and creates and promote wine tourism itineraries by working with the local communities. This organizations are responsible for many activities, mainly focused on marketing, to enhance overall competitiveness. This is especially important in South Italy, where lack of resources and infrastructures is frequent, and where the average wine industry is small and without the capability to attract tourism alone (Presenza, Minguzzi, & Petrillo, 2010).

3.2 MAIN PROMOTIONAL ACTIVITIES

There are lots of diverse ways to set promotional activities into third countries, but usually the budget is limited, so it is important for wineries and Consortia to set clear priorities in line with the potential customers' requirements.

There are four main promotional activities:

1. Winemaker's dinner. A recognised expertise gives a presentation of wines produced by different wineries to potential customers.
2. Fairs. Very important because all producers are together, but fairs organizers should improve services, becoming more business oriented.
3. Communication channels. Newspapers, books, magazines. It is important to appear not just in specialized magazines, but also in dailies, life style newspapers and other forms of communication.
4. Workshops. Important for importers who are willing to increase their portfolio with new products. A good way to meet more foreign representatives all at once (WineMeridian.com).

3.3 INTEGRATED MARKETING COMMUNICATION

Integrated marketing communication (IMC), or relationship marketing, is a communication strategy with the aim of interactively engage a specific individual, through specific media outlets and using a specific message.

This strategy has the goal to build up a long-term relationship between buyer and seller, by involving the first one in an interactive two-ways exchange of information.

Integrated marketing communication attracts the attention of marketers since the mid-1990s: until then advertising was done mainly on traditional mass-media advertising, like print and broadcast, that sent a generalized message to a large audience. IMC, on the contrary, works with alternative or promotional media, such as direct marketing, sales promotion, internet, social media and so on, to reach individual customers with a personalized message.

For this reason, the messages used should be made to fit a specific target audience's needs. The goal is to reach an individual inside the target and develop a brand-loyal consumer who will continue to purchase that brand without further advertising efforts. Of course, each brand or product must be as individualized as the target, with a product's image that matches the target's image of himself.

This strategy is more expensive than the traditional advertising methods, but the results may be worth the expense. After the expensive initial step required to approach the brand-loyal consumer, when the customer thinks that this brand is almost his only choice, the need for more communication is reduced, and the costs minimized.

On the other hand, traditional advertising is less expensive but takes longer to build loyalty (Blakeman, 2007)

3.4 TERROIR MARKETING

According to “Charters et al., 2016”, for some products, such as wine and food, “no place is more important or powerful than the piece of Earth representing the product’s origin”. This can be tapped by marketers for the commercialization of Geographical indication products by highlighting the importance of the terroir to produce a certain food or wine. Consequently, according to the definition of a Geographical Indication (GI), the marketing activity should be done collectively, with a common vision and purpose, and the capacity to work together (Charters and Spielmann, 2014). This marketing style is mainly focused on experience and imagination rather than the performance of the product: for instance, Soave main image is a picture of the old town and castle that is much more evocative than talking about the wine itself (Charters et al., 2016).

A good terroir allows people to consume an experience, a render of the land that includes tradition and identity (Fort and Fort, 2006).

However, marketing communication for such products needs careful management, because also the performance should be monitored in some way, and the place attachment is not learned by experience: images, maps and tourism-related factors may be crucial.

A good marketing of terroir-linked product is capable to gain competitive advantage of its inimitable features (Charters et al., 2016).

3.5 WINE ONLINE COMMUNICATION

The science of networks has become of main importance in the last two decades, thanks to the popularity of online communication through social media technologies. This medium is fully embraced by young people, with 83% of those aged 18-29 years who use social networking sites (Duggan & Brenner, 2013). Social networking sites are defined as websites which make possible to form online communities and share user created content. The communication within those websites is low cost, immediate, private (Best et al., 2014) and allows individuals to share knowledge, entertain one another, promote dialogues among different cultures (Borges Tiago, Verissimo, 2014).

From a consumer's perspective, this flow of information offers numerous benefits, such as efficiency, convenience, richer and participative information, a broader selection of products at more competitive prices. Online social networking enhances those benefits, with proactive communications, and, for example, with a share of opinion about specific products (Borges Tiago, Verissimo, 2014).

Inside the World Wide Web, the branch that includes the online trade of goods and services is called E-Commerce. According to the Eurostat (the statistical office of European Union), its definition is: *"the sale or purchase of goods or services, whether between business, households, individuals or private organisations, through electronic transactions conducted via the internet or other computer-mediate (online communication) networks. The term covers the ordering of goods and services which are sent over computer networks, but the payment and the ultimate delivery of the goods or service may be conducted either on- or off-line."*

The word E-commerce was born in the mid-1990s as internet became common for consumers. Since that time, it has grown exponentially, with 1,32 trillion €

worldwide overall sales in 2014 and 2,17 trillion € estimated by 2018 for all merchandise (eMarketer, 2014). It has grown rapidly for certain goods, however it has been more difficult wine e-market because of several reasons, such as strict shipping regulations and consequent high freight costs for alcohol and related goods such as wine. Nevertheless, it has built a significant share, with 5,7 billion € revenues worldwide in 2014 and an annual growth around 5%. Of this, China shows the highest online wine sales (20%), followed by UK (11%), France (9%) and the US (4%).

The use of social media has been increasing since the very beginning, with 1,8 billion users in 2014 (eMarketer, 2015a), where Facebook is by far the most important platform worldwide. Statistics show 7,0 billion € spent in USA on social media marketing in 2014, that are expected to double in 2019.

Cultural difference plays a significant role in terms of communication in the wine industry, for example for US people social media communication is much more important than for Germans. However, e-commerce is nowadays the easier way to buy products and services; purchasing wine via internet is getting more and more popular among consumers, and, consequently, the supply is increasing too. According to a German survey covering 377 wineries, in the last years many wineries opened a web shop, and in 2014 40% of them offer wine online, with an average total turnover of 14% through e-commerce (Szolnoki et al., 2016).

3.6 WINE TOURISM

The constant increase of the number of tourists interested in wine led many wineries and Consortia to develop strategies to attract and interact with tourists (Dodd, 1995; Getz, 2000; Mitchell & Hall, 2004). By adding visitor-oriented services, consumer awareness and knowledge improves, creating a positive image of the product and building strong relationships with on-site experiences (Asero & Patti, 2011; Bruwer & Alant, 2009; Yan, Morrison, Cai, & Linton, 2008).

Wine tourism consists of people who are visiting wineries and the experience that they build up there. They are a heterogeneous category, but usually with a relatively high socio-economic level in terms of education, income and profession (Bruwer & Alant, 2009; Bruwer & Lesschaeve, 2012; Cohen & BenNun, 2009, p. 21).

The role of an expanded wine-scape in attracting wine tourists with customer service, socialization, wine clubs and wine education is vital to complement wine production and grape growing activity. The focus of each winery should be on the quality and variety of wines, as first attractor for wine tourists, followed by the hedonic value of a winery and vineyards visit.

Good customer service and skilled winery staff are very important for producers and Consortia; it is very important to remember that those ancillary activities have a direct result in higher sales due to also to higher customer loyalty (Byrd et al., 2016)

In opposition to pure service industries which offer intangible service experience, cellar doors offer both tangible products (wine) and intangible services (human-interactive) to the customers. For these reasons, visitors are likely to evaluate their cellar door experiences by judging a lot of aspects which include wine quality, staff friendliness, location setting, winery's

environmental features. Consequently, cellar door managers should extend their marketing strategy beyond the final product, and try to create an experience-based value (Jurincic, Bojnek, 2015).

3.7 COLLECTIVE MARKETING

Collective marketing is the sum of the actions that a subject like Soave Consortium, should put in place to promote collective interests and communicate the quality of the product.

A collective action is more effective when the offer is fragmented and most of the wineries are small, like Soave, and not homogenized as a unique brand.

Good, collective communication strategies are needed to overcome the lack of the system to guarantee as much information as possible to the different markets. This is indispensable to allow higher contractual power against the organized large-scale retail companies.

Furthermore, is known that a collective campaign is more effective compared to a single winery one, because the consumers see the Consortium as a third party, that can ensure a high and constant level of quality.

Since the brand is collective, some results analysis should be done:

- Product consistency,
- Advantages vs competitors,
- Message penetration and assessment,
- Consumer behavior. (Jurincic, Bojnek, 2015)

3.8 THE CASE STUDY: SOAVE WINE

In this chapter the main characteristics and the history of Soave will be explained, with a focus on the production and the variety proposed. Soave is a white PDO wine from Veneto region and situated mainly in the county of Verona. It is nowadays differentiated in:

- Soave DOC
- Soave Classico DOC
- Soave Colli Scaligeri DOC
- Soave Superiore DOCG
- Recioto di Soave DOCG

3.8.1 THE HISTORY OF SOAVE

The name of Soave wine, which means mellifluous, suave, beautiful, is thought to come from the German population “Svevi”, that came to Italy with Alboino, King of Longobards. Lots of documents prove that since antiquity Soave wines were very appreciated.

In old times, peculiar wines named “Acinatici” were the result of withered grapes, already cited by king Teodorico, in 503 B.C., whom recommended to producers to search for those mellifluous and full bodied white wines. Acinatico is nowadays a type of “Recioto di Soave DOCG”, a passed wine made in the same area of production as Soave.

In 680 a.C. the use of “pergola veronese” training system was already spread, and it is still used.

There is also an important finding on a tombstone of the courthouse walls in Soave, from 1375, that shows people handling vine grapes.

Their fame has however been well developed especially from the beginning of the '900, when the major wineries from Verona started to promote Soave wine into both national and international markets.

Nowadays its production is mainly oriented to foreign countries, with around 85% of production exported.

The area of production is situated in the eastern part of the hollow arch of Verona county. In this area characterised by volcanic tuff soil with important calcareous outcrops, Garganega, the main vineyard variety to produce Soave, found its ideal habitat. A mild climate with not too cold winters and temperate summers helps the vine to grow well with a limited risk of freezing.

In 1931 Soave was already recognized as a typical and precious wine, with the application of DOC label in 1968. Furthermore, in 1998 Recioto di Soave became a DOCG, followed by Soave Superiore in 2001. Classico name can follow Soave denomination for those wines produced in the historic area situated in Soave and Monteforte d'Alpone villages. Castles, churches, bell towers and patrician villas are proving of a very old land, where tradition is fully linked to its main product (ilsoave.com).

3.9 SOAVE AREA CHARACTERISTICS AND PRODUCTION

The Area of Soave wine production covers thirteen municipalities, with around seven thousand productive hectares, which makes it the area with the highest vineyard density in Italy (Soave.it).

The dimension of each field is very small, with an average of around two hectares, and for this reason there are a little less than 3.000 grapes producers. Wine producers are less than 150, with 250 bottlers and 6 cooperative wineries (Soave.it).

The total production has decreased in the last years due to the modification of the code of practice, with the reduction of the maximum yields:

Table 1: Soave wine production

	2008		2009		2010		2011	
Tipology	Grapes (100kg)	Wine (hL)	Grapes (100kg)	Wine (hL)	Grapes (100kg)	Wine (hL)	Grapes (100kg)	Wine (hL)
Soave DOC	536,449	375,514	461,684	323,180	460,000	322,000	420,382	294,267
Soave Classico	176,620	123,634	162,659	113,861	170,000	119,000	162,153	113,507
Soave Colli Scaligeri	7,324	5,126	6,986	4,890	10,000	7,000	3,934	2,754
Soave Superiore	3,296	2,472	2,927	2,048	3,000	2,100	3,250	2,275
Recioto di Soave	3,045	1,218	4,680	1,872	5,000	2,000	3,555	1,422
Total	726,734	407,964	638,936	445,851	648,000	452,100	593,275	414,225

Source: Misurazione risultati Soave

Table 1: Bottles produced

Soave DOC	Bottles produced (2011)
Soave DOC e Colli Scaligeri	42.500.000
Soave Classico	13.500.000
Soave Superiore DOCG	150.000
Recioto di Soave	300.000
TOTALE	56.450.000

Source: Misurazione risultati Soave

3.10 UNITED STATES OF AMERICA

United States of America are one of the two countries in which the Consortium of Soave applies communication strategies in accordance with the European Funds. It is one of the most important countries for Soave export.

United States of America are the third world country in terms of population, one with the highest ethnicity diversification, and the first world economy, with the 23% of the world GDP.

USA represents the 16,1% of the overall wine consumption, the most important world market, with a total yearly consumption of 330.000 hectolitres. (Wine Institute).

The demand for wine in USA is growing, thanks to increased research for European food and beverages and to the increment of the per-capita GDP (Penn, 2006).

Considering all the producers, the shipments to US value gained 2% versus previous year (2015), with 384 million cardboard containers (one cardboard contains 9 litres). The estimated value is 55,8 billion US Dollars (Wine institute).

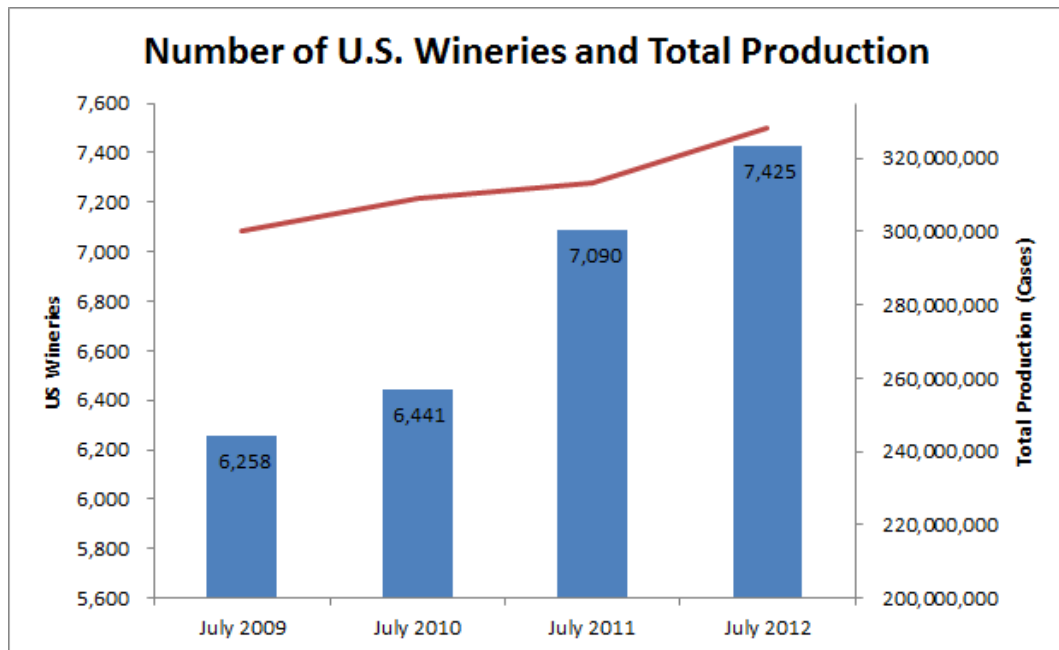
Export of wine in USA is constantly increasing, thanks to high-end Italian products, culture, European funding (ocmvino.it).

An alphabetization in the wine sector has been promoted by experts, associations and GDO representatives for years (ocmvino.it).

Knowledge of wine, also positively influences the involvement in wine purchasing and the final wine consumption increase.

The majority of USA wine consumption is of domestically produced wine, mainly from California, while Washington and Oregon wines are strong competitors in terms of quality. E&J Gallo winery is the leading American company within US wine market with a 24% total volume share in 2016 (Euromonitor International, 2017).

Figure 11: USA wine production



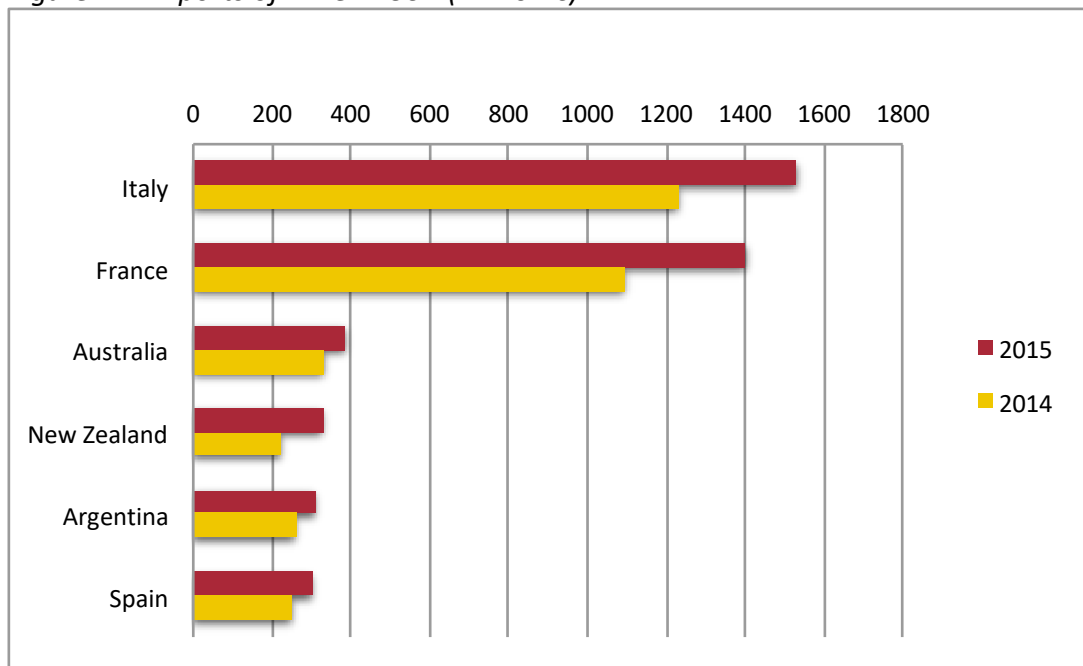
Source: Winesandvines.com

Sparkling wine is the fastest growing category within wine for four years, till 2016, advancing by 10% in total volume terms, mainly thanks to Prosecco.

Italy and France are the two largest sources of still table wine imports in total value terms (2015). Australia is the second biggest wine exporter in terms of volume, behind Italy, but with very low price comparing to Italian, and mainly to French wines (Euromonitor International, 2017).

Italy is the first USA wine supplier: in 2015 sells were above 1,65 billion €, with a 32,4% share. USA is the first Italian export market, with a 25% of our total export, even if the average prices are still low (ocmvino.it).

Figure 12: Imports of wine in USA (Million €)



Source: Ocmvino.it

France is the second supplier in volume and value, but their average price is significantly higher than Italian wines wine, with 5,84€ against 2,89€ (Ocmvino.it).

There is a growing interest for high-quality wines: the segment of wine sold at more than 20\$ per bottle is growing by 12% per year.

The 34% of young customers (less than 40 years old) frequently buy Italian wine, preferring mid-range wines with a starting price of 12\$ per bottle, with average prices significantly lower than the France wines average. There is, moreover, a high competition due to South-America and South-Africa wines that do not suffer the exchange rate fluctuations (agi.it).

To better compete in the USA market, Italian producers should enhance the inner value of their products, highlighting their brands and more in depth understand the American culture and consumer behaviour (agi.it).

3.11 JAPAN

Japan is the second country in which Soave Consortium does a communication strategy. It is almost the only white PDO wine from Veneto region sold in this country (Istat). Japan population reached 127 million in 2016, with a constant aging of the population, caused by the longest expected life-time and by a low natality rate (World Bank).

Wine recorded a total volume decline of 1% in 2016, with 888 million litres of wine sales. Sparkling wine is the best wine category, with a total volume growth of 3% in 2016, making it the strongest wine category, thanks mainly to a very strong performance of Champagne and New World sparkling wines from countries like Chile and Australia. Wine sales are expected to slightly decrease in the next years (Euromonitor International, 2017).

Chile is the leading country for wine export in Japan in 2016, followed by France and Italy. This is largely caused by the rising sales of Chilean wine following the signing of a free trade agreement between Japan and Chile in 2007 (Euromonitor International, 2017).

Japan wine consumers have various common characteristics, that are:

- Passion for Italian or Mediterranean Cuisine,
- Interest for new tendencies and international journeys,
- Focus on health aspects,
- Frequent purchase of food in the great distribution (Soave Report).

Food and wine purchasing is done in a more conscious purchasing way in metropolis and big cities rather than in small villages, where the main problems are:

- Low culinary combination of food and wine education,

- A few sales channels,
- Severe controls and fees for driving in drunkenness cause lower alcohol intake because the car is the main conveyance. In metropolis, there is lower deterrence because people use more the train and the metropolitan,
- Low local promotion (Soave Report).

New consumers have also difficulty to open, finish or conserve the bottles, because wine is not common in Japanese culture. Furthermore, they cannot choose the wine just looking at the label, that have usually just partial information (Soave report).

The consumer demand is also influenced by the GDP and inflation, which have direct effects in the perceived price of wine.

Other parameters that have been considered in this study are the number of:

- Italians living in Japan,
- Annual tourists,
- Italian annual tourists,
- Total tourist expense,

The number of Italians living in Japan has a direct effect on wine sells: Italian way of living includes wine consumption, and furthermore can influence Japanese by teaching how to appreciate wine drinking during meals or as appetizers.

In the same way Italian annual tourists, which are even more influenced by their Mediterranean lifestyle (Soave report).

3.11.1 THE COMMUNICATION ACTIVITY: "SOAVE BY THE GLASS"

To consolidate the Soave market in Japan, the Consortium of Soave set a communication strategy called "Soave by the Glass". It consists in restaurants that participate to the event by buying Soave from the importer. At the end, it will receive a gift pack with promotional material from the Consortium with 12 glasses and a map that illustrate the land of Soave, its producers and the characteristics of the wines. The event finishes after one months, and the two restaurants with the highest sells will win a free journey in Soave (ilSoave.com). The event is followed by a tasting called "walk around tasting", were every producer could propose a tasting session with the entire range of products they produce.

This event could be a very nice opportunity for wineries that are not yet on the Japanese market, and which have the possibility to meet selected buyers with a series of targeted encounters.

In 2017 the event counted 250 restaurants and wine clubs, spread on the Japanese country, with fifteen wineries that will participate.

3.12 ANALYSIS OF SOAVE COMPETITORS AND FORECAST

The consumption of wine is slightly increasing, and is expected to grow until 2018. The global wine consumption is attempted to reach almost thirty-two billion bottles of production. The most sold wines will be the sparklings, with an annual growth of one and a half percent. United Kingdom and Germany export will remain stable, thanks to Charmat-method sparkling wines. The global still wine markets, for both reds and whites, is mature, with 8,0 billion bottles sold for whites and 12,0 billion bottles sold for reds (Crosato and Micelli, 2015).

The chosen main competitors are Pinot Grigio, a new DOC since 2017, with an increasing and very high annual production, it is an inexpensive wine with a lot of popularity inside and outside of Italy. It has a very high production of grapes per hectares, around 160 quintals (16,0 tons), and for these reasons, high yield and low-cost production, it is a fierce competitor of Soave. The second one is Prosecco, which differs from Soave because it is a sparkling wine, but that is an alternative also of the still white wine both inside Italy, as substitute for the happy hours for examples, and outside Italy, seen as a good quality Italian wine, such as Soave.

Also, other wines could be considered competitors of Soave, but those two are the main one since they are produced in Veneto region, their production is high and with an increasing trend, and a similar price as Soave.

3.12.1 PINOT GRIGIO

Italian wine production has been slightly decreasing for years, but there still are some productions which are showing an opposite trend of growth. One example is the case of Pinot Grigio.

From 6.000 cultivated hectares in 2000 to the actual 24.000, this wine is expanding its market, with a strong competition with other Italian white wines, especially the ones from north-east Italy like Soave.

A new DOC was instituted in 2017, with the aim to distinguish it from the other PGI whites from Veneto and follow the success of Prosecco DOC (vinix.com).

The production in the "Triveneto" area (Veneto, Friuli Venezia Giulia, Trentino) represents the 85% of the national total production, and the 43% of the world total production.

Pinot Grigio is the fourth variety in Italy in terms of volumes, with a growth of 144% in the last five years (uiv.it).

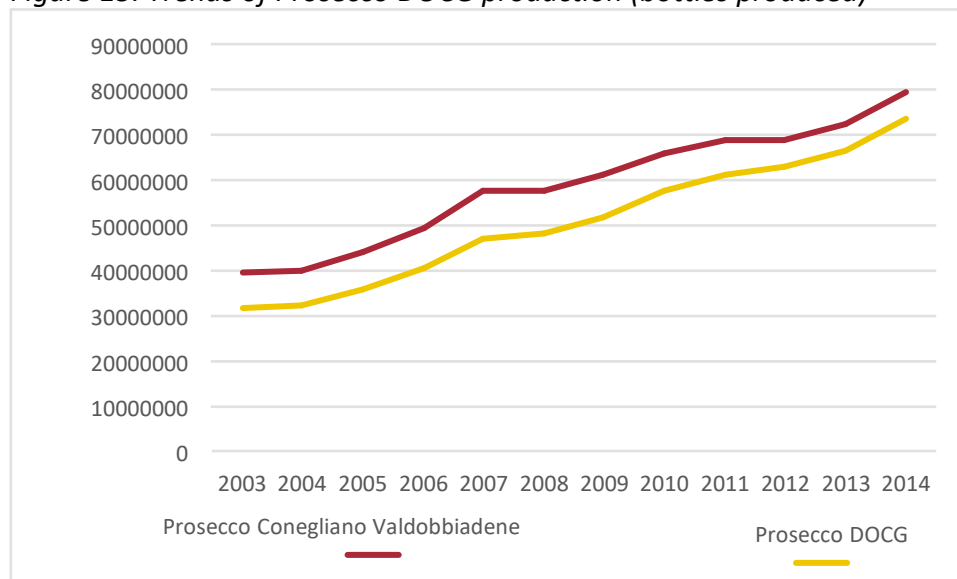
The potential production is two million hectolitres of wine each year (enotrend.it), in this way the Italian production could cover around 43% of the Pinot Grigio globally produced (Cronachedigusto.it).

3.12.2 PROSECCO

The Consorzio di Tutela del Conegliano Valdobbiadene is an association born in 1962, almost all the producers are associated. It was recognized in 2003 the best district of Italian Sparkling wines.

The wineries were 3.243 in 2014, with an overall vineyard surface of 6.861 hectares. In the same year, the production of Conegliano Valdobbiadene DOCG was 605.520 hectolitres (Prosecco.it)

Figure 13: Trends of Prosecco DOCG production (bottles produced)



Source: Prosecco.it

Prosecco covers more than the 50% of Italian export of sparkling wine.

The main destination is United Kingdom, that generates revenues of 57,0 million euro, followed by United States of America with revenues of around 42,0 million euro and Germany (uiv.it).

The annual revenues of Prosecco wine are more than 2,5 billion euro, with 13.500 producers, with an annual growth around 15-20%.

Prosecco wine is very appreciated by the Anglo-Saxon world and consumers are mainly young people (ilsole24ore.com).

4 METHODOLOGY

The methodologies that have been used are the linear regression method and the pool-regression method that will be explained later.

An analysis of the problems that these methodologies could cause follows this explanation.

The calculus has been made on Microsoft Excel and Shazam programs.

4.1 NOTIONS ABOUT MULTIVARIATE-LINEAR REGRESSION THEORY

Multivariate-linear regression theory, widely applied in literature, is the statistical model also applied in this study to analyse the impact of the European funds on sales. It consists in modelling the relation between a dependent variable y and n independent variables x_i , searching the linear combination of the letter that leads the lowest y estimation error. Some tests of the data utilization are needed to guarantee the acceptability of the conclusions, by submitting to determined hypothesis and using the statistical significance of the results.

The assumed model for general cases with n independent variables is the following:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_n x_n + \varepsilon$$

Every β_i parameter quantifies a certain characteristic of the studied population correlated to the x_i variable, while β_0 is the intercept of the regression hyperplane with the origin plane. The term ε is a casual variable that quantifies the prevision error, and that makes the stochastic model. Since the results of

the regression are considerable perfectly assumable, the original data should present a linear trend, and the error should be independently and in the same way distributed, following an average normal distribution:

$$\varepsilon \sim i.i.d. \mathcal{N}(0, \sigma^2)$$

Hence, the expected value of the error is assumed to be null ($E(\varepsilon) = 0$) and that neither homo-schedasticity data phenomena nor correlation between error and independent variables can be found. In most of the cases, especially for economic analysis, this hypothesis is violated, but the introduced distortion has an effect mainly on the standard error and not on the estimation of the β_i coefficient.

To evaluate if the error can be approximated to the needed one, an analysis of the residues may be done, that are the differences between the predicted values from the model and the real values.

Accepting the error hypothesis, the attended y value linked to the x can be easily obtained:

$$E(y|x) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_n x_n$$

β_i coefficients are not known. To obtain a measure a linear combination of estimators of β_i an independent variables x should be set:

$$\hat{y} = b_0 + b_1 x_1 + b_2 x_2 + \dots + b_n x_n$$

\hat{y} is an estimation of y . The next step is the minimization of the error through pre-determined criteria. The most common one is the one of the least squares: b_i coefficients are obtained, estimators of β_i , which return the sum of the lowest average quadratic errors:

$$\min \sum_i (y_i - \hat{y}_i)^2$$

\hat{y} is a function of b_i . The obtained coefficients represent the relation between the dependent variable and the independent variable associated with them: if

they are positive, the relation is positive and vice versa. If the result is null, the two variables are independent.

To evaluate how much part of the variability of the data is explained by the regression the Determination coefficient, R^2 is used. It varies between 0, data are not explained, and 1, the entire variability is explained, and it is calculated as:

$$R^2 = \frac{ESS}{TSS} = 1 - \left(\frac{RSS}{TSS} \right)$$

Where:

- $ESS = \sum(\hat{y}_i - \bar{y})^2$ is the deviance explained by the model,
- $TSS = \sum(y_i - \bar{y})^2$ is the total deviance,
- $ESS = \sum(y_i - \hat{y}_i)^2$ is the total deviance,
- y_i are the observed data,
- \bar{y} is the average of the observed data,
- \hat{y}_i are the estimated data by the regression.

For the construction, R^2 increases with the number of regressors, but that does not mean that the model explains the phenomena. A new measure which keeps under control the number of used regressors is needed, penalizing the more complex models with the same number of observation: the adjusted R^2 .

It is defined as $R_a^2 = 1 - (1 - R^2) \left(\frac{n-1}{n-k-1} \right)$, where k is the number of regressors and n the number of observations. In this way, the coefficient of the second bracket approaches the unit when independent variables keep a low number, while with their increase the R_a^2 value diverges more and more from the value of R^2 .

It is often necessary to verify the relation between variables that are not easily showable as numbers, like the degree of a person, or that cannot be quantifiable, like the way of purchasing of something.

To represent those characteristics in a regressive model, dummy variables should be introduced. They assume binary value and permit to show the presence of a certain attribute according to a data of observation:

$$d_i = \begin{cases} 0 & \text{the attribute is absent} \\ 1 & \text{the attribute is present} \end{cases}$$

Those variables are introducing in the model some differentials which permits to interpolate the data with different lines according to the category belonging to the various observations.

Here is an example of single-variable regression with values in \mathbb{R} a dummy with values in $\{0,1\}$, the result of which are generalized to n variables and k dummy.

- Use of dummies to modify the intercept of the interpolating line for two data classes:

$$E(y) = \beta_0 + \beta_1 x_1 + \beta_2 d_i$$

$$E(y|d_i = 0) = \beta_0 + \beta_1 x_1 + \beta_2(0) = \beta_0 + \beta_1 x_1$$

$$E(y|d_i = 1) = \beta_0 + \beta_1 x_1 + \beta_2(1) = (\beta_0 + \beta_2) + \beta_1 x_1$$

- Use of dummies to modify the angular coefficient of the interpolating line for two data classes:

$$E(y) = \beta_0 + \beta_1 x_1 + \beta_2 (x_1 * d_i)$$

$$E(y|d_i = 0) = \beta_0 + \beta_1 x_1 + \beta_2 (x_1 * 0) = \beta_0 + \beta_1 x_1$$

$$E(y|d_i = 1) = \beta_0 + \beta_1 x_1 + \beta_2 (x_1 * 1) = \beta_0 + (\beta_1 + \beta_2) x_1$$

- Use of dummies to modify both the angular coefficient and interpolation of the interpolating line for two data classes:

$$E(y) = \beta_0 + \beta_1 x_1 + \beta_2 d_i + \beta_3 (x_1 * d_i)$$

The interpretation of the parameters in this most general case is as follows:

β_0 : intercept in the case $d_i = 0$

β_1 : angular coefficient in the case $d_i = 0$

β_2 : variation of the intercept in the case $d_i = 1$

β_3 : variation of the angular coefficient in the case $d_i = 1$.

Once the results are obtained, it is necessary to test the statistical significance of the relation between the dependent variable and the independent variable of the model. This happens with a test that verifies if a certain hypothesis, given a distribution of events which depends on the kind of test that is done, is inside or not a priority interval previously decided.

The test F is one of the most used, based on the comparison of the variances of two normally distributed populations. If the two populations have the same variance, the aleatory variable $F = \frac{S_x^2}{S_y^2}$ Follows the distribution of Fisher-Snedecor F (n-1, m-1) where n and m are the of the two samples. This means to compare a measure of the population with the errors produced by the regression to a measure of the errors without a regression. If the prevision is not statistically different for a value of probability predetermined or 1%) from the absence of correlation, it is accepted the hypothesis of non-correlation ($H_0: \beta_i = 0$), and the test fails. That means that the result is not acceptable and it is assumable an absence of correlation. There are a lot of tests for the significance of the data, that is necessary to evaluate both to the level of the entire regression (Hypothesis $H_0: \beta_i = 0 \forall i$) and the level of single variables (Hypothesis $H_0: \beta_i = 0$).

4.2 REGRESSION METHODOLOGY LIMITS

The regression method is an easy and fast way to understand if some data series are in some way correlated or not. This is the reason why it has been used to compare the sales value with the funding, the per-capita GDP, the price, the population, the export and the consumption of wine. The main limit for this research is the low amount of available data: just twelve for each country. This problem cannot be overcome, because there is just one data per year and the CMO reform is recent. For this reason, after the linear regression a pool regression was done, to have a longer data series and more accurate results.

4.3 DATA SAMPLE POOLING

The pooling of the data is used for many kinds of data analysis, especially for the practice of meta-analysis. With simple pooling, there is a combination of data from individual studies or different subgroups into a summary effect, without weighting. In this way, the analyst acts as if the data comes from a single sample, ignoring potentially important subgroup characteristics.

In the context of correlation analysis, pooling can generate effects that do not exactly exist or can obscure effects that do exist within the subgroups.

The pooled values are mixtures or weighted averages of the subgroup or study values (Blyth, 1972; Good & Mittal, 1987; Mittal, 1991):

$$\frac{n_{11} + n_{21}}{n_1 + n_2} = \alpha \frac{n_{11}}{n_1} + (1 - \alpha) \frac{n_{21}}{n_2},$$

$$\frac{m_{11} + m_{21}}{m_1 + m_2} = \beta \frac{m_{11}}{m_1} + (1 - \beta) \frac{m_{21}}{m_2},$$

where $\alpha = \frac{n_1}{n_1 + n_2}, \beta = \frac{m_1}{m_1 + m_2},$

And α and β are respectively the weights for the experimental and control groups. In simple pooling α and β differ, and here lies the source of the pooling problem with the Simpson's paradox.

Simpson's paradox has been described in different ways. The following is explained by Blyth (1972), whom showed that if for two events, A and B, the conditional probabilities satisfy, $P[A|B] \leq P[A|\bar{B}]$, where \bar{B} is the complement of B, then it is possible with the addition of a new event C that $P[A|B \& C] \geq P[A|\bar{B} \& C]$ and $P[A|B \& C] \geq P[A|\bar{B} \& C]$. This is not a contradiction and shows that the introduction of an additional characteristic reverses our expectation (Bravata et al., 2001).

4.4 GINI INDEX

Gini index is a statistical measure developed by the Italian statistician Corrado Gini in 1912. It is a measure of distribution, often used as a gauge of economic inequality, that measures income distribution or other parameters like the wealth distribution among the population.

The coefficient ranges from 0 to 1: 0 represents perfect equality while 1 represents perfect inequality. A country in which every resident has the same income would have an income Gini coefficient of 0. A country in which one resident earned all the income, while everyone else earned nothing, would have an income Gini coefficient of 1.

The analysis on wealth distribution (wealth Gini coefficient) is more difficult to use because this is more difficult to measure. It is usually higher than the Gini income value.

It is important not to exchange it as an absolute measurement: the same Gini index can refer to different countries that have different income: for example, in 2014 Turkey and USA both had the same Gini coefficient (0,39) while USA GDP per capita was more than double than Turkey one (Investopedia.com).

4.4.1 SHORTCOMINGS

Gini index is a useful instrument to measure economic inequality, but it has some shortcomings: the metric accuracy is dependent on reliable GDP and income data. Shadow economies and informal economic activity tends to be very important for developing countries, and this cannot be measured within the Gini index.

Another problem is that different income distribution may result in identical Gini coefficients (Investopedia.com).

5 RESULTS

In this chapter each result will be showed with a short discussion. Each country has been analysed alone first, with a final pool-regression with data from the four countries taken into consideration, to have a multiplicative effect on the number of data used.

5.1 DATA

The main data needed come from the ISTAT website (coeweb.istat.it), where were downloaded data from 2005 to 2016 about white wines produced in Veneto region in containers of less than 2 litres volume, alcohol content lower than 15%, PDO, sparkling wines excluded.

The percentage of Soave of this category is very high, from the 70% of Switzerland till to the 93% of United States and 97% of Japan.

This percentage is stable among different years, so it is assumable that the trend of DOP white wines from Veneto reflects the export trend of Soave wine. The data will so be treated as Soave value and quantity, not considering the percentage previously indicated.

The data are about volumes and values exported per each country.

The expense for promotion in third countries were collected directly through the consortium. Those regards three countries: Canada (just for the year 2009/2010), Japan and United States of America.

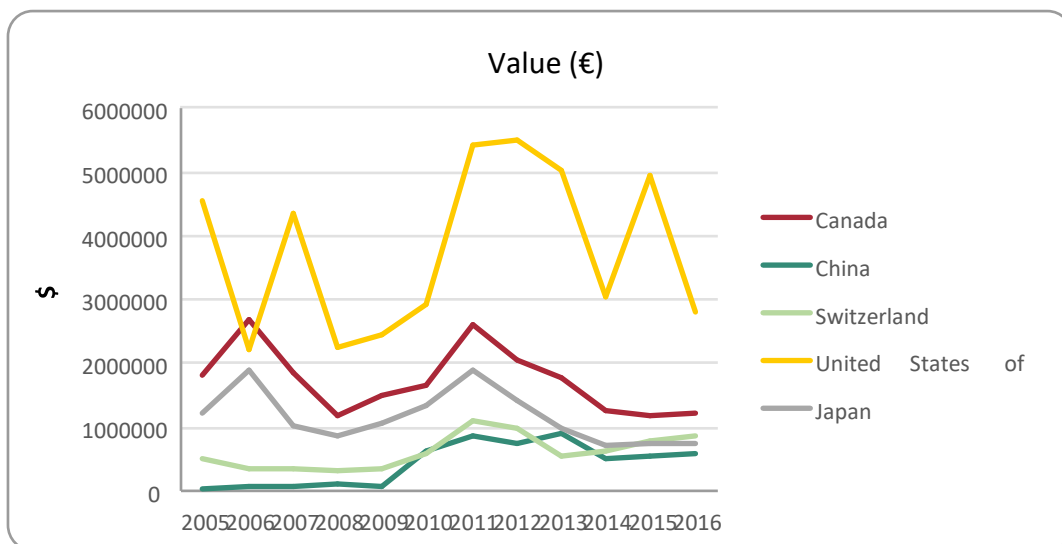
The data analysis is restricted to these three countries plus China and Switzerland, the other have been discarded due trough very low quantities or because they are inside the European Union.

Other considered data are the per-capita GDP and the average per-capita consumption of wine per country.

5.2 FIRST OBSERVATIONS

A first observation of the trend of sales in those five countries showed an interesting situation:

Figure 14: Trend of white from Veneto export



Source: Istat

It may be easily noticed that United States of America (USA) is the most important country for Soave export. The other four countries have a similar share of the market between each other and a similar trend through the last

decade, signing that part of the production has been destined to those countries for a long period, and that their market is stable.

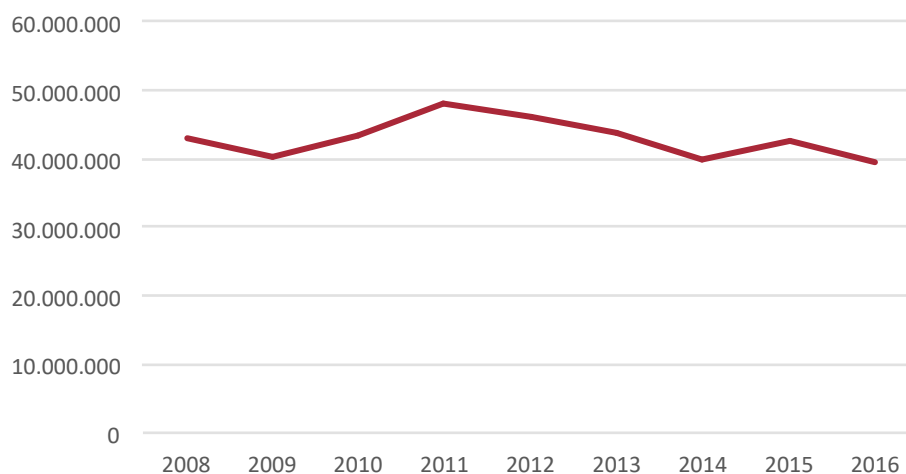
On the contrary, USA import of Soave shows a lot of picks, with a lot of instability year by year.

Giving the fact that the funds for wine export started around 2009-2010 for Japan and USA (Canada just in 2009/2010), this graph gives the impression that they have not influenced the sales in those countries.

5.2.1 EXPORT

Since CMO reform was done in 2008, the analysis of export trends starts in this year. Soave covers almost 80% of the total white PDO wine from Veneto.

Figure 15: White PDO wine from Veneto Export (Litres)



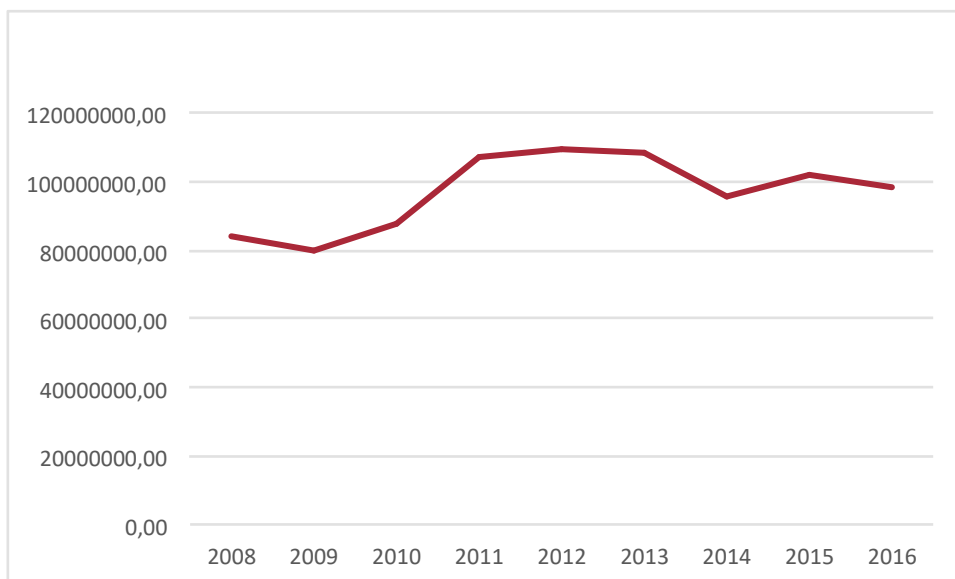
Source: Istat

The trend of export in terms of quantities is slightly decreasing in the period before-after CMO reform. This figure shows the overall export of Soave, not just the countries interested by wine communication strategies.

It may be easily noticed that the export is quite stable, though it is slightly decreased (by 9%) considering 2016 and 2008 years.

In terms of value the situation is different, as can be noticed in the next figure:

Figure 16: White PDO wine from Veneto export (Euro)



Source: Istat

Figure 16 shows that the trend is a gained value each year, even though with a not constant time course.

Comparing 2016 with 2008, white wine from Veneto has increased its overall value by gained 17%.

5.3 DATA ANALYSIS: REGRESSION

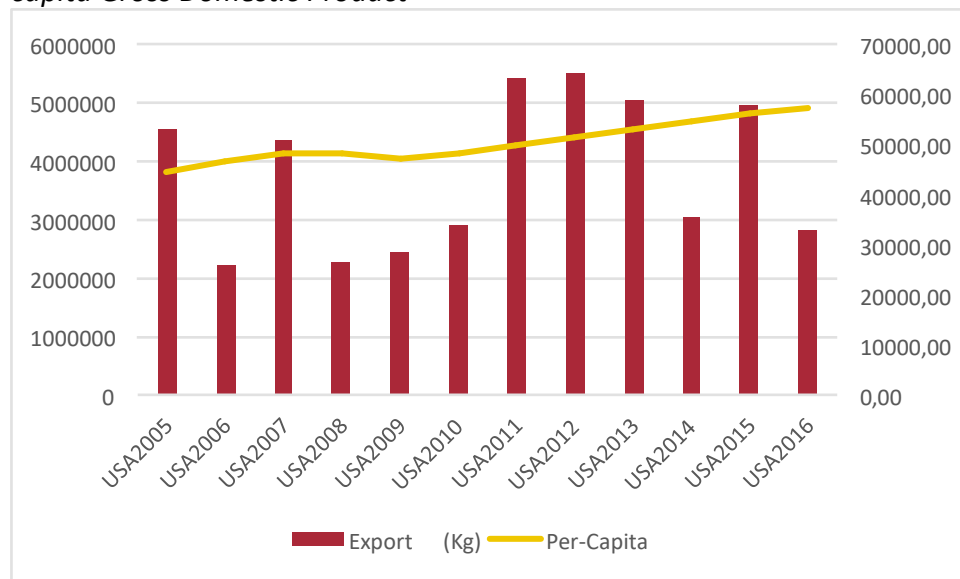
The methodology used to analyse if the funds have been useful to increase the sales is the regression. The data analysed start from year 2005, not just from year 2008. This was done to have a comparison between the pre-CMO period and the post-CMO period.

Every regression has been made on the logarithm, to see the relations in percentage terms, and so to check the elasticity of each dependent variable instead of a linear relation.

5.3.1 USA

USA scenario is the following:

Figure 17: Trend of PDO white from Veneto region export in USA and USA per-capita Gross Domestic Product



Source: Istat

Figure 18: Other USA Indexes



Source: Istat

Data used are divided by year, from 2005 to 2016.

The export per year of PDO white wine from Veneto (Soave represents the 93% of it) has been used as independent variable.

The per-capita Gross Domestic Product (GDP) has a direct influence on the perceived price of a bottle of wine: an increase in its value should be directly correlated with the sales value.

The promotion expense is the total amount of money spent for the communication in the selected country, its value should be correlated with the sales value.

The population should be directly correlated with the export.

The price, calculated as a ratio between value and quantities exported, is put inside the regression to verify how it changes the consumer behaviour.

The per-capita consumption is stable for every country regarding this work, so it should not be correlated with changes on the sales.

Table 4: USA Regression Results

R-SQUARE		0.5661					
R-SQUARE ADJUSTED		0.2046					
VARIABLE	ESTIMATED	STANDARD	T-RATIO		PARTIAL	STANDARDIZED	ELASTICITY
NAME	COEFFICIENT	ERROR	6 DF	P-VALUE	CORRECT	COEFFICIENT	AT MEANS
LN GDP	4,2137	16.99	0.2479	0.812	0.101	0.9586	3,0226
LN PRI	0.97895	1.153	0.8491	0.428	0.328	0.3812	0.0767
LN PRO	0.87520E-01	0.7861E-01	1.113	0.308	0.414	1,5523	0.0494
LN CON	10.563	12.96	0.8154	0.446	0.316	0.9677	1,7103
LN POP	-36.867	54.57	-0.6756	0.524	0.266	-2,861	-11,3597
CONSTANT	113.19	96.18	1.177	0.284	0.433	0.0000	7,5007

As the table 4 shows, there is no significance at all for every value (p-value): if this value is than 0.05 the data is not valuable due to too low statistical significance.

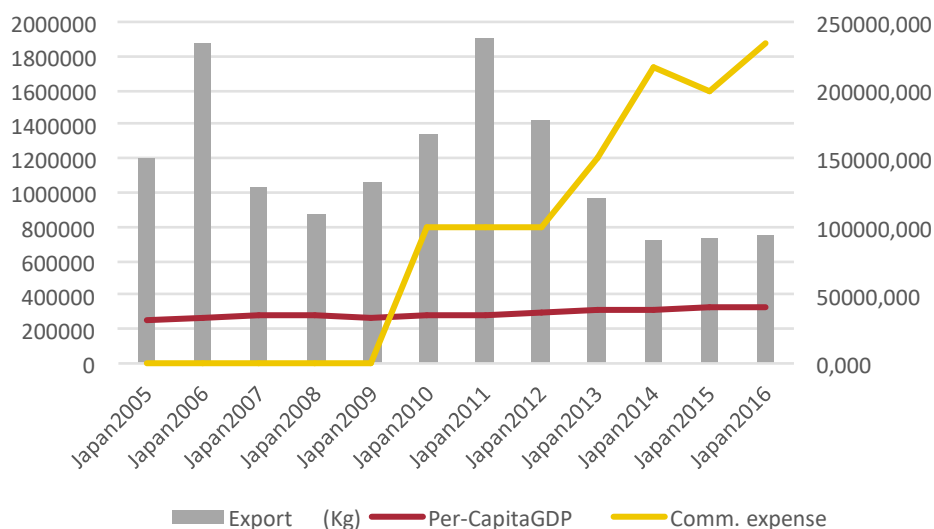
5.3.2 Japan

The situation for Japan is not different: the data appear to be uncorrelated with the funds already just by looking at the figure 2, after a peak in 2012, the trend appears to be a slight gradual decline.

Soave consortium started to spend for marketing communication in Japan one year later than in USA, in 2010.

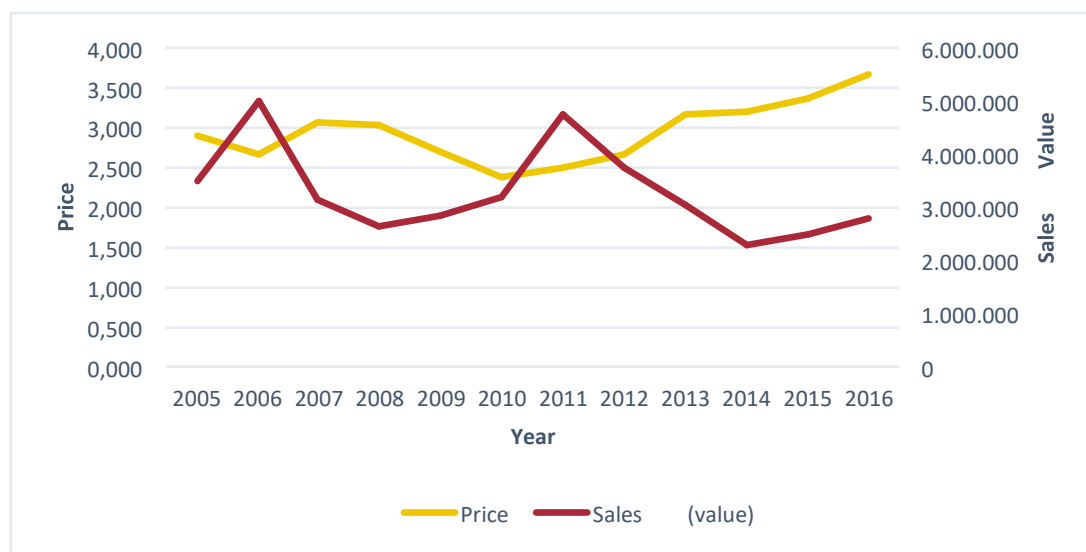
This does not affect in some way the trends: the use of wine marketing and communication strategies seems to have no effects on the sales.

Figure 19: Trend of PDO white from Veneto region export to Japan and Japan per-capita Gross Domestic Product



Source: Istat

Figure 20: Japan Price and Sales trends



Source: Istat

The price is slightly increasing, while the sales value has not a constant trend.
The results of the regression confirm those hypothesis:

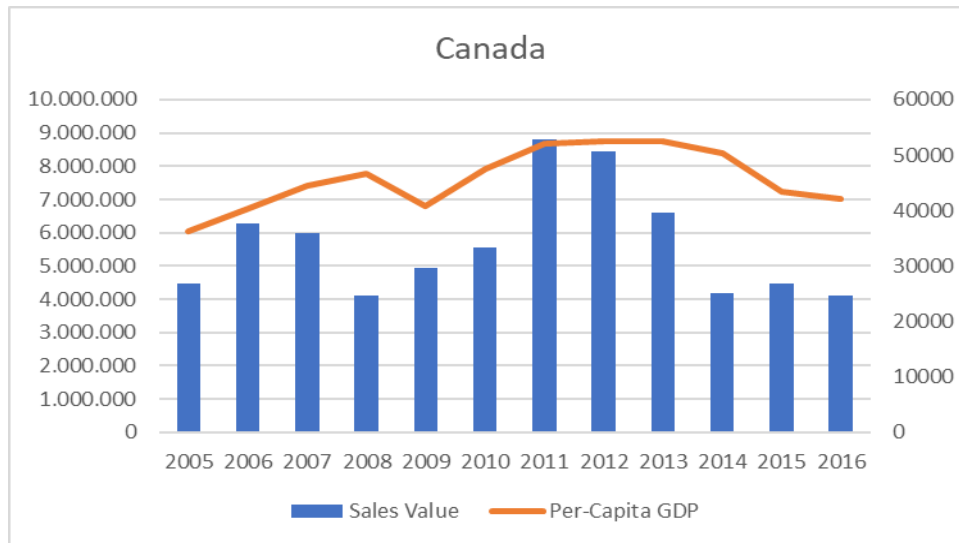
Table 6: Japan Regression Results

R-SQUARE		0.7526					
R-SQUARE ADJUSTED		0.5464					
VARIABLE	ESTIMATED	STANDARD	T-RATIO		PARTIAL	STANDARDIZED	ELASTICITY
NAME	COEFFICIENT	ERROR	6 DF	P-VALUE	CORRECT	COEFFICIENT	AT MEANS
LN GDP	-0.45610E-	3.437	-0.1327E-	0.990	0,005	-0.0118	-0,034
LN PRI	10.067	68.86	0.1462	0.889	0.060	3,794	0.7737
LN PRO	-0.25839E-	0.4714E-01	-0.5482	0,603	0.218	-0.4689	-0.0129
LN CON	-13.557	69.10	-0.1962	0.851	0,08	-5,095	-1,042
LN POP	-66.983	61.34	-1.092	0.317	0,407	-0.7359	-22,170
CONSTANT	326.67	278.8	1.172	0.286	0.431	0.0000	23,486

In the Japan case, no value has statistical significance (everyone is higher than 0.05).

5.3.3 CANADA

Figure 11: Canada GDP and Sales value



Source: Istat

In the Canada case, the communication expense is concentrated in the year 2009/2010, and the trends of per-capita GDP and sales value appear to be correlated.

In 2008 a negative peak for PDO white wines from Veneto (Soave covers the 80% of it), is followed by the year 2009 that shows a slight increase in sales value, together with a negative peak of the per-capita GDP. In this year, the consortium used the European funding for wine communication, that, apparently, had a strong effect on sales: year 2011 is the positive peak for sales value.

A regression has been done, to understand if some variables are correlated in some way with the export.

Table 8: Canada regression results

R-SQUARE		0,5225					
R-SQUARE ADJUSTED		0,2497					
VARIABLE	ESTIMATED	STANDARD	T-RATIO		PARTIAL	STANDARDIZED	ELASTICITY
NAME	COEFFICIENT	ERROR	6 DF	P-VALUE	CORRECT	COEFFICIENT	AT MEANS
LNGDP	1,8329	0.9047	2.026	0.082	0.608	0.7588	1,3724
LNPRI	13.553	123.7	0.1096	0.916	0.041	7,6258	1,1266
LNCON	-14.675	123.0	-0.1193	0.908	0.045	-8,2831	-1,2198
LNPOP	-3,0708	3.250	-0.9448	0.376	0.336	-0.4085	-0.9994
CONSTANT	10.316	17.02	0.6060	0.564	0.223	0.0000	0.7202

Canada shows no difference from the other countries: no significance for every value, export seems to be totally uncorrelated with the variables.

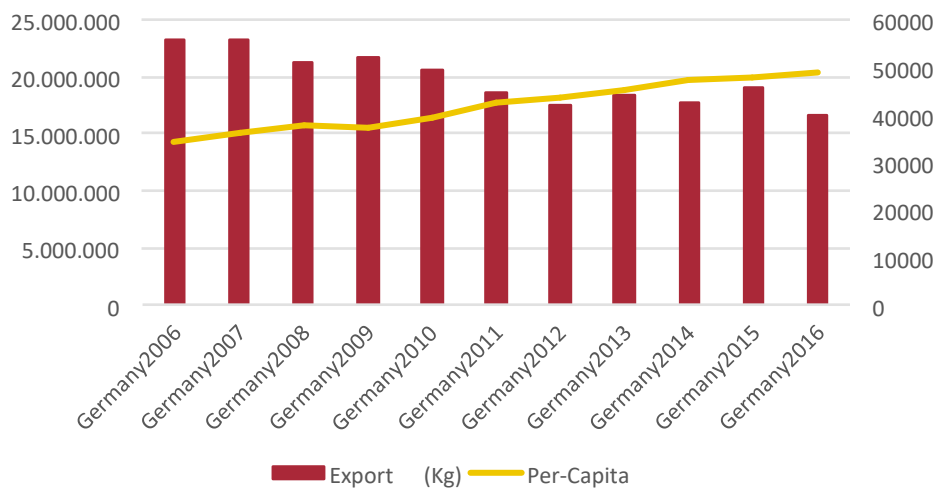
5.3.4 GERMANY

An analysis has been made also for Germany, one of the most important European country in terms of wine export.

This country analysis works as benchmark, because the export there is strong and communication activities have not been made.

The total wine volume sales are stable, with a 1% decline in 2016, but very high, with 2,0 billion litres sold each year.

Figure 21: Trend of PDO white from Veneto region export to Germany and Germany per-capita Gross Domestic Product



Source: Istat

Table 10: Germany regression results

R-SQUARE	0,9570
R-SQUARE ADJUSTED	0,9324

VARIABLE NAME	ESTIMATED COEFFICIENT	STANDARD ERROR	T-RATIO	P-VALUE	PARTIAL CORRECT	STANDARDIZED COEFFICIENT	ELASTICITY AT MEANS
LNGDP	0.28156	0.4213	0.6683	0.525	0.245	0.3031	0.1777
LNPRI	-12.605	8.413	-1.498	0.178	0.493	-14,3943	-0.4728
LNCON	11.584	8.186	1.415	0.200	0.472	13,2761	0.4346
LNPOP	3,9605	1.379	2.871	0.024	0.735	0.3184	1,0823
CONSTANT	-3,7295	9.623	-0.3876	0.710	0.145	0.0000	-0.2218

In this case, R^2 is very high, and the population is correlated with the export: if the population increases, also the export increases.

5.4 POOL REGRESSIONS

The regressions divided by country have not been successful: this is due to the low amount of data used (just 12 years) and too high dispersion.

To overcome this problem, pool regressions have been done to understand if it is true that the chosen variables have no effects on Soave export.

This choice helped to have more data.

5.4.1 USA AND JAPAN POOL REGRESSION

Table 11: USA and Japan regression results

BUSE 1973 R-SQUARE				0,8505			
BUSE RAW-MOMENT R-SQUARE				0,9141			
VARIABLE NAME	ESTIMATED COEFFICIENT	STANDARD ERROR	T-RATIO	P-VALUE	PARTIAL CORRECT	STANDARDIZED COEFFICIENT	ELASTICITY AT MEANS
LNGDP	-6,0923	1.807	-3.371	0.001	0.612	-1,6468	-4,4791
LNPRI	-1,2755	0.5408	-2.359	0.018	0.476	-0.2623	-0.0990
LNCON	2,1164	0.4473	4.732	0.000	0.735	2,1646	0.2563
LNPRO	-0.95670E-	0.1985E-01	-0.4819	0.630	0.110	-0.0848	-0.0051
LNPOP	8,8167	3.491	2.526	0.012	0.501	0.3871	2,8133

In this case, promotion is not significant, while instead significant are consumption and population.

An increase of wine consumption and of the population are positively correlated with the export.

5.4.2 FOUR COUNTRIES POOL-REGRESSION: USA, JAPAN, CANADA, GERMANY

This regression should work well, because this choice has a multiplicative effect on the number of data: in this way there are 48 data analysed together.

Table 12: four countries pool-regression

R-SQUARE		0,8502					
VARIABLE	ESTIMATED	STANDARD	T-RATIO		PARTIAL	STANDARDIZED	ELASTICITY
NAME	COEFFICIENT	ERROR	39 DF	P-VALUE	CORRECT	COEFFICIENT	AT MEANS
LNGDP	2,9173	0,5507	5,297	0	0,647	0,4109	2,0693
LNPRI	-4,7481	0,3215	-14,77	0	0,921	-1,1078	-0,3215
LNCON	0,51699	0,1764	2,931	0,006	0,425	0,3088	0,0459
LNPRO	-4,9484E-02	1,553E-02	-3,187	0,003	0,455	-0,2479	-0,0127
LNPOP	-1,2755	2,033	-0,6275	0,534	0,1	-0,0411	-0,3926

This regression emphasises the variability of the export with respect the independent variables, considering the effect of the promotion by comparing countries where promotion is made with countries where promotion is not.

In this case every independent variable is significant apart for the population one.

GDP is directly correlated with export: this is reasonable, given the fact that a wealthier population can spend more for a certain good.

Price is instead negatively correlated with the export: an increase of the price normally causes a decrease of the export.

The consumption is directly correlated with export.

The promotion is negatively correlated with export: it seems that promotion caused a decrease of the export. This variable will be discussed in the next chapter.

Population is not correlated with the export.

6 CONCLUSIONS

The wine market has been expanding for years, becoming a global market, with an inversion of consuming countries: traditional wine consumption countries are showing a constant decrease, while new markets such as Japan, China, Hong Kong and USA are showing a good and sustained growth.

In this world of continuous development, the European Union created a significant initiative, called the Common Market Organisation (CMO), to regulate and stimulate the wine market. The activity considered in this thesis is the funding for third country communication, which has the aim to enhance exports to countries outside the European union, making European wine producers even more competitive against new-world wines.

Soave wine has always been a strong export-oriented production, and it is also the main player in the sector of PDO still white wines from Veneto. However, while sparkling wine is showing a strong and continuous growth, especially the low-priced ones produced with the Charmat method, the still whites market is mature and stable.

There are some cases which do not follow these trends. An example is Pinot Grigio, a still white wine produced in Veneto region, that has recently been awarded DOC status and its production has grown strongly in the last eighteen years. This could be an issue for other white wines, and mainly for Soave, because they both are produced in Veneto and, if the consumption of whites is stable, an increase of one type causes the decrease of another one.

The analysis of the effects of CMO reform has been made with the regression method, to check if changes in export volumes are in some way correlated with the funds coming from the European union for wine communication. The result was different than that expected, with the appearance that increased

communication budget is correlated with a decrease of exports to the analysed countries.

However, all data should be considered in a global view, looking at all the variables that can affect the analysis and considering how much a communication strategy may be effective, especially in such a short term.

First, it is possible that individual wineries were already making communication in those countries before the CMO initiative, and the fund could just be the replacement of the communication money previously spent by the individual wineries, indirectly reducing their costs and increasing margins. In this way, the effect of CMO funds is limited and does not change significantly the conditions of the communication activities before and after the initiative.

Furthermore, as said before, the market volume of still white wines is not growing, with a slight global decreasing in Soave wine export since 2005, while the competitors, mainly Pinot Grigio, are showing a trend of significant growth for years.

Another important aspect that should be considered is that communication does not always have an immediate effect, especially in the way it is done in the case of Soave: in USA the publications in wine journals and participation to fairs could be helpful to find new customers, but it is difficult to have immediate significant sales increases, due also to the high competition with, not only Italian wines previously described, but also to new and old-world wine producers. The communication strategy used, mainly in the case of Japan, has the characteristics of an Integrated Marketing Strategy, but still at the initial stage of consumer engagement: when Japan customer will see Soave as the most important Italian white wine, the efforts for this communication strategy may be reduced.

Moreover, the analysis that has been done considers the export in terms of quantities, which are decreasing also due to new consortium rules: during the

last years there has been a change of the disciplinary, imposing decreased maximum yields for Soave wine production, (from 15 to 12 tons/hectare for Soave, and from 14 to 11 tons/hectare for Classico and Colli Scaligeri) to enhance the quality of the final product. This causes an obvious reduction of the total production, that may also be correlated with decreased export. In addition, the overall price of Soave has been constantly increasing in the last years, so in some way the aim of the consortium to raise the value of Soave has been achieved. Indeed, the overall export has decreased by 9% from 2005 to 2016, but the value of the same period has increased by 17%, that means that there is a positive trend in which Soave is getting more and more appreciated in terms of quality.

Again, considering the situation of high competition and saturation of the still white wine market, it may be considered good to avoid a strong drop of the sales, but just keeping them approximately constant as it is happening.

Wine communication is not always easy to apply, and may be done in many ways. For example, wine cellar door tastings may be more effective in terms of bottles sold for the year in which it is done, but with lower guarantees for the years to come if it is not constantly done. Soave Consortium focuses on two different strategies, which may give different results both in terms of impact and stability. In the case of Japan, the impact may be not so effective, especially at the beginning because just a few people understand wine and the consumption is actually very low. However, the sales should increase each year, and the amount of important contacts that such communication strategy can give, should grant the achievement of stable sales for a long period of time. This is because restaurateurs are an indirect way of wine selling: they are the way in which Soave starts to be known in a country where Italian wine is not known at all. Furthermore, they know better how wine can be explained since

they are completely involved in Japanese culture, while an Italian native may not be so effective in the explanation of wine attributes.

In contrast this with, in the USA the participation to wine fairs and articles written in wine magazines and journals, are good ways to directly reach American customers. On the contrary, the restaurant strategy may not work at all in a culture that understands much better the world of wine, and furthermore where Italian restaurants are present almost everywhere, with a personalised wine cellar chosen and based on the kind of food proposed.

This is one of the most important principles for wine communication: it works better if differentiated for different cultures. One kind of wine communication strategy may indeed work well in a country and get the opposite result in another. For this reason, it is necessary to strongly analyse the habit trends and the culture of the country in which a producer or a Consortium wants to communicate its product. In this way, it is possible to get the best result with the lowest expense and reach different markets, profiting from the European framework of funds and incentives.

In my opinion, I consider positive the activities which have been promoted by the Consortium, especially the focus on quality with the decrement of the maximum yields, and the opening to a new market like Japan, where Soave is almost the only PDO Italian still white wine sold. However, I think that in the future the Consortium should better differentiate communication activities.

First, it has a high competitive advantage comparing with some of its main competitors: the Garganega, main vineyard used to produce Soave wine: the use of an autochthonous vineyard induces more interest to the customers than a wine produced in Italy with an international variety such as Pinot Grigio. Indeed, Pinot Grigio is produced in France, Italy, Australia, South America and other new-world countries producers, which make it more familiar to the

market but also less interesting than Garganega, vineyard used only to make Soave in Veneto region.

I also think that the communication strategies should be increased and be more targeted. In USA the promotion should be more variegated, for example with the proposal of new pairings with American or Italian foods, participation to wine fairs and interviews. Furthermore, there are many new-consumer countries in which the Consortium does not make communication, such as China, Australia, South America, the middle-East, where there is a wide potential for autochthonous Italian wines, that is nowadays mostly covered by other smarter producers, such as France ones.

Finally, the Consortium should keep the focus on quality. With a saturated market such the still white wines one, the only way to survive in the long term is to increase the value of the proposed product.

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