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# Brand and product building: the case of the Cyprus wine industry

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## Abstract

**Purpose** – This research aims to examine the importance of branding in the Cyprus wine industry. Further, it seeks to identify the wine-consumer perceptions and expectations as well as the main problems found in the industry.

**Design/methodology/approach** – Empirical data were collected by using secondary and primary data sources. Primary data sources included semi-structured interviews, focus groups and questionnaires with the key stakeholders in the industry.

**Findings** – This research examined consumers' perceptions about Cyprus wine and identified the problems and major challenges evident in the industry. On the basis of this knowledge, the researchers put forward some propositions towards building strong local brands.

**Research limitations/implications** – There are limitations associated with the data collection method used; survey questionnaire. Telephone interviews tend to generate information that reveals relationships and associations between variables and mainly provide information of what is happening rather than why it happens.

**Practical implications** – Based on the findings, this paper recommends to practitioners new ways for development and market penetration, and enables them to build their brand and improve their marketing practices in an increasingly competitive environment.

**Originality/value** – The paper reports on the findings of the first in its kind research study carried out in Cyprus in the wine sector. The findings that emerged set the foundation for helping the various stakeholders in the sector to contribute towards building strong brands to help them sustain the fierce competition from foreign brands.

**Keywords** Branding, Cyprus, Winemaking, Marketing strategy, Marketing

**Paper type** Research paper

**An executive summary for managers and executive readers can be found at the end of this article.**

## Introduction

A brand is a singular idea or concept that a product owns inside the mind of the prospect. It usually comes in the form of a name, term, sign, symbol or design, or a combination of them and is intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors (Keller, 2003).

It is widely accepted that the successful seller must surround his generic product with a cluster of value satisfaction. The seller must provide a total proposition; the content of which exceeds what comes out of the production line. Branding is particularly important as “people choose the brands in the same way they choose friends” (Vrontis, 1998, p. 81).

Branding is crucial in any industry, company or product. According to David Higgins, Brown Forman Beverages Worldwide Wine Group President, “in the wine business people do not understand the need to build brands. That will

become more and more of a problem among mid-size wineries” (Westling, 2001). However, it should be noted that branding is of paramount importance, as “strong brands ... continue to enjoy robust growth” (Appel, 2001, p. A1).

The success of a brand is the work of everyone in the organization. Building the brand is very important in the wine market where the consumer can be overwhelmed by too many choices. By having a strong brand a company can enjoy cost effective marketing campaigns, greater trade leverage, higher margins, ease of extending lines, stands out of competition and defense against price competition. These benefits come as a result of the brand becoming recognizable and established in the minds of the consumers and thus triggering recognition of the brand name and/or mark in a purchasing situation. Strong brands lead to strong companies, consumer loyalty and to an overall strong industry.

In international markets, the importance of branding in the wine industry is at a growing pace. For the first time in 2000, marketing's annual *UK Biggest Brand* report includes three wine brands among its top 20 growers (Marsh, 2001). It is therefore no surprise that marketing budgets in the category of brand building are increasing drastically. France, Italy and Spain are only a few of the countries that managed to develop strong brands. Countries with a developing wine industry like Greece, Chile and Argentina are focusing their attention in developing and sustaining recognizable and meaningful brands.

In Cyprus, no research has been carried out in order to shed light onto the importance of branding and its benefits to the wine industry. Through this research we seek to identify

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the wine-consumer perceptions and expectations as well as the main problems found in the Cyprus wine industry. The findings could then aid practitioners in the Cyprus wine industry in providing them valuable considerations and guidelines.

### The international wine industry: an overview

The European Union producers, predominantly, France, Italy and Spain, account for 62 per cent of world wine production, while the US wine production, is only 6 per cent, Australia 2 per cent and Chile 1 per cent. Although production has dropped from its peak in recent years, consumption has declined by 20 per cent since 1990. The world surplus still averages over 5 billion liters per year and is growing as a percentage of total production. Consumption has fallen sharply in most major wine producing countries in the last three decades. Of the total wine production, only 18 per cent is exported. The EU countries lead with France and Italy almost equal, accounting for 50 per cent of world exports. The USA has grown to 3 per cent and Chile and Australia are equal with a 2 per cent share each. Due to mergers, acquisitions, joint ventures and strategic investments, the world's top wine companies now control labels in countries all over the globe. As a result, consumers see (and drink) more and more wines from the USA, France, Australia, South Africa, Chile, Italy, Canada and many other countries (see [www.wine-pages.com/guests/contrib/nncyprus.htm](http://www.wine-pages.com/guests/contrib/nncyprus.htm)).

The internationalisation of wine companies is also significant and remarkable. As local and national corporations mature and their market growth slows or saturates, they increasingly look abroad to increase sales and earnings. They also look to mergers, acquisitions, joint ventures and other strategic arrangements as attractive ways to grow and penetrate in new markets. Because of economies of scale, a large corporation generally has access to cheaper costs of goods than smaller companies. Therefore, when a large wine company acquires a smaller winery, it can incorporate these cheaper costs into the winery's future operations. Other cost savings can come in the form of headcount reductions as overlapping sales or accounting positions are eliminated. Cost savings such as these increase the earning potential of the small winery over what it could have achieved independently. While often difficult to predict, revenue synergies typically dictate the ultimate success or failure of a merger or acquisition. Corporations achieve these types of synergies by leveraging the strength of an existing distribution network and sales team with a newly acquired brand (and vice versa).

Spreading sales across different countries and different product categories creates diversification and reduces business risk. Constellation Brands, for example, has carefully filled out its wine portfolio with brands ranging from the table wine category to the luxury category with distribution in both the on- and off-premise channels in both the USA and the United Kingdom. This minimizes business risk because no single product or geographic region is responsible for a majority of the company's revenues.

Expanding operations abroad also allows a corporation to take advantage of certain macro-economic factors such as exchange rates. One critical element of the Australians' recent market share gains in the USA relates to the fact that one US dollar has equated to about two Australian dollars for the last

several years. Simply speaking, the recent strength of the US dollar has made foreign products relatively less expensive to people in the USA and, conversely, US products relatively more expensive to the foreigners. This phenomenon is another factor motivating US-based wine companies to explore production opportunities abroad.

In the near future, it is expected that there will be a consolidation in the premium wine categories, particularly in the USA. Two factors will drive this trend: analysts predict that this segment of the market will continue to experience the best growth rates relative to the industry as a whole. This segment remains fragmented since the top wineries control a relatively small percentage of the total category. Furthermore, wine consumption in the USA has grown quickly in the last decade, but many believe that the market remains underdeveloped due to the relatively low per capita consumption figures.

### The Cyprus wine industry – a historical overview

There is historical evidence that wine was first produced between the years 5000-4000 BC in the eastern Mediterranean area, as far as Persia. The first countries to have produced wine appear to have been Mesopotamia, Persia, Phoenicia, Greece, Cyprus and Egypt.

OINOS – WINE – VINE – WEIN – VINO ... There is no celebration or festive occasion which is complete without it, and for so many, it is one of the basic pleasures in life. The word "wine" derives from the Greek word "οἶνος – oinos", which the Hellenes/Greeks took from Oeneus, a mythological king and son of Orestheus who was the son of King Agamemnon.

The history of Cyprus and the history of wine have been inextricably linked since the beginning of creation, and indeed, Cyprus is today considered to be one of the first countries in which viticulture and wine production were practised (Johnson and Jancis, 2001). Perhaps it is not so surprising that Cyprus was so renowned for its wines that according to the poet and dramatist, Euripides, the ancients, when talking about wine, would refer to it as the "Cypriot Nama" (Domine, 2001).

Aristidou (1990) argues that Cyprus first acquired fame for the excellence of its wines. Modern excavations carried out on the island have established that during the Hellenic (Classical) age, there existed a wealthy and remarkable society whose prosperity seems to have originated from and depended on viticulture, wine production and wine trading.

The significant role of wine in Cyprus over the Roman period is clearly evident in numerous wall mosaics, pots and sculptures, which were brought to light by archaeological excavations in Cyprus. Mosaics at the House of Dionysus in Pafos attest to the colourful history of the Cyprus vine. Dionysus, the pleasure-loving god who taught Icarus how to plant vines in exchange for the hospitality he had shown him, is seated on a chair holding grapes. An inscription that reads "the first wine drinkers" in Greek accompanies a mosaic depiction of two shepherds quite drunk on Icarus wine. Many renowned wines of the world are made from vines brought to Europe from Cyprus after the Crusades – champagne, for example, may have originated from a choice cutting taken from Mount Olympos, in Cyprus (see [http://web1.infotrac.galegroup.com/itw/infomark/71/282/56942183w1/purl=rc1\\_](http://web1.infotrac.galegroup.com/itw/infomark/71/282/56942183w1/purl=rc1_)

EAIM\_0\_A65578653&dyn = 4!xrn\_2\_0\_A65578653?sw\_aep = intercol).

The role of Cyprus as a wine-producing country was further enhanced during the period of the Lusignans (1149–1489) and Venetians (1489–1571). During the Middle Ages, a sweet wine called Commandaria, gained international fame. According to the historian Ludolf von Suchen, who visited the island between 1336 and 1341, Commandaria's trade by the Crusader conquerors of the island became the source of their wealth and prosperity (Kythreotou, 2003).

However, the progress and development of Cyprus in the field of viticulture and wine-producing ended in the latter half of the sixteenth century with the Turkish Ottoman occupation of the island. During virtually this entire 300-year period of the island's occupation, the art of wine producing would receive scant attention.

Today, the wine industry is making significant efforts to develop processes and procedures in grape cultivation and wine production. Cyprus wine is seeking to become more competitive, both in terms of quality and price. In line with an international phenomenon that is occurring in the increasing homogenization of goods and services, branding has progressively become more important to the wine industry as a means of differentiation and competitive advantage.

With an area of 9,250 square kilometres and a population of around 740,000 inhabitants, Cyprus has under cultivation some 23,500 hectares of vines, with an annual grape production of between 120,000 and 140,000 metric tons. In a good year, this translates roughly into 90,000 to 100,000 tons of grape juice, bottled wine and bulk wine (see [www.rentcyprus.co.uk/cyprus\\_white\\_wines.htm](http://www.rentcyprus.co.uk/cyprus_white_wines.htm)).

The wine vineyards of Cyprus are mostly on the southern slopes of the Troodos mountain range; the island's long, sunny Mediterranean summers ripen the fruit and give it its full flavour. The island's modern wine industry has its roots in the nineteenth century, at the end of the Turkish Ottoman occupation. Around 1930, the first organized exports took place; as the industry grew in size, so did the vineyards. From 83,000 tons in 1950, grape production increased to 104,000 tons in 1960, 168,000 tons in 1970 and over 200,000 tons in the 1980s – though since then, the numbers have fallen somewhat (see [www.rentcyprus.co.uk/cyprus\\_white\\_wines.htm](http://www.rentcyprus.co.uk/cyprus_white_wines.htm)).

According to [brandchannel.com](http://brandchannel.com) ([www.brandchannel.com/papers\\_review.asp?sp\\_id=201](http://www.brandchannel.com/papers_review.asp?sp_id=201)), in the early 1980s, the Cyprus government enabled small enterprises to operate wineries of 50,000 to 300,000 bottles-a-year capacity, in the hill villages of the grape growing regions. Today there are more than 50 regional wineries, making a range of good quality wines.

In the last two decades a number of changes have affected the Cypriot wines. The demand for basic Cyprus table wine from the former Eastern Bloc countries has decreased and so did the demand for Cyprus sherry from countries such as the UK. International competition in the wine world has never been so fierce. Quality has risen on all fronts, and more wine-producing countries have been exporting to foreign markets. These developments led to the restructuring of the wine industry in Cyprus and led to considerable quality improvements on the final product. On the production side, there have been a number of positive steps taken such as: improved vineyard management, with selective grubbing up and replanting, building of wineries closer to the vineyards to ensure picked bunches of grapes are processed as soon as

possible, new winemaking talent including foreign winemakers and improved production processes. In the last 15 years, 35 to 40 boutique wineries have also sprung up on the island and have been responsible for some of the renewed interest in Cypriot wines. These wineries are financed privately and owned by wine enthusiasts. In relation to sales, a greater emphasis has been placed on the promotion of Cypriot wines in foreign markets. However, there is no collective effort, as individual wineries are promoting their own brands in foreign markets.

## Branding in the wine industry

A brand is a combination of elements that uniquely identifies a product produced by one particular manufacturer and thereby distinguish it from competitors' products. Branding usually includes a particular name, logo, and symbol and or design that the customer then associates with a particular manufacturer. Kotler (2000) also stipulates that a brand is essentially a seller's promise to consistently deliver a specific set of features, benefits, and services to buyers. Further, a brand represents promises about what a product/service or a company can deliver. In addition, a successful brand is an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant unique added values that match their needs most closely.

According to the American Marketing Association (AMA), a brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition (Keller, 2003).

For a wine brand to gain global market share and sustain its position over time, it must have consistent quality and flavour. However, grapes constitute, the key ingredient in wine making, have a different flavour depending on the area in which they are grown. A global wine label will ultimately require an enormous supply of grapes spread over many regions. Industry regulations though in countries such as France restrict wine producers from drawing grapes and bulk wine from multiple regions for use in a single brand.

The wine industry is extremely fragmented and has myriad brands, which creates a problem in brand recognition and complicates the sales process (Andrew, 2002). Consolidation of the industry has helped to improve margins and increase the sales of the leading wine companies, but it has also increased the number of brands that have to be managed. It is considerably more difficult for a sales team to push 20 different brands (each consisting of multiple varieties) into the distribution network than ten or five (*Wine Business Monthly*, 2002). This is becoming even more difficult and challenging as companies and sales teams attempt to avoid cannibalisation among the different brands that they produce and distribute.

Branding is crucial in any industry, company or product. Wineries and the wine industry in general should appreciate and recognise that branding is of paramount importance, as strong brands will continue to enjoy robust growth. Building a brand is very important in a wine market where the consumer can be overwhelmed by too many choices. By having a strong brand a company can enjoy cost-effective marketing campaigns, greater trade leverage, higher margins, ease of extending lines, standing out from the competition and defence against price competition. A successful brand also has the potential to generate consumer loyalty since it provides a

level of quality, and trust. In international markets, the importance of branding in the wine industry is at a growing pace.

For the first time in 2000, Marketing's *Annual UK Biggest Brand Report* included three wine brands among its top 20 growers (Marsh, 2001). It is therefore no surprise that marketing budgets in the category of brand building are increasing drastically. France, Italy and Spain are only a few of the countries that have managed to develop strong brands. Countries with a developing wine industry like Greece, Chile and Argentina are focusing their attention on developing and sustaining recognisable and meaningful brands.

In Cyprus, no research has been carried out in order to identify the importance of branding and the benefits it can offer to the wine industry. The section that follows sheds light onto the key developments in the international wine industry and provides the foundation for the discussion of the nature of the Cyprus wine industry.

### Research aim, objectives and methodology

This study aims to identify the main problems, as well as customer perceptions and preferences, in the Cyprus wine industry. Specifically, the objectives of this research are to:

- identify the main problems that the Cyprus wine industry faces;
- explore consumer behaviour, perceptions and preferences in relation to Cyprus wine; and
- identify the implications for the branding of local wines in Cyprus.

The research methodology consisted of both primary and secondary data. Primary data included the use of qualitative and quantitative approaches. Secondary data was collected by reviewing the existing branding literature as discussed in books, academic and trade journals, information databases, professional magazines, government publications and specialized internet sites. Information gathered from secondary sources was treated as exploratory and explanatory and was used for the design of interviews.

Primary research has focused on three different methods. These are face-to-face semi-structured interviews with wine producers as well as consumers' questionnaires and focus groups. In addition, in order to gain industry knowledge, four exploratory interviews with wine experts were carried out at the onset of this study. These preliminary interviews also provided the basis in designing the questions for the interviews, focus group discussions and questionnaires.

First, the researchers carried out 15 in depth semi-structured interviews with the owners of Cyprus Wineries. These semi-structured interviews were non-standardised. The researchers focused on a list of themes and questions. However there was some variation in terms of the order and the questions were asked depending on the flow of the discussion. Taking notes and tape-recording were used in order to keep a record of the information collected.

Second, with regards to the telephone consumer survey, exploratory interviews helped the initial design of the questionnaire which was then pilot tested with 40 participants before used to collect data. In the actual research, the researchers carried out 600 telephone interviews to wine consumers in Cyprus. The analysis was mainly quantitative and it was undertaken by the use SPSS

statistical package. Specifically it utilised frequencies and cross-tabulations statistical tests. Even though the analysis undertaken was mainly quantitative, some qualitative analysis also took place. On the one hand, quantitative methods dealt with identifying what, why and where something is happening, while qualitative methods provide further information and understanding on the why and the how.

There are limitations associated with this research method (survey questionnaire). Telephone interviews do not really reveal the depth and volume of information that would generate knowledge and understanding regarding people's motivations, preferences and behaviour. Instead, the information generated tends to reveal relationships and associations between variables and mainly provide information of what is happening rather than why it happens. To overcome this limitation, it was necessary to combine this quantitative method with a qualitative one. For this reason, focus group discussions took place in all major cities of Cyprus.

Finally, in relation to the focus groups, four focus groups were held in Nicosia, Larnaca, Limassol, and Paphos. The first focus group was held with ten participants and the remaining three with seven participants. All the participants belonged to the 18-60 age range. The focus groups included individuals who were occasional users of wine and other alcoholic drinks; employed and unemployed; university and college students; and all had a good knowledge of wine. The researchers acted as moderators and observers and used an interview guide in all the group interviews. The focus group discussions led to the collection of in-depth qualitative data regarding consumers' attitudes towards wine consumption, life styles, and purchase decision making.

The research sample was drawn by using non-probability (purposive) and probability (stratified) sampling. Specifically, researching wine producers and consumer focus groups were based on purposive sampling. Purposive or judgmental sampling enabled the researchers to use their own judgment to select cases that will best enable them to answer their research questions and meet their objectives. Further, sampling for consumer telephone questionnaires was based on stratified random sampling. Stratified random sampling is a modification of random sampling in which the researchers divided the population into three relevant and significant strata based on a number of attributes. For this research, the division was based on age, sex and geographical location to allow the provision of a more representative sample and ensure that each of the strata is represented proportionally within the sample.

### Research findings

#### Wine producers

This section addresses the first research objective and discusses the findings that emerged from the personal interviews held with the wine producers. It seeks to identify the key challenges and problems that characterise the local wineries. The data analysis sheds light onto the fact that the wine producers, and distributors (for example restaurants and supermarkets), lack the necessary knowledge, know how, and often the technology in relation to wine producing, handling, and storing. This has serious negative implications for the product and service quality as well as customer satisfaction.

This research identified that the Cypriot wine producers prefer to work individually. This is mainly due to the high competition that characterizes the sector, which hinders teamwork and cooperation and subsequently leads to the creation of a negative work environment that can affect negatively the ability of the sector to face the increasing competition from the foreign brands.

The study also revealed that the vineyards are not owned by the wine producers. As a result, wine producers purchase grapes from various grape producers, with variations in the quality, maturity, and flavour of the grapes used. Subsequently, the wine producers have no or limited control over the quality and consistency of the wine produced. Also the majority of the wine produced in Cyprus is based on the local grape varieties: Mavro (for red wine) and Xynisteri (for white wine). Unfortunately, these grape varieties are poor in aroma, which subsequently affects the flavour of the wine produced and sold. The quality of the wine is also affected by the fact that grape picking takes place in high temperatures (35–40 Celsius) in the summer months.

There is also evidence to support that there is increasing competition in the sector from foreign brands such as Greece, France, Chile and New Zealand. Local wine producers share the belief that Cypriots favour foreign brands that are offering good value for money. Since the local winery owners rarely develop formal business or marketing plans they fail to take into consideration their competitors, an approach which can have detrimental consequences for their market share and position.

In summary, the industry appears to be facing a wide array of problems and challenges that unfortunately have not been addressed. Failure to take immediate and decisive action can have long term detrimental consequences for the whole industry and for individual wineries.

The section that follows discusses the findings that emerged from the group interviews held with the wine consumers.

### Focus groups with consumers

Generally, the Cypriot consumers drink wine when socialising and in special occasions (to celebrate). The interviewees claimed that even though beer and vodka are the most preferred alcoholic drinks, the number of Cypriots who drink wine is increasing.

Wine is perceived to be a drink which should be enjoyed with friends and family members since it is viewed as having the following qualities: “romantic”, “special”, and “aristocratic”. The consumers’ preference towards the consumption of red or white wine is determined primarily by the type of food (for example Cypriots prefer to drink white wine with fish and red with meat dishes) and the season (for example there is a preference for the consumption of white wine in the summer months and red in winter).

It appears that the packaging and advertising can have a strong impact on wine preferences and consumption patterns. Specifically, when the consumers were asked which information sources they use to evaluate various alternatives in the selection process, they claimed that they rely on advertisements which can have either a positive or a negative impact on their attitudes towards wine brands. An interesting finding was that the promotional material regarding local wines is insufficient. This lack of knowledge though can have serious implications for the demand of the local wine. Further, Cypriot consumers often use the packaging of a

product (bottling and labelling) as an indicator to make their purchase choices.

When the participants were asked to identify the factors which influence their purchase choices they identified advertising, price, packaging and word of mouth to be the most important ones. There was some degree of uncertainty regarding the relationship between the price and quality. Consumers do not generally believe that a wine with a high price will necessarily be the best; whilst those consumers who have a good wine knowledge claimed that they are not influenced by the price. An interesting finding was that the mass production of local wine by the big wineries in order to decrease prices and increase the demand, has had a negative impact on the image of local wine.

Finally, the consumers believe that the restaurant owners and waiters should be trained so as to have a good knowledge and understanding of the local wine in order to be in a position to offer better advice to consumers.

The section that follows discusses the data collected from the analysis of the telephone interviews.

### Customers

The exploration of branding issues in relation to the wine industry in Cyprus requires an investigation of the consumer market in Cyprus in order to reveal consumer buyer behaviour and the factors that influence consumers’ wine purchasing choices.

From a total of 600 telephone interviewees, the majority of them (73.1 per cent) claimed that they consume alcoholic drinks. When they were asked whether they drink wine, 97.5 per cent answered positively. This is perhaps due to the fact that wine can be consumed in different occasions such as: in family gatherings (22.1 per cent), with friends (24.4 per cent), in restaurants (19 per cent), at a club (2 per cent), during festivities (24.2 per cent), and at home (8.2 per cent). Wine drinking is a part of the local culture and is favoured over other alcoholic drinks when people spend time with friends.

It was extremely interesting to identify that the majority of wine drinkers in Cyprus prefer to consume local wines (87.2 per cent) whilst only 12.8 per cent prefer imported wines. Table I presents consumers’ preferences to local wines as opposed to imported wines in relation to the participant’s age group. As indicated, older people tend to be more brand loyal to local wines in comparison to younger people.

In addition, in order to identify whether customers tend to be loyal to specific brands, the interviewees were asked whether they usually buy the same brand, and 55.6 per cent gave a positive answer. Future research can focus on identifying the factors that motivate customers to remain loyal to a certain brand.

The majority of wine drinkers prefer red wine (60.3 per cent) whereas, 36.8 per cent prefer white, and the remaining

Table I Wine preference (local vs imported) by age group (%)

Wine preference	Age group (years)			
	20-30	31-45	46-60	60 +
Local wines	82.1	85.2	89.4	97.6
Imported wines	19.8	14.8	10.6	2.4
Total	100	100	100	100

2.9 per cent prefer to drink rosé. Women appear to be more favourable towards white wine (45.3 per cent) whereas men tend to prefer red. The preference for the rosé wine was very similar between the two genders: 3.0 per cent for men and 2.9 per cent for women. The white wine is preferred by individuals that belonged to the 20–30 age group, the red wine was favoured by individuals that were over 60 years old, and the rosé by those that belonged to the 31–45 age group.

An important part of this research study was the identification of those factors that influence the customers' wine purchase choice. Table II presents the factors that appear to be most influential. Specifically, the flavour of the wine appears to be the most influential factor (26.1 per cent) followed by the wine aroma (19.8 per cent), the wine colour (17 per cent), the brand name (13.6 per cent), and the price (12.8 per cent). Men tend to emphasise more the wine flavour (69.9 per cent), the wine aroma (53.3 per cent), and the colour of the wine (52.1 per cent) when they select wine. Women have exhibited a similar attitude, specifically: women tend to be influenced more by the flavour of the wine (67.7 per cent), the aroma (51.2 per cent), and the colour of the wine (37.1 per cent).

It was also important to identify customers' perceptions towards the quality of the local wines. The majority of wine drinkers (94.2 per cent) believe that the quality of the local wine is good, and only 0.3 per cent of the wine drinkers believe that the quality is poor. The majority of the interviewees (69.9 per cent) also believe that the local wines offer good value for money. 69.8 per cent of the interviewees believe that the prices of the local wines are reasonable in comparison to those of foreign wine. When asked about the bottling and labeling of local wines, the majority of interviewees (91 per cent) believe that these are good, 8.9 per cent believe that these are average and only 0.2 per cent feel that these are bad.

Finally, the interviewees were asked which factors they perceive as important for the promotion of the local wines. The majority of the interviewees (39.1 per cent) share the view that the name of the geographic area is the most important factor, 29.7 per cent believe that the reputation of the winery is an important factor and 23.7 per cent feel that the reputation of the Cypriot wines is a factor which should be emphasised.

Table II outlines the respondents' perceptions regarding the importance of the various promotional tools and their effects in shaping consumer perceptions and purchase decisions.

As indicated in Table II, the majority of the participants (96 per cent) feel that wine tasting is the most influential

promotional tool used by wine makers. The rationale is that it gives consumers the opportunity to experience the wine's flavour, aroma, and colour. This experience has the potential to create strong preferences towards wine brands and hence, influence consumer behaviour (purchase choice).

Word of mouth communication (85 per cent) and wine exhibitions (81 per cent) are equally important in shaping customers' perceptions. Word-of-mouth communication provides information which is usually believable by consumers since it comes from trusted information sources such as friends and family members. Wine exhibitions give the opportunity to consumers to taste wine, interact with wine producers and compare the key characteristics of different wine brands such as: aroma, flavour, and prices. Personal experience and information from "trusted" sources can create strong brand preferences and hence, lead to brand loyalty.

The country of origin (80 per cent) and the brand name (78 per cent) can shape customer's perceptions and hence, influence consumer behaviour. Some countries such as France have a strong reputation for wine producing. This strong reputation and distinct brand image lead to a competitive advantage since consumers are more likely to perceive wines from these countries more favourably. Positive feelings and attitudes influence consumer behaviour. At the same time, customers are likely to share their positive experiences and perceptions with their friends and encourage them to purchase a specific brand, and hence, increase sales and the number of customers. The data analysis shows that 78 per cent of respondents consider the brand reputation to be an influential factor for customer loyalty. A strong brand reputation can instil confidence in that the product can deliver the promised benefits such as high quality and hence, lead to customer satisfaction. Happy and satisfied customers will remain loyal to a brand.

The shape of the bottle and labelling (54 per cent) help differentiate a brand from competitive brands and are often part of the promotional efforts undertaken by the corporation. For example, the bottle is often featured in the advertisements and also advertisements may use the colours featured in the label to achieve visual continuity and brand recognition.

The study revealed that only some respondents believe that sales promotion (45 per cent), retail displays (43 per cent) and advertising (25 per cent) influences their purchase decisions. The promotion mix appears not to be as effective in shaping people's perceptions, preferences, and behaviour as expected. The reason is that respondents revealed that they are not influenced by these promotional tools, which are controlled by wine producers and hence, are used to manipulate them into purchasing specific brands.

Table II Promotion and its effect on consumer behaviour

Factor	Level of importance (%)
Wine tasting events	96
Word-of-mouth	85
Wine exhibitions	81
Country of origin	80
Brand name	78
Shape of bottle and labelling	54
Sales promotion	45
Retail displays	43
Advertising	25

## Main conclusions and implications for the branding of local wineries

The history of Cyprus and the history of wine have been inextricably linked since the beginning of Creation, and indeed, Cyprus today, is considered to be one of the first countries in which viticulture and wine production was practiced.

Even though today, the Cyprus wine industry is facing a number of problems, it is making significant efforts to develop procedures in grape cultivation and wine production. Specifically, despite the local wine industry's steady growth there are several problems that threaten its viability: lack of

technology; ineffective storing and handling; lack of professionalism; foreign competition, lack of wine knowledge among wine producers; wine cellars and customers; poor image of Cyprus wines in foreign countries; and ineffective promotion.

As the industry is becoming increasingly more competitive and the customer more demanding, wine companies that wish to survive and thrive need to develop their branding, marketing and operational techniques.

Brand building can be effective if issues which differentiate Cyprus, as a wine producing country, are promoted to consumers as competitive advantages. First, the history, mythology and culture of Cyprus as a wine producing country, should be emphasized in order to attract the attention and receive the acceptance of wine consumers. Furthermore, Cypriot indigenous varieties can also differentiate Cyprus on the wine map and may be used as a point of differentiation which makes Cyprus unique, if compared with New World wine-producing countries. Moreover, it is highly recommended that international acceptance, success and the recognition of Commandaria, may be used as a first step towards success. In addition, it is recommended that different kinds of wine should be produced for different target market audiences. Finally, as customers are always looking for something different and unique, a well planned marketing mix, including a well designed integrated marketing communications approach, can highlight these selling propositions that are distinctive and aid practitioners towards this direction.

Branding is important, however, effectiveness is depended upon considering the possible developments with regards to quality. Wine quality can be improved only if wine makers in Cyprus develop their know-how, acquire external expertise, and work collectively. Further, stakeholders' lack of education needs to be turned around in order to develop their knowledge in handling, storing, serving, drinking and enjoying wine. Moreover, consumers need to be convinced that the quality has improved over the last few years and that Cyprus wine has nothing to do with non-branded house wine.

Branding is equally important in the wine industry, as a powerful brand can dictate high brand equity. Wine brands that have higher brand equity, have higher brand loyalty, name awareness, perceived quality and strong brand associations. High brand equity provides a company with many competitive advantages. A powerful brand enjoys a high level of consumer brand awareness, performance, quality, reputation and loyalty. Further, the brand name carries high credibility and offers the company a defense against fierce competition.

For more immediate results it is therefore recommended that wine makers concentrate primarily on consistently producing better quality wine. They should always strive to offer value for money. Wine quality may also be improved if wine makers in Cyprus were to develop their know-how, acquire external expertise, and work collectively with each other.

The Cyprus wine industry has high potential to expand and develop. Developments in terms of quality, together with appropriate marketing techniques and branding strategies, could increase market volume, value and share. Problems arising from low quality non-branded house wine are devastating and dilute the image of the industry. Branding in the wine industry should be developed by focusing on the

history of Cyprus in relation to wine. Wine can represent civilization, culture, religion, heritage, and also provide a lifestyle symbol. This message should be passed across to the consumer through the right marketing techniques and branding, for it is something that would greatly influence the consumer behaviour process. The fact that wine is curative should also be indicated. Finally, Cypriot wine producers should use the international acceptance of Commandaria as a first step towards success.

Different wines should be produced and branded for different target market groups. For example, fresh, easy to drink, young, and cheap wine may be produced for young people and more distinct, mature and premium wine for older people, who are willing to pay more. Again, another way to increase market share in both local and international markets is to attract tourists by promoting local wine, using foreign varieties blended with indigenous ones.

The cooperation between wine producers is of paramount importance. This could be in the form of establishing new associations or in the form of achieving economies of scale by sharing expertise and costs associated with the employment of a full-time oenologist and sommelier.

Unfortunately, as has already been stated, vineyards in Cyprus are not privately owned. Instead, it is highly recommended that wine makers fully control the quality of the grapes being produced by grape producers. Cultivation needs to be restricted by producing a lower volume but of a higher quality. When examining the quality of Cyprus wine against the shelf price, there is no good value for money. Therefore, a new pricing strategy needs to be implemented in order to offer customer satisfaction and develop loyalty.

Further, it is recommended to wine practitioners that a number of changes need to be made in order to allow branding, quality and marketing techniques to be further developed. These are in terms of: concentrating on native grapes which offer optimum results, restricting cultivation and developing quality, identifying the right price level that will offer value for money and customer satisfaction, updating the current wine making technology and viticulture, using better marketing and promotional techniques, development of know how, increasing professionalism, collective cooperation, focusing attention on vineyards, obtain professional advice, employ professional oenologists and sommeliers, there is a need for cooperation among the key actors in the industry, focus on quality rather than quantity.

In relation to the consumer survey, the majority of wine consumers (73.1 per cent) supported that they consume alcoholic drinks, 97.5 per cent of the interviewees who claimed that they consume alcohol claimed that they drink wine and from them, 87.2 per cent prefer local wine as opposed to imported wine. Generally, men drink more wine than women.

When it comes to country brand preference, 94.2 per cent of respondents believe that the quality of the local wine is good. In relation to wine preference, the majority of respondents (60.3 per cent) drink red wine, whilst 55.6 per cent are brand loyal. The present study has not explored the key factors that influence consumer brand loyalty. This could be the subject matter of future research. In exploring the factors that determine their purchase choice, consumers indicated that the key determinant is the flavour followed by the aroma and colour of the wine.

In exploring consumer perceptions regarding the price and quality of local wines in comparison with the price and quality of foreign brands, customers believe that Cyprus wine offers good value for money. The packaging (bottling and labeling) of the locally produced wine is also perceived to be good. Consumers tend to share the view that emphasis should be placed on the name of area in which wine is produced for promotion purposes.

Furthermore, this research revealed the most important factors that influence the customers' wine purchase choice which should be taken into consideration by wine practitioners. Specifically, these factors in order of importance are: the flavour of the wine, the wine aroma, the wine colour, the brand name and the price.

In relation to promotion, wine practitioners should place attention on wine tasting events and wine exhibitions. These, provided that the quality of wine is good, will have additional benefits through word of mouth. It is evident that practitioners should invest in brand building and brand reputation as customers tend to be loyal to brands they have tasted in the past and enjoyed drinking. Other promotional tools such as sales promotion, retail displays and advertising are of less importance and no major investment should occur.

This research indicated that branding is of paramount importance for practitioners in the Cyprus wine industry. A strong brand name carries high credibility, loyalty, name awareness, perceived quality and a strong brand association. Subsequently, the company can more easily launch line and brand extensions. Branding can differentiate a wine from other national and international competitors offering them defence against fierce competition. It seems though that local wine producers have a lot of work to do before they can actually enjoy the benefits of building strong brands.

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## Executive summary

*This executive summary has been provided to allow managers and executives a rapid appreciation of the content of this article. Those with a particular interest in the topic covered may then read the article in toto to take advantage of the more comprehensive description of the research undertaken and its results to get the full benefit of the material present.*

## Challenges facing Cyprus's wine industry

### *A case study in branding and product development*

For classical scholars the island of Cyprus is inextricably linked with the Greek goddess of love, Aphrodite. The connection between wine and love is both a historical and a contemporary one – in many societies for example, it is the drink of choice at weddings and civil partnerships.

According to mythology, Aphrodite emerged from painful beginnings. Her brother Cronus castrated her father Uranus, and then threw his genitals into the sea. It was from the ocean that, after much foaming, his daughter Aphrodite emerged. If it is not stretching a point too far then, it is perhaps not a total surprise that the wine industry in Cyprus should be feeling some growing pains. Maybe a dose of ancient mythology is helpful in putting such pain into perspective.

In a study by Vrontis and Papasolomou of Intercollege based in Nicosia and Limassol in Cyprus, the first of its kind in the sector, weaknesses were found, worrying given the increasingly global competitive nature of the market. Their research involved a range of methods to survey various

stakeholders – semi-structured interviews, focus groups and questionnaires supported by secondary sources. From the work have emerged the elements for an action plan for those ready, willing and able to take up the fight.

#### *Lessons of history*

Wine regions tend to be categorized along Renaissance concepts of the Old World and the New. In both worlds the drive to build brands is gathering apace. It is doing so in France, Italy and Spain as it is in Australia and the USA. It is a drive that is growing in developing wine producing regions, such as Greece, Chile and Argentina, playing catch-up with their more developed market cousins. In the case of Cyprus, there is still work to be done.

The wine market is increasingly international, with mergers and acquisitions leading to the development of truly global brands. Leverage is key – of distribution networks, sales networks and so on – and economies of scale are sought, as they are generally in businesses adopting fairly standardized global strategies. Consolidation is a word increasingly being used across all market segments, and more recently in the premium sector.

Cyprus's history and the history of wine are closely intertwined and go back to the ancients. It is one of a number of ancient civilizations that were at the forefront of first producing wine in around 5000-4000 BC – the others being Mesopotamia, Persia, Phoenicia, Greece, and Egypt. From the list it is noticeable that there is a certain absence of first-mover advantage. An average dinner party in, say, New York or London, is much more likely to have a bottle of something special on the table from France or Australia than it is from Mesopotamia (or its modern equivalent in Iraq) or Persia (Iran).

In Cyprus the re-emergence of a wine industry is essentially a twentieth-century phenomenon, conquests of the country over the ages having led to viticulture being closed down. Currently there are around 23,500 hectares of vines under cultivation producing around 90,000 to 100,000 tons of grape

juice and wine. It has been difficult in recent years as old markets (such as Eastern Europe) have declined and the full force of international competition has been felt. It has led to a drive to improve to compete, however, where wine is sold as branded goods, these are by individual growers rather than as an attempt to collectively brand Cyprus wine.

#### *A new brand war*

From the research it is clear that there are a number of issues facing the Cypriot wine industry. Its viability is threatened by lack of technology; ineffective storing and handling; lack of professionalism; foreign competition, lack of wine knowledge among wine producers; wine cellars and customers; a poor image in foreign countries; and often ineffective promotion.

There are lots of basics to sort out, however, the opportunity provided by investment in branding is also being missed. It would provide the basis for differentiation and improved customer loyalty that the industry needs. There is a unique history, mythology and culture that could readily be embraced by the brand and promoted on a world stage. It would also be able to build upon the improvement in wine quality that is being experienced making it something different for the discerning global consumer.

Different brands could then be created for different market segments, including the premium ones. To do so will require cooperation, and collective effort and collective will. It may also require a tough choice to produce less wine but of higher quality in order to establish better margins and stronger prices.

Among Aphrodite's celebrated and numerous liaisons was one with Ares, the god of war. For Cyprus' wine industry, the task ahead is to engage in a new brand war. The unanswered question is whether there is a stomach for the fight.

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