

Wine industry market strategies. Case study: Lacerta Winery

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Abstract: *Wine market in Romania is in constant development. More and more manufacturers appear on the market, and the competition is increasingly fierce. Although it has an area of the largest planted with vines, Romania is not distinguished among major exporters. Using EU funds made available, new manufacturers appear who developed the premium wine sector. Among the investments carried out in recent years in this sector is Lacerta Winery, an Austrian investment, which sold the first wine under the brand Lacerta in 2011.*

Key-words: *wine, quality, marketing strategy, consumers, competition*

1. Introduction

The European Union remains the world's biggest wine producer, producing around 60% of world production of wine. Wine is not a commodity: Each type of wine even produced within the same area has specific particularities. The quality and price of a same wine produced in another year can differ from the one produced this year.

Appreciation and consumption of a certain type of wine also depends of cultural aspects and is also bound to trends (<http://ec.europa.eu/agriculture/wine>).

Even with a stable production potential, European wine production varies a lot from year to year (Yields +20% / -20%) highly influenced by weather conditions and/or sanitary conditions of the vines. Furthermore wine producers are able to increase or decrease the wine production depending on the market situation forecasts. Yield variations in Spain resulted in 2012 to a total harvest situated 15% below 5-year average whereas 2013 wine harvest ended 38% above the same 5-year average resulting in a harvest twice as important as the previous year (+55%)(<http://ec.europa.eu/agriculture/wine>).

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Huge production fluctuations have an important impact on the price levels. High availabilities result in low prices and reduced income. Shortage of wine lead with higher prices to lower export opportunities, resulting in a loss of market shares in key world markets. In order to facilitate market stability efforts are being made in supporting promotion actions, investments like irrigation systems or production and/or storage facilities as well in harvest insurance support (<http://ec.europa.eu/agriculture/wine>).

In recent years, the wine market in Romania has been steadily increasing. The emergence of new wines on the market, and growing consumption of wine has led national wine producers to focus more on promoting products. Consumer behavior has changed considerably in recent years, which is more demanding and more selective regarding the purchase and consumption of good wine. Consumers began to appreciate more and more quality wines; price is one factor that influences not consumption but rather the manufacturer or recommendations.

In recent years, on the Romanian market of wines have appeared many companies producing wines that betting on better promotion especially on high quality products, have come to be known in the market and have a high profit.

2. Romanian wines market

Romania has about 180,000 hectares filled with grape-vine, of which only 28% is in commercial and difference leaves the emergence of producers, production testing some new names in this area every year (<http://www.wall-street.ro/articol/Agricultura>).

The 37 vineyards in Romania were consolidated into eight wine regions, of which the largest is the Moldova Hills which covers 70,000 hectares (<http://www.wall-street.ro/articol/Companii>).

Romania ranks fifth in Europe in terms of area cultivated with grape-vine and the sector has absorbed all of the funding made available by the European Union, which has allowed the emergence of new wines on the market, particularly on premium segment, which has become the most effervescent of the entire sector.

Among the investments carried out in recent years in this sector are those of companies such as Vitis Metamorfosis, which last month has inaugurated the new wine cellar Dealu Mare (an investment of the Italian manufacturer Marchesi Antinori), cellar Lilac from Mures county, which reached the fourth year of production and owned by Austrian Alfred Beck or Lacerta Winery, all Austrian investment, which sold under the tree Lacerta first wine in 2011. In addition to these three projects, which attacks the premium segment, dozens of other manufacturers are trying their powers in this area. To penetrate the market, a winemaker needs at least five years, during which must plant the vine-vine (and per hectare spends at least 14,000 euros, of which the state subsidizes 75%), raise wine cellar (which

invests several million euros) to bear the costs of operating the business, and finally to launch their products on the market (www.zf.ro).

When they arrive on the market, meet with both old brands that have decades of history back and new ones developed by foreign investors who have accumulated experience in other markets.

The largest area of vineyards in Europe are Spain, France, Italy and Portugal, countries will be competing for the first places in terms of production or export. Although it is among the top states in terms of area with grape-vine, Romania does not make its place among the top countries in terms of exports. Romania delivered wine only 17 mil. Euro in other markets last year, while the import was twofold, according to data from the website of the Ministry of Agriculture (www.zf.ro).

One of the major wine exporters is Halewood Romania, performing on the foreign markets approximately 40% of turnover, the largest export markets being the UK, Germany and China. Although increased slightly in recent years, exports are not keeping pace with imports, which exploded after joining the European Union (www.zf.ro).

The cumulated turnover of the largest producers in 2014 was 100 mil. Euros, according to data from the Trade Registry (Recom) which only covers companies which have as object of activity the production of wine grapes. Recom Statistics show that 230 companies have this object of activity at the peak being companies like Cotnari Recaș or Zarea Others, like Murfatlar, Jidvei or Vincon, are not included in this statistic, having said another CAEN code (eg grape cultivation or wholesale of beverages) (www.zf.ro).

To be able to integrate in an increasingly competitive market, many companies in the field of viticulture are oriented towards a sustainable business. Sustainability is generally referred to as the triple bottom line as it involves the integration of environmental and social responsibilities with economic goals to create value for a company as well as for society (Elkington J. 2004). The winegrowing sector has a long history of commitment to promoting a more sustainable development and several initiatives are underway worldwide. First, it is worth making a reference to the International Organisation of Vine and Wine (OIV) definition, as an international framework. Sustainable vitiviniculture is a “global strategy on the scale on the production and processing systems, incorporating at the same time the economic sustainability of structures and territories, producing quality products, considering requirements of precision in sustainable viticulture, risks to the environment, products safety and consumer health and valuing of heritage, historical, cultural, ecological and landscape aspects” (<http://www.oiv.int/oiv/cms/index>).

Within the framework of vineyard development and evolutions of conventional vitiviniculture, the OIV aims to promote sustainable vitiviniculture. To do so, the OIV considers the challenge of climate change, characterizes and evaluates production methods of grapes, wine, other products and principles and

analyses their economic efficiency, while considering corporate practices on social responsibility. The OIV protects and optimizes the use of natural resources and the sustainability of viticultural terroirs (<http://www.oiv.int/public/medias>).

According to Santini C. et al (2013), an analysis of the drivers of sustainability is the first step to understand the relationship between firms and sustainability. The company Accenture has elaborated a list of six key drivers of sustainability that “are not only reshaping the way businesses and governments operate, but also redefining the value they deliver”(Santini C. et al 2013).The list includes: consumer demand for sustainable products and services, stakeholder influence, resource depletion, employee engagement, capital market scrutiny, regulatory requirements.

3. The competitors on the high quality wine market in Romania

With an area of 82 hectares in the locality Fintesti, Buzau County, **Lacerta Winery** is a project launched in 2003 by a group of Austrian investors in an investment which originally was 7 million, and after ten years of activity reached 8.5 million euros. Lacerta first wine under the brand was sold in June 2011. The Lacerta winery can be processed 540,000 kilograms of grapes annually, resulting in 380,000 liters of wine (www.lacertawinery.ro).

Buildings constructed in the cellar have a futuristic design, and also Lacerta Winery owns one of the most modern wine tasting facilities in Romania. The production is supplemented by the central mansion Dorobanţu, built in 1901 by architect Ion Mincu and renovated by the current owners in 2005.

The company known today as the **Recas Wine Cellars**, started work at the end of the twentieth century, with the ambition to take on the tradition and culture inherited from ancient artisans wine vineyard and adding professionalism, innovation, significant investment and passion wines.

The British-Romanian company Recaş Cellar currently administers an area of approximately 1,100 hectares of vineyards in Recaş (Timis County) and Minis (Arad County) and is the largest producer of quality wine from Romania (www.recaswine.ro). The development of Recaş Cellar brands began with wines selling high, with the best quality-price ratio, the most common being the range Schwaben Wein, and continued slowly, creating wines with personality, for the exigent consumer segment, such as: Castel Huniade, Cocoşul dintre Vii, La Putere, Sole, Selene, Solo Quinta, Cuvee Uberland, Conacul Ambrozy şi MUSE. These commercial range covering the main categories for addressing market segments, currently meet almost the entire range of types, styles and expressions for wine known and appreciated by Romanian and foreign consumers.

The **Budureasca** brand was created in 2009. Budureasca vineyards cover an area of 300 hectares situated at an altitude of 175-400 m, in the heart of the famous

vineyards of Dealu Mare and close to the archaeological reserve of the same name. Budureasca Valley routes include 31 archaeological sites that prove the densest settlements of ancient Dacia. New winery Budureasca completed in the spring of 2013 covers an area of 5,300 square meters and is one of the newest and largest wineries in the region Dealu Mare. The wine cellar is buried on three of its sides to match the surrounding landscape and benefit from a high thermal control (www.budureasca.ro). With the construction of avant-garde and cutting-edge technology used to equip it, the Budureasca winery is one of the most modern wineries in Romania, with a production and storage capacity of 3 million liters of wine. The complex has several spaces for offices and tasting room overlooking barrels and a shop for selling. Budureasca organized tastings are an expression of professionalism and good taste to them please even the most exigent of the participants.

4. Overview of Lacerta Winery Company

Situated 100km from Bucharest, the company Lacerta Winery cellar can be accessed can host seminars and teambuilding. As renowned wineries in Bordeaux and Tuscany, Lacerta Winery uses the gravity for grapes circulation through pumps and pipes, not to damage the beans. Lacerta wines are kept in strictly controlled conditions, in the new wine cellar, and if appropriate are matured exclusively in the oak essences barrels of the highest quality coming from France, Russia, USA, Romania and Hungary.

High quality level is ensured by successive standardization of production during the year, until a maximum of 1 kg of grapes per vine and the strict selection of the grapes entering the winemaking process. Most products company Lacerta wines are red wines. Some white wines are matured in barriques, in over 350 barrels of 225 liters capacity, used for a maximum period of 3 years (www.lacertawinery.ro).

In the company is constantly working on viticulture 25 people, 18 people cellar, marketing and sales, plus 10 to 15 seasonal peak periods. Over the years, Lacerta wines have received several medals in the specialty awards, and in 2011 the Romanian largest producer, manufacturer Buzau was ranked third nationally.

The production is complemented by a tasting salon, a wine shop and a conference room, all with elegant architecture and refined design (www.lacertawinery.ro).

Lacerta has a rich range of wines, containing a total of 20 premium wines, and a range of five wines that are not bottled under the name Lacerta, but as the Cameleon.

Lacerta wines range includes red, white and rose wine. Red wines produced and bottled by Lacerta are: Pinot Noir, Merlot Classic Merlot Reserva,

Blaufraenkisch, Fetească Black Cuvee IX (a blend of four varieties, Cabernet Sauvignon, Merlot, Fetească Black Blaufraenkisch), Cabernet Sauvignon, Cabernet Sauvignon Reserva, Shiraz, Cabernet Sauvignon / Shiraz. White wines produced and bottled by Lacerta are Rheinriesling, Chardonnay, Chardonnay Reserva Sauvignon Blanc, Sauvignon Blanc Reserva Pinot Gris, Muscat Ottonel, Fetească White Cuvee X (a blend of four varieties, Chardonnay, Sauvignon Blanc, Pinot Gris and Rheinriesling), Blanc de Noir (white wine made by vinification of Pinot Noir grapes).

4.1. Lacerta wines won awards in recent years:

- Vinul.ro Excellence Awards 2013:
 1. Lacerta Shiraz 2012 - gold medal
 2. Merlot 2011 - gold medal
 3. Black Fetească 2012 - gold medal
- Vinul.ro Excellence Awards 2014:
 1. Lacerta Merlot Reserva 2011 - gold medal
 2. Cuvee IX Lacerta 2012 - gold medal
 3. X Lacerta Cuvee 2013 - silver medal
- Vinul.ro Excellence Awards 2015 (Romanian wines, monovarietale international varieties and assemblages containing international varieties):
 1. Cuvee IX 2012 - gold medal
 2. Blaufaenkisch 2011 - silver medal
 3. Pinot Noir 2011 - silver medal
 4. Cuvee X - silver medal
- Wines of 2011 on Punctulpevin.ro:
 1. Place 3 in Top Romanian Lacerta Rose Wine 2011
 2. Place 2 in the Top Romanian Red Wine Cuvee IX Lacerta 2009
- Vinvest 2011 - Gold Medal
- Golden grape 2011-2012 - Gold Medal
- Vinfest 2013 - Silver Medal
- Decanter 2013 - Bronze Medal

Lacerta wines retail market is Romania and Austria.

On the Romanian wine market, customers who purchase and consume Lacerta wines are urban people with average to high income, which generally go to a restaurant once a week, appreciates a good meal accompanied by a quality wine. Also, those who consume Lacerta wines are people who appreciate wine, who know and have a passion for quality. They generally participate in tastings are aware of everything on the market today and know how to distinguish quality wines.

5. Market strategies used by Lacerta Company

Besides superior quality of its products, the Lacerta Company uses the following strategies to impose on the wine market:

- A wide range of products; red, white and rose wines;
- Premium wines were awarded medals at various competitions in the field, both in Romania and abroad; Label and design bottles of wine differs from the other wines on the market by the colors used and the green lizard, Lacerta brand symbolizing;
- The price Lacerta wines are the same for those who sell products directly from the manufacturer, where discounts are granted, but the marketing of wines from wine retailers price goes up depending on each firm charges added in part;
- Distribution of Lacerta wines is done strictly through the sales agents of the company, who take orders and teach personal products;
- For several months, the distribution of wine to individuals can be made directly from the company website (www.lacertawinery.ro) through Lacerta Express. The delivery costs 14 lei, is via courier company TNT and the first purchase online at least 3 bottles is offered gift a bottle of Cuvee X;
- Promoting Lacerta wines is via the website (www.lacertawinery.ro), Lacerta Winery facebook page and people who have contact with Lacerta wines (waiters, sommeliers, retailers);

On the company website there is also a form that enables those who wish to visit the Lacerta winery and a choice between two options Lacerta wine tasting: "First impressions" - choice of three of the 20 wines available at the price of 29 lei / person or "Intensive tasting" where you can choose six of the 20 wines available at the price of 49 lei / person. Also, upon request, can visit the winery where the wine barrels are stored, the cellar - where wine is made before being stored in barriques and the vineyard. The visit program is Thursday through Sunday between 10 and 17.

6. Conclusions

The Romanian wines market growth has led the Romanian wine producers to focus increasingly on product quality, but also on promotion. The existence of several Romanian brands on the market creates a great competition, each producer coming up with high quality wines, good prices and an aggressive promotion among consumers. Consumer behavior has changed in recent years, people starting to consume more and more wine and to focus on the quality of wine consumed, not necessarily on its price. Among the main competitors on the Romanian superior wines market are Recas, Budureasca and Lacerta. Lacerta Winery has one of the most modern wine tasting facilities in Romania. Because of investments, higher

quality wines and the strategies applied, Lacerta Winery managed to be appreciated among connoisseurs.

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