Port Wine: a fashionable cocktail drink?

A cluster's marketing and branding approach

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Abstract

Title: Port Wine: Port Wine: a fashionable cocktail drink? A cluster’s marketing and branding approach

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Founded in 1933, the Douro and Port Wines Institute (Instituto de Vinhos do Douro e Porto – IVDP), is the most relevant governmental institution on what concerns the Port wine industry regulation, control and promotion.

Worldwide recognized and awarded by its quality, Port wine is a fortified wine that can only be produced in the Douro Demarcated Region, the oldest in the world. With such a distinguished competitive advantage, the Port wine cluster has underperformed in the recent past, by failing to change the people’s perception of Port as a “boring old-man’s drink”, only to be drank at special occasions.

At the same time, the alcoholic beverages industry, has been seeing some innovations that Port wine’s competitors have been taking advantage of. Drinks like Gin, Licor Beirão, Caipirinha or Martini, have been leading the way in marketing strategies innovation, and by doing so, have achieved a competitive advantage over Port wine.

In this case is studied how IVDP can use its governmental institution powers, in the Port wine cluster, to bring Port back into fashion. It will be done by analyzing the alcoholic beverages industry trends, Port’s competitors and how the cluster functionalities can be used in order to face the upcoming challenges, and to take advantage of the market opportunities.

Key-words: Port wine; alcoholic beverages industry; cluster marketing; IVDP

Resumo

Título: Port Wine: Port Wine: a fashionable cocktail drink? A cluster's marketing and branding approach

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Fundando em 1933, o Instituto de Vinhos do Douro e Porto (IVDP), é o órgão públic o mais importante no que toca à regulamentação, controlo e promoção da indústria do Vinho do Porto.

Reconhecido e premiado mundialmente pela sua qualidade, o vinho do Porto é um vinho fortificado que só pode ser produzido na Região Demarcada do Douro, a mais antiga no mundo. Com uma vantagem competitiva tão distinta, o cluster do vinho do Porto tem estado aquém das expectativas no passado recente, ao falhar em mudar a percepção dos consumidores face ao vinho do Porto como uma "bebida aborrecida, apenas bebida por gente idosa", só para ser bebida em ocasiões especiais.

Ao mesmo tempo, a indústria de bebidas alcoólicas, tem assistido a várias inovações que os concorrentes do vinho do Porto têm tirado vantagem. Bebidas como o Gin, Licor Beirão, Caipirinha ou Martini, têm liderado o caminho no que toca a inovações em estratégias de marketing, e como consequências, têm ganho uma vantagem competitiva sobre o vinho do Porto.

Neste caso é estudado como pode o IVDP usar os seus poderes de órgão público, no cluster do vinho do Porto, para fazer do vinho do Porto uma bebida mais jovem e na moda. Tal será feito, ao analisar as tendências da indústria das bebidas alcoólicas, os concorrentes do vinho do Porto e como podem as características do cluster ser utilizadas para fazer face aos presentes desafios, e para tirar vantagem das oportunidades do mercado.

Palavras-chave: Vinho do Porto; indústria das bebidas alcoólicas; marketing em clusters; IVDP

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1. Introduction

It was a typical winter Monday morning when Manuel Novaes Cabral, Chairman of Port and Douro's Wine Institute (Instituto de Vinhos do Douro e Porto – IVDP), got the news about Port Wine's 2014 results. Imports in UK had fallen by 10% and while in Portugal they had risen they were still falling short from the mid / late 2000's. [1] Having in mind that that in UK, wine sales have been dropping consistently year after year, especially in the fortified wines category, where they dropped 13% from 2009 to 2013[2] he started to wonder what could he do to invert this tendency. "We need to bring Port Wine back into fashion", he said when interviewed by *The Portugal News* website [3].

While discussing with IVDP's board, one of the things on the table was the marketing budget. Knowing that 42% of the over 2 million Euros comes from community financing programs [4], Portugal 2020 – a partnership deal adopted by Portugal and the European Commission, where Portugal is going to receive 25 thousand million Euros between 2015 and 2020 – was a chance, Manuel Novaes Cabral, knew that could not be missed.

At the same time, the Portuguese market has been witnessing drinks like Caipirinha or brands like Licor Beirão, consolidating their presence in the market has fashionable and trendy drinks. Licor Beirão, without a competitive advantage as unique as Port's, is viewed by consumers as a much more fashionable drink, much due to their marketing orientation and their popular slogans "À Patrão" (Like a Boss), "O Licor de Portugal" (Portugal's Liquor). At the same time, a trend for cocktails is in the uprising, with the front examples of Caipirinha - which success led to many different versions of the Brazilian cocktail, such as "Caipiroska" (with vodka) and "Caipirão" (with Licor Beirão); and Gin & Tonic, which was brought back into fashion in a very recent past. The increase in cocktail sales in the past 2 years, serves to corroborate this trend for cocktails in the industry.

It is then, crucial to IVDP to use the Port wine cluster advantages in order, to make Port trendy again. Can it be done?

2. Port and Douro Wines Institute (IVDP)

Founded in the early 1930's IVDP is a public institute that was created with the mission to control, certificate, regulate, protect and promote the protected origin denominations of the Douro Demarcated Region (Região Demarcada do Douro – RDD).

IVDP is an inter-professional association with delegated public powers formed by representatives of grape-growers, cooperatives, producer-bottlers and traders. As stated in its status, IVDP's main focuses are in: a) to propose the strategic orientation and to implement the productions' policy for the RDD; b) to propose and implement the promotion and internationalization policies of the Douro and Port Wines; c) to monitor, promote and defend the RDD denominations of origin and geographical indication and the other wine and wine products produced, developed in or passing through RDD; d) to carry out investigations of misdemeanors and apply the correspondent penalties, and e) to promote the adoption of best practice in viniculture and in technological development. [1]

3. Industry

The alcoholic beverages industry has remained relatively stable for the past 20 years, on what concerns the per capita consumption shares of beer, wine and spirits. [23] In 2010, alcohol was drank the most around the world in the form of spirits (50,1% share), beer was the second most common form of consuming alcohol (34,8%) and wine third (8%). In Europe, the alcohol consumption habits were a bit different. Beer is the most common form of drinking alcohol (39,9%), spirits the second (32,9%) loosing much of its share to wine (25,7%). [5]

Figure 1 – Proportion (%) of recorded alcohol per capita consumption consumed in the form of beer, wine, spirits and other types of beverages by WHO region and the world, 2010
Source: World Health Organization

For the past years, the alcoholic beverages industry has been following a trend of consolidation, as the top players seek to add new brands to their portfolios through acquisitions. [6] As a result of that, in the Ranking of global agri-food companies, by global food and drink sales one can find 6 producers of beer and/or alcoholic beverages (Anheuser-Busch, Heineken, Suntory, SABMiller, Kirin Brewery Company, and Asahi Breweries) in the top 20. In the European market this number is even more significant, since there are 4 companies of the alcoholic beverages (Anheuser-Busch, Heineken, SABMiller and Diageo) industry featuring in the top 10, and 6 (Carlsberg and Pernod Ricard) in the top 15. [7]

The Port wine industry is no exception to the consolidation trend verified in the alcoholic beverages industry, and as of 2010, 80% of Port sales in Portugal[1] belonged to five groups. [8]

Producer Company	Market Share	Key Brands
Symington Family	22%	Graham's; Cockburn's
La Martiniquaise	20%	Porto Cruz
Sogrape	16%	Sandeman; Ferreira
Fladgate Partnership	14%	Taylor's; Croft
Sogevinus	10%	Cálem, Kopke
Total - Top 5	82%	-

Table 1 – Top 5 Port wine producers market share, in the Portuguese market
Source: Adapted Gaelle Hamoir, Allison, (2013/14), A Deeper analysis about the communication strategies for the Port wine industry

Other trend in the past years has been the premiumization[2] of the sector. From 2003 to 2009 the Premium quality segment (assuming as premium, spirits with a retail value of 20€ and above) in the US grew more than any other (Standard and Value). Having in the end of 2009 a dollar share of around 40%, against Standard (36%) and Value (22%). [9] In 2011, premium spirits outgrew standard spirits, with a growth of 21% and 12% worldwide respectively. [10]

Premiumisation is happening because consumers seek to achieve the success and the recognition that premium brands represent. [9] And 88% of the consumers consider spirits as an affordable luxury. [10] While 86% of them, only will consider to trade down in there is a perceived comparable quality. [10]

Nowadays a trend on off-premise drinking has been noticed as well. Mainly due to restrictions in the families' budgets, therefore families have been changing their consumption patterns from the on-premise channel to the off-premise. Which with the supermarkets chains consolidation and the private label development became a big challenge for the industry companies. [11] 76% of young adults have said that "being cheaper" is one of the reasons they are turning to off-premise drinking, followed by "less hassle" (35%), "crowded bars"(30%) and "more intimate"(27%). [10]

[1] Sales in Portugal, correspond to 16% of the total Port sales, in 2014
[2] There is no global convention for quality segments, in this case the categories that will be considered are: Value (under 3€); Standard (3€-19.99€) and Premium (above 20€)

4. Market Overview

As figure 3 shows, from 2006 to 2014 the total Port wine sales dropped by 8%, but since it has hit its lowest value of 349,98€ in 2009, Port has been following a tendency of recovery (with a peak in 2010), having had an increase in sales of around 4%.

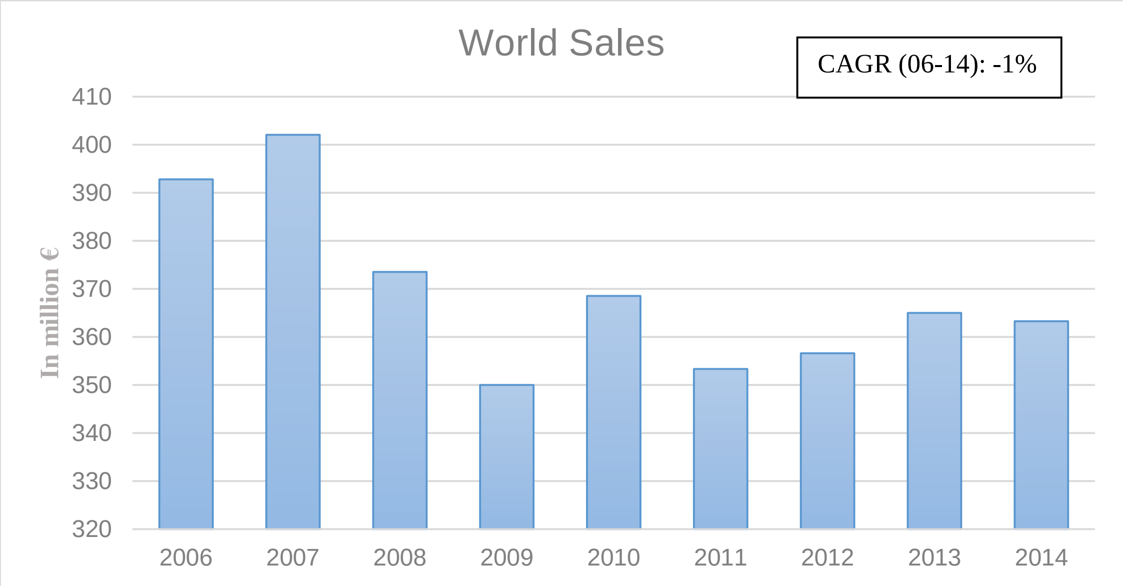


Figure 2 – Port Wine world sales (2006 to 2014)
Source: IVDP

Within Port Wine there are different categories. For an easier read we will classify them in two different categories: Standard (Tawny, Ruby, White and Rose) and Special Categories (the remainders). [Adapted from 6]

We can see that Tawny is the most sold Port, whether it is in Volume (over 30 million liters) whether it is in value (over 107 million euros). Ruby is second with sales over 70 million and the third Port that sells the most (in value) is the Age Referenced, with 58 million euros in sales. White (37 million) and Reserve (32 million) are also noteworthy. It is interesting to note that the two most sold wines are from the standard category and with an average retail price lower than 5 euros and the third is from special categories, with a retail price of 12.6€.

It is also interesting that between 2006 and 2014 all the standard wines (Tawny, Ruby and White) with the exception of Rose, had a significant decrease in sales (12%, 18,5%, 8% respectively). In the same period, more premium wines, like Age Referenced, Reserve Tawny or *Colheitas* have experienced a significant increase in sales (13,4%, 75,5%, 64,6%). In the case of *Colheitas* needs to be pointed out that this increase is much due to an increase in price as well (around 56%), which can be interpreted like the premium consumers have a high demand elasticity.

	Types	Liters (.000)	€ (.000)	€/L
Standard	Tawny	30 946	107 239	3.5
	Ruby	19 814	70 169	3.5
	White	10 202	37 009	3.6
	Rose	769	3 159	4.1
Special Categories	Age Referenced	4 606	58 090	12.6
	Reserve	6 171	32 403	5.3
	LBV	2 959	21 209	7.2
	Vintage	630	13 584	21.6
	Reserve Tawny	1 507	10 318	6.9
	Colheitas	338	9 400	27.8
	Crusted	86	706	8.2

Table 2 – Port Wine Total Sales (divided by type, volume and value sold)
Source: IVDP numbers
Adapted Gaelle Hamoir, Allison, (2013/14), A Deeper analysis about the communication strategies for the Port wine industry

When looking to the quarterly sales, in Portugal one can see that the last semester is where most of the Port Wine is sold, especially in the last trimester. When looking to Figure 5, which represents the number of foreign tourists (10^3), we can see that the 3rd trimester is the one with more tourists, which goes hand-in-hand with the increase in Port Wine in sales, in that trimester. The association Port Wine has with the holidays, being a recurrent Christmas gift, makes the last trimester the one with more sales.

What is interesting is that sales in the UK follow the same tendency. While in the last trimester that similarity is easy to understand (Christmas factor). The increase in sales in the third trimester is a little more difficult to explain.

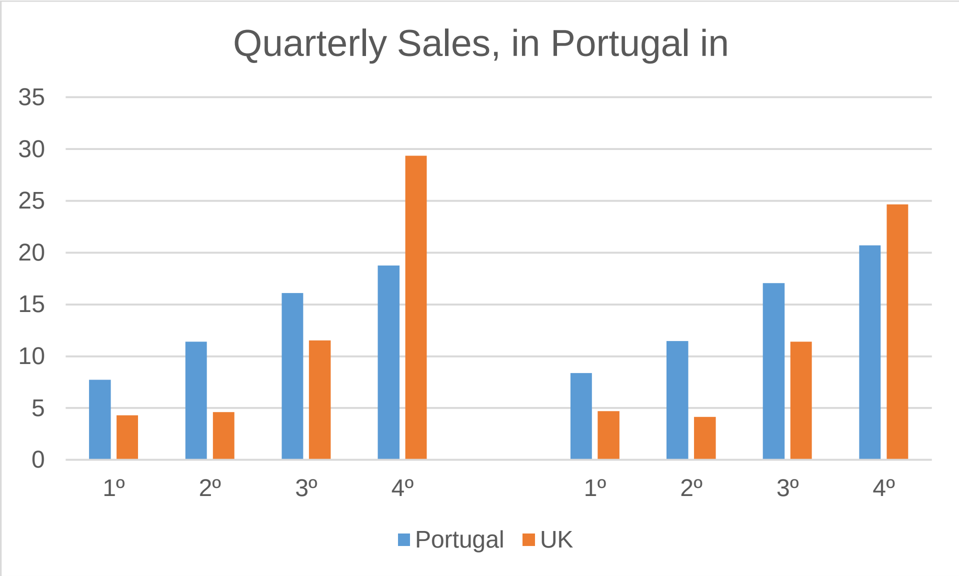


Figure 3 – Quarterly sales in Portugal and UK (2013-2014)
Source: IVDP

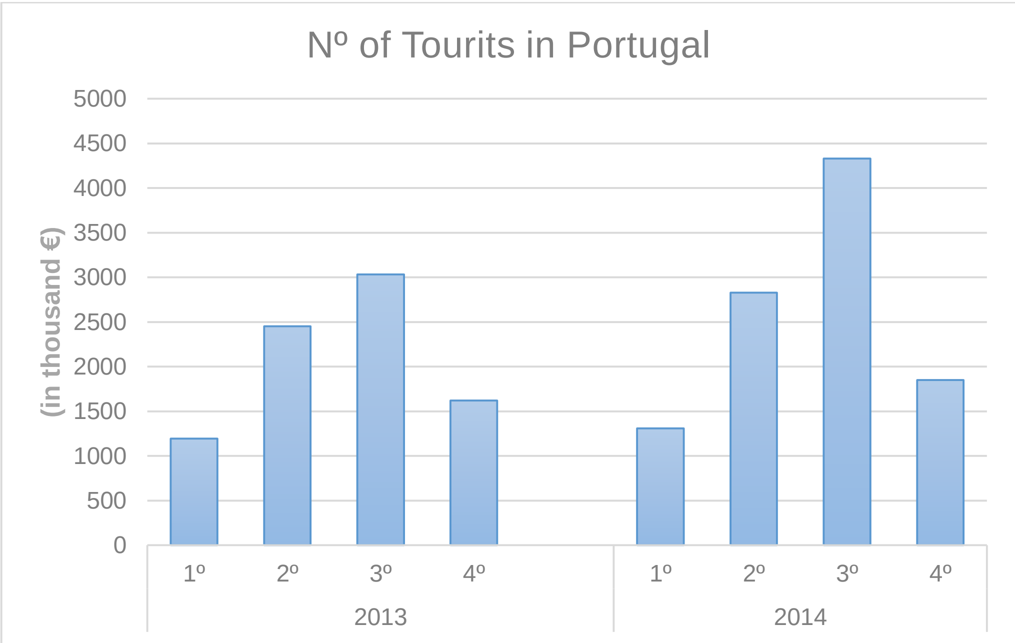


Figure 4 – Nº of Tourist in Portugal, by quarter
Source: Tourism Results (2014), Tourism of Portugal

4.1. Portugal

In the portuguese market for the alcoholic beverages industry, there is a clear division between wine, beer and spirtis market shares. Wine is the portuguese favorite form of consuming alcohol, with 55% of the consumption (in litres of pure alcohol), followed by beer (31%) and finally by spirits (11%). In the past 30 years, there has been a tendency for, the overall decrease of alcohol consumption, mainly due to the decrease in wine consumption, and also for an increase in beer sales and in spirits as well (reaching a peek in the late 1990's and having a slight decrease since then.

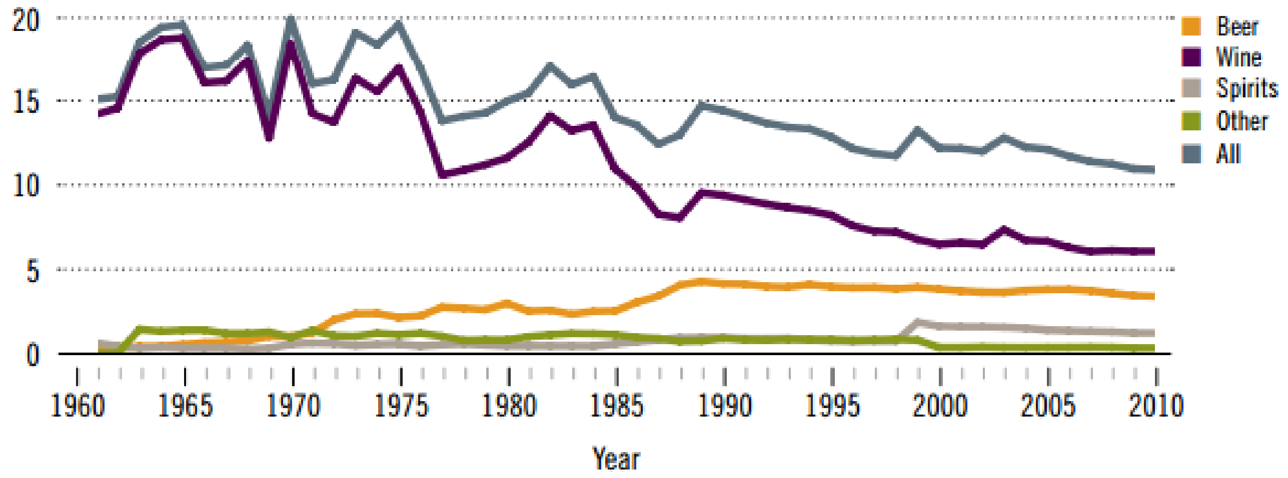


Figure 5 – Litres of pure alcohol consumed, by form of consumption
Source: WHO Report

The decrease in wine consumption in Portugal has been felt in the Port wine category.

Since 2006, Port has not sold more than in that year (in value), having since then decreased 10% from €63,3 million to a value of €57,6 million, in 2014. In spite of that, since 2011 there has been a tendency of increasing sales, having sales scaled up from €50 million to €57 million, in 2014, registering an increase of almost 15%.

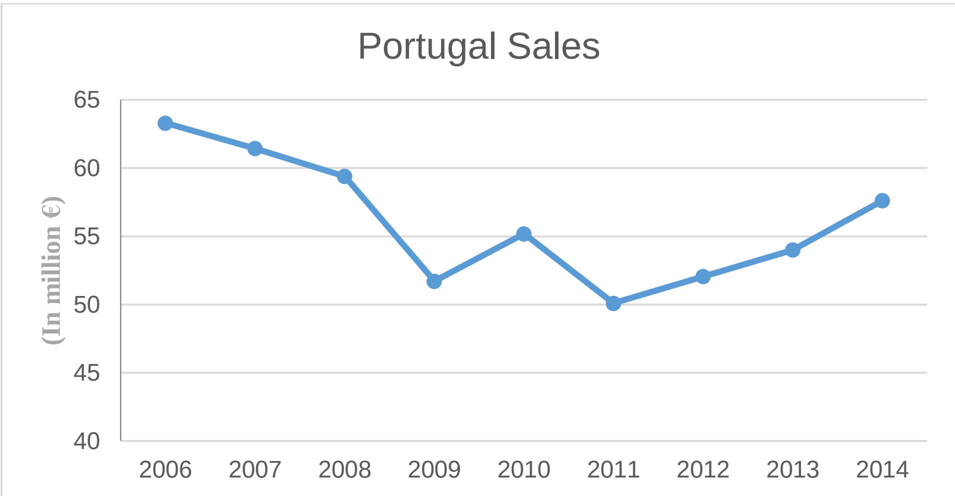


Figure 6 – Port Wine Sales in Portugal, from 2006 to 2014
Source: IVDP

Decomposing the Port wine sales, there is a clear top 3 in volume sold:

- Tawny, with approximately 6 million liters sold
- White, a bit above of the 2 million liters sold;
- Ruby, with around 1,3 million liters sold

These 3 combined, represent 82% of the volume sold in Portugal, with 9,5 million liters sold out of the total amount of 11,6 million. In value, Tawny remains a clear first (€20,4 million) but the scenario changes. Age Referenced Port, due to its relatively high price per liter (13.6€) climbs to the top 3, with €9,4 million in sales, right after White (€9,4 million).

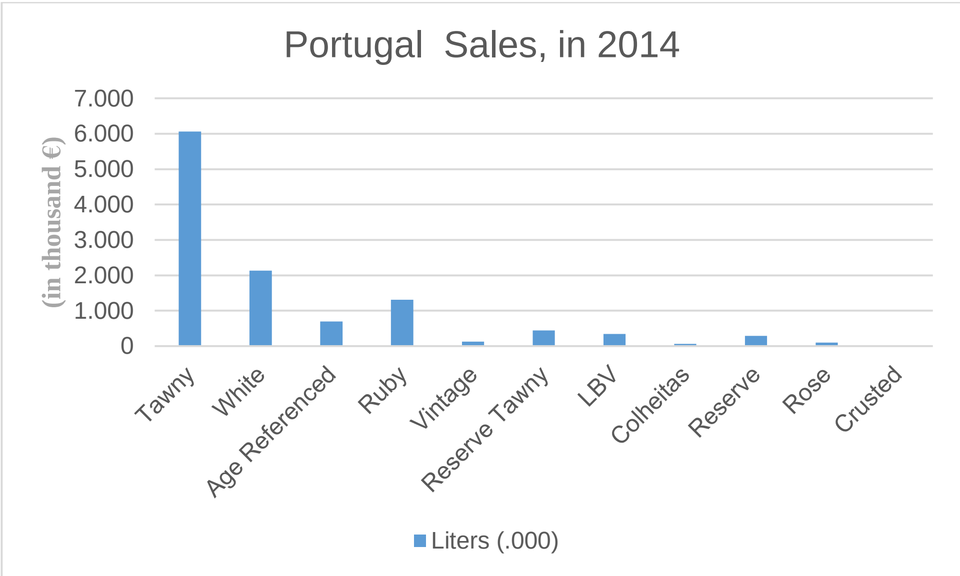


Figure 7 – Port wine sales in Portugal, divided by type of Port, in 2014
Source: IVDP

4.2. UK

When asked if they had drank in the past week, almost 60 % of the British (above 15 years old) answered yes. The age segment that contributed the most to this value was the 45-64 with around 65% of the interviewed answering yes to the question. The young adults (16-24) are the ones drinking the less with only 50% of them having drank in that week.

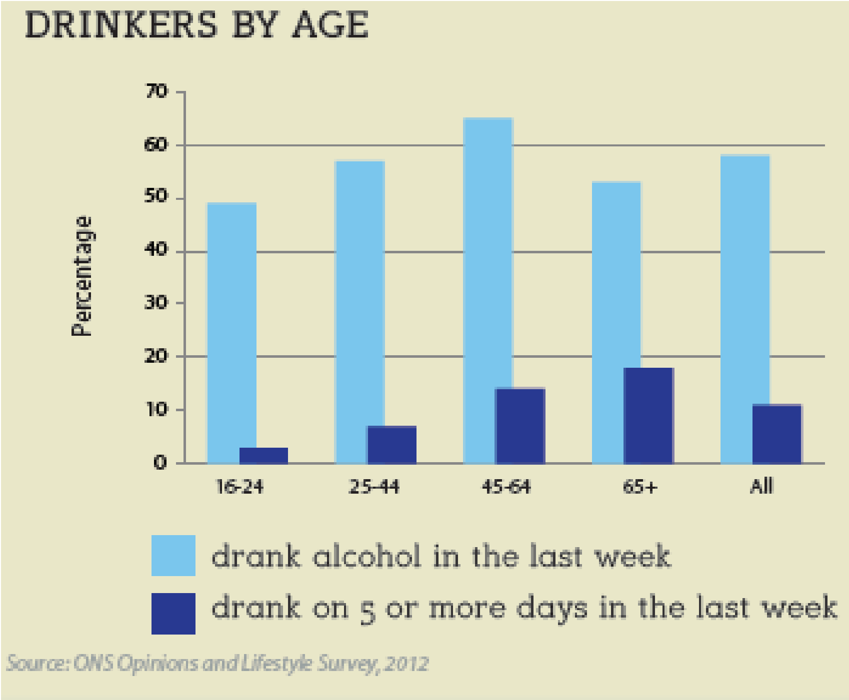


Figure 8 – Drinker by age group, in the UK, in 2012
Source: WSTA (2014) Market Overview – UK Wine and Spirits

When asked about what they have drank in the past 4 weeks, at home and at a bar / pub, the answers were not the most favorable ones for Port wine. At a bar / pub only 1% of the female orders were fortified wines and of the male, 2%. In the top of the answers were lager (36%) and ale (30%) for men and white wine (17%) and cider (15%) for women. At home the number of people drinking fortified wines is considerably bigger. 7% of men said they had drank at home fortified wines, and for women that number amounts to 6%. At home, men keep with their favorite, lager (39%) but change the ale (23%), with red wine (34%). Women's favorites are white wine (34%) and red wine (29%).

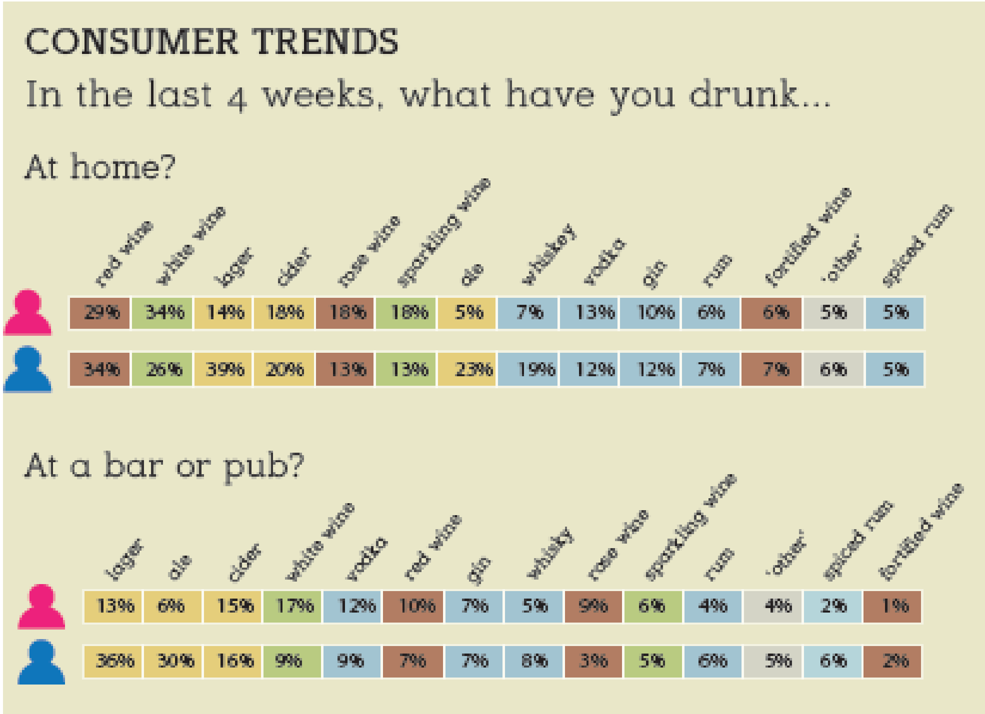


Figure 9 - % of men/women that has said to have drank that particular drink in the past 4 weeks
Source: WSTA (2014) Market Overview – UK Wine and Spirits

The preferred spirits, either at home or at a bar / pub, are vodka, gin and whiskey. At bars / pubs the answers are very similar between genders – 12% of women has said that has drank vodka, 7% gin and 5% whiskey. While 9% of men has said that has drank vodka, 7% gin and 8% whiskey.

At home, the answers are still somewhat homogeneous, with 13% of women and 12% of men having said they drank vodka and 10% of women and 12% of men having said they drank gin. The exception is whiskey, where 19% of men saying they have drank it in the past 4 weeks, but only 7% of women answering the same.

Confirming the unfavorable scenario for Port wine, the wine sales in the UK between 2009 and 2013 had an 8% drop, and the fortified wines had the second worst record within the wine segments, with a 13% fall between 2008 and 2013, only behind the light aperitifs (22% fall in the same period). (See Exhibits 5 and 6)

Meanwhile, spirits sales have been stable, with a 3% increase in sales between 2009 and 2013. Vodka has grown by 7% and Gin, 6%. The biggest increase has been in Tequilla (36%) and Rum (12%), gaining ground to Whiskey (4% decrease). (See Exhibits 7 and 8)

In the UK, the Port Wine picture is not the best as well. Imports are dropping, having in 2014 dropped by 10% - from around 50€ million to 45€ million. This values are even more relevant if one considers that the average price per litre has risen from 4,98€ to 5,17€.

IVDP recognizes the need to look into new markets in the UK, stating that one of the problems may be the lack of appeal the drink might have due to its association to an older generation.

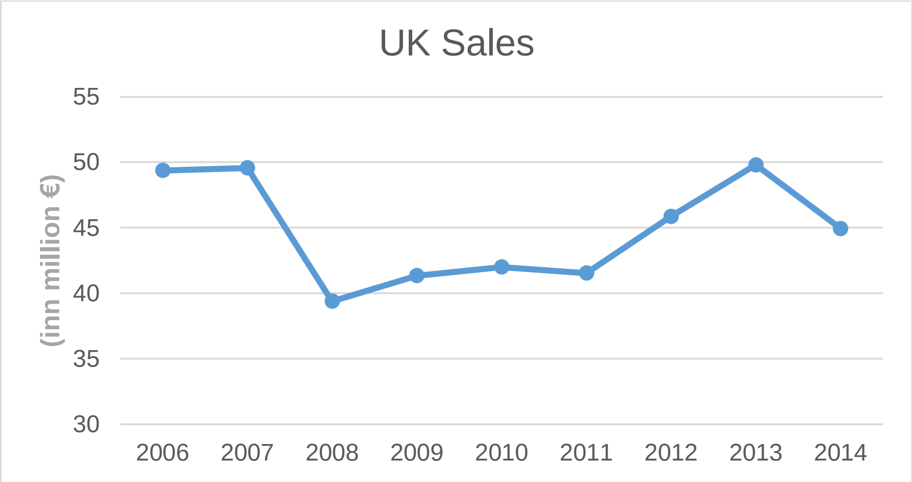


Figure 10 – Port Wine Sales in UK, from 2006 to 2014
Source: IVDP

Compared to Portugal, sales are very differently organized in the UK. Reserve Port is the one that sells the most, followed by Ruby and LBV. Tawny and White are far from being top sellers, with the two combined reaching less than 2€ million.

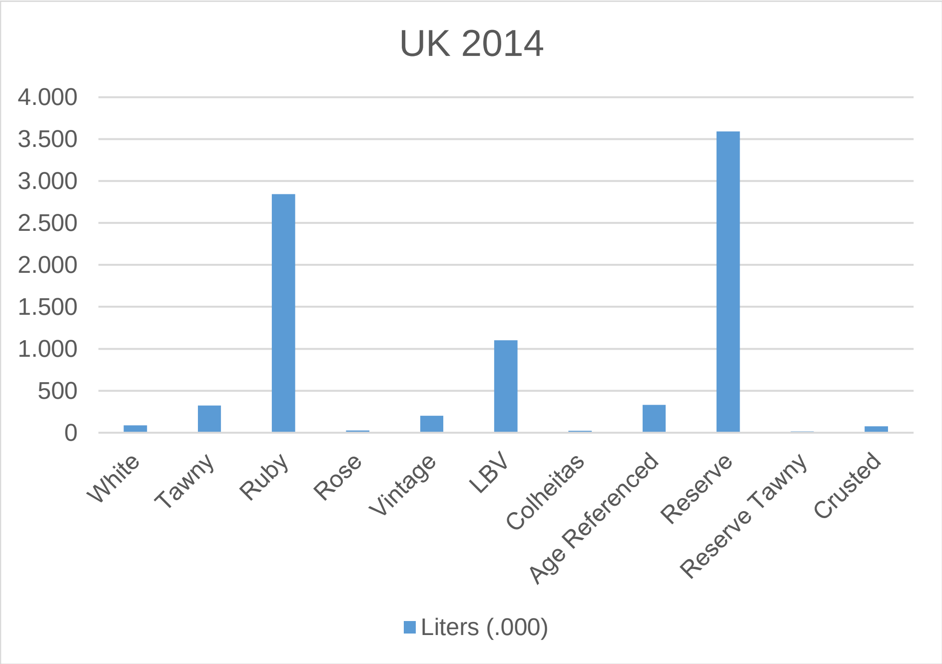


Figure 11 – UK Port wine Sales, by type of Port, in 2014
Source: IVDP

5. Competitors

Considering a wide scope of the competitive environment, composed not only by other wines but also by other drinks, like spirits (vodka, gin, whiskey, cognac) and beer, Port Wine has been facing a fierce competition.

5.1. Gin & Tonic

When one asks why is gin trendy, maybe should try to understand why, in the first place, it stopped being trendy. The early 1900's were a thriving time for Gin, winning popularity during the crazy 1920's and surviving to the prohibition, in force in USA until 1933. London Dry Gin was drank at the time, on the rocks, as a gin tonic or in classic cocktails, which have lingered until today. It inspired the literature of authors like Somerset Maugham, Tennessee Williams or F. Scott Fitzgerald, and even in the James Bond saga, making the shaken Dry Martini (not stirred) famous. It even was a part of Churchill's and the Queen Mother's diet. However, in the 1970's and 80's, the vodka's commercial dynamic won over the young consumers, and gin lost the "modernity train". Entering the 2000's, gin is synonym of an older generation, and was seen as a drink that our grandparents drank. [12]

It was then that some game-breaking brands entered in scene, like is the case of Hendrick's, a reborn Bombay Saphire, Martin Miller's; and even the tonics, Fever Tree and its rival Schweppes. These brands, interrupted the Gin's downfall, and recovered a pure cocktail, the gin tonic, to a numb market. [12]

It has been difficult to explain the exponential growth that Portugal and Spain have been assisting in the past few years. By 2010 the gin's available in Portugal (traditional and some premium) has no commercial repercussion. And that was due to the lack of one important element: the know-how. [12]

Spain has stand out in this chapter - Gin & Tonic have been facing an exponential growth in the past few years, mainly in Spain (second largest market in the world and the largest in Europe for premium gin). Paco Recuero[3] explains that the professionalism in the Spanish bar trade has greatly increased which implies a greater understanding by bartenders when it takes to the complexity and craftsmanship attached to (in this case) gin production. [13] This didn't happen in Portugal. Michelin starred cooks, used to work with premium goods, started a new way of drinking Gin (large glass, with lots of ice and proportional measures of premium gin and quality tonic). [12]

Other important factor to have in mind in this - let's call it - Gin uprising, is the willingness of innovation, by both established and new brands. Until the early 2000's gin wasn't as exciting as vodka, as there were not too many products and brand innovation. Also an important point is the way marketers positioned Gin. Instead of

[3] Paco Recuero is the Global Director of Beefeater Gin

focusing on style and packaging, they went in a different direction. “Gin is about status, discernment and knowledge and is more comparable to Scotch whisky and not vodka”. [13]

Nowadays, the Portuguese Gin industry is booming, with bars dedicated to Gin opening from North to South and in with five premium gin brands setting off. [12] Example of this boom is Bulldog. The ultra-premium gin brand comfortably exceeded the goal in 2013 by selling 37 thousand bottles, with an approximated value of 650 thousand euros, and set the 2014 goal to sell between 80 and 100 thousand bottles, which translate in a value between 1,5 and 2 million euros. More than doubling the volume and value of business in one year. [22]

5.2.Bacardi (Martini)

Founded in Cuba in 1862, is now present in more than 160 global markets and operates in 29 production facilities in 16 countries.[23] It is estimated to have sales around 5 thousand million euros, corresponding to approximated 200 million bottles per year.

Martini which in its 150 anniversary, decided to celebrate it in different parts of the world. In Portugal, more specifically in Lisbon they decided to do it by throwing every Wednesdays, sunset parties. These parties were in a Lisbon rooftop, with a great view, were private (only people invited could go), free and off course, Martini was the only drink available. Adding to these features, Martini also launched a special cocktail for the occasion. The regular drinker could win entry to the guest list by participating in some activities on facebook or at Friday nights, where Martini was in some of the principal spots of the city. [20]

5.3.Licor Beirão

Founded in 1929, this family company is known for their innovative and avant-guard marketing and advertising strategies. From the Merkel and Sarkozy campaign, to the most recent with the slogan “À Patrão” (“Like a Boss”), passing through the campaign with the known and polemic ex-footballer Futre, everyone knows the famous slogan “O Licor de Portugal” (The Liquor of Portugal). Recently interviewed, the founder’s son and now CEO, José Redondo, admitted their advertising budget is “at least, 10% to 15% of incomes (…). Nowadays, perhaps a bit more. “[24]

5.4.Pernod Ricard

Pernod Ricard is the world’s leader in the Premium spirits industry. It operates in more than 85 affiliates and 100 production sites. Pernod Ricard is the result of a merge from old rivals, Pernod and Ricard in 1975, and since then has grown through strategic acquisitions, like Irish Distillers (includes Jameson whiskeys) or the V&S Group (includes Absolut Vodka). [14]

5.5.Campari

Taking their first steps in the alcoholic beverages industry in 1860, the Campari family, has chosen, as a result of industry's consolidation in the 1990's, a route of international growth through organic and external growth. Being spirits, the company core business, there's where the acquisition efforts are focused. [15]

6. Cluster Advantages

According to Porter, clusters are geographic concentrations of interconnected companies and institutions in a particular field. As can be seen in Figure 9, they often include suppliers of specialized inputs, extend to channels and customers, and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs. Many clusters, like is the case of the RDD one, also include governmental and other institutions (i.e. universities, trade associations), that provide specialized training, education, research and technical support. [26]

Clusters affect competition in three broad ways: (1) by increasing the productivity of companies based in the area; (2) by driving the direction and pace of innovation, which goes hand-in-hand with future productivity growth; (3) by stimulating the creation of new businesses, which will expand and strengthen the cluster itself. A cluster allows each member to benefit as if it had greater scale or as if it had joined with others formally – without requiring it to sacrifice its flexibility.[26]

For clusters consisting of many small and mid-size companies - like is the case of the Port wine cluster (while there is a clear Top 5 in terms of sales in Portugal[4], one can include these companies in this category, since they are competing with companies with much greater scale, such as Pernod Ricard or Diageo) - the need is particularly great for collective bodies to assume scale-sensitive functions. [26]

Therefore, investments made by government or other public institutions, in this case IVDP, can help a company, and consequently the clusters', to increase its productivity. Like, for example, by funding local training programs, which will allow companies to recruit more educated employees. Then, as competition rises, the cluster's information and technological pools, as well as its reputation, will rise as well. [26]

While within a cluster, the companies' productivity is not the only thing that can be enhanced. Companies in clusters are interconnected, hence, synergies can be found. Not only by increasing productivity and innovation, but also in marketing activities. A

[4] No available data for total Port Wine sales

cluster frequently enhances the reputation of a location in a particular field, which makes it more appealing for consumers, when choosing a product, to choose one they know to be from a known cluster. Examples being the Californian wine cluster or the Italian leather fashion cluster. [26]

Other advantage that can be achieved by finding synergies between companies is that good performances of one member of the cluster can improve the success of other members. In other words, in a tourism cluster, the experience's quality, depends not only on the main attraction, but on the surrounding and complementary businesses. [26]

7. Strategy

While interviewing a Port wine producer, about the Port wine companies' investment in marketing and advertising the answer was that they (Port Wine producers) did not have the marketing budget other companies have.

As can be read on table 3, Sogrape (the only company of the top-5 Port producers that has available data) is below the average (15%) concerning the marketing expenses in % of Sales, compared with their main competitors in the alcoholic beverages industry. Being, with 10%, the second to last, on this table.

Companies	Sales	Marketing Expenses	% of Sales
Carslberg	91,569	18,695	20%
Pernod Ricard	7,945	1,510	19%
Campari	1,560	261	17%
Diageo	14,076	2,223	16%
Anheuser- BV	47,063	7,036	15%
Heineken	19,268	2,447	13%
Sogrape	189	19	10%
SAB Miller	34,487	2,582	7%

Table 3 – Sales, Marketing Expenses and % of sales spent of Marketing Expenses, by top companies in the alcoholic beverages industry
Sales and Marketing Expenses values, in millions
Source: Companies' annual reports

Besides that, Sizaret, a former Marketing Director of Symington Family Estates, says that the Port wine companies' marketing and communication strategies are, many times, not adapted to the market, as they forget to include all their competitors of one specific market. [8]

In the Internationalization and Promotion Plan (IPP), IVDP has set some goals and respective strategies, to their intervention in some of their principal markets of intervention, as well as in transversal platforms. For the digital market (e-commerce), IVDP sets to organize their communication by “Internationalize IVDP’s approach to the several valences of digital communication and social media”.
Examples of transversals strategies are to utilize the RDD to add value to the sector or to attract more foreign clients through developing activity plans and contacts with tour operators. [4]

IVDP has set the contribution to the increase in knowledge about Port wine and the rejuvenation of its consume has the goals to the Portuguese market. Being the latter, common to the UK market. The strategy set to accomplish those goals in Portugal is to act with end-of-line professionals (HORECA channel) and “enlightened” consumers. Regarding the UK, the strategy set is by communicating new opportunities, forms of consumption, value-added wines with the “Discover the Origin” program partners. [4]

The Port Wine industry strategy (2012-2015) - set by IVDP – has few goals: (1) Increasing the international relevance of the Demarcated Region of Douro (RDD) and the origin denominations “Douro” and “Porto”, (2) Promote the continued improvement of the organizations’ performance with rigor, credibility and efficiency; (3) Endow IVDP with a strong presence in RDD adopting an innovative and modern institutional positioning. (See Exhibit 11)

Specific to the Promotion and Communication Service (see exhibit 7), IVDP has six goals:

1. Increase the degree of knowledge of Port Wine;
2. Intensify the programming of digital media information. They propose to accomplish them by:
    a. Promoting seminars in the ITP hotel schools;
    b. Going on publicizing activities to international “gourmet fairs”;
3. Creation of an interpretative center about Port and *Douro* Wines in the RDD;
4. Implementing an action mix defined in function of the maturity degree of the different markets, with highlight to the participation in high impact events, such as fairs, tastings and festivals, revitalization of seminars and personalized formation programs to different targets, sensitize and communication actions among the *trade*, HORECA channel, importers, distributors, teaching establishments and final consumers;
5. Consolidation of the Port Wine Day initiative;
6. Implementation of microsites and animation of social network in Spanish and French.

At the same time, some Port Wine companies are already promoting new ways of consuming Port. Sogrape and Sandeman are examples of that, by featuring in their websites recipes of cocktails (such as Port Tonic, Caipi Sandeman or Sandeman Sangria are a few examples). Sandeman even took this further by having a sole page on their website just dedicated to Port cocktails.

These campaigns go according to the view that Port wine's perception needs to be rejuvenated. By communicating to people that, not only it is ok to drink Port in this ways, but it is recommended by the producers, companies expect to turn Port trendier, and more fashionable.

8. Challenges

Being a secular and a typical Portuguese drink, that makes the Portugal flag known all over the world as a synonym of quality, it would be obvious and easy to assume that every Portuguese from the youngest newborn to the oldest elderly would have intrinsic in his blood the knowledge and pride of Port Wine. Right? Wrong. One of the main challenges identified by Port Wine producers is the lack of knowledge around this Icon of Portuguese culture. "What is the difference of Tawny and Ruby? White Port Wine? Is that a thing?" - are all questions you can hear from Portuguese people while you scratch their knowledge about Port Wine.

This great diversity of types of Port Wine and the set of "rules" perceived by consumers that are needed to drink Port is a major challenge. The majority of the consumers can't even identify some types of Port, and think that in order to appreciate it they need to follow some kind of script of how to drink Port.

When speaking to the show "*Imagens de Marca*" of the known Portuguese TV channel, "*Sic Notícias"*, Manuel Novaes Cabral said that they have been working with Premium restaurants and well known chefs to help promoting Port Wine but that the vast majority of the tourists and even locals go to an intermediate set of restaurants, where – he recognizes – there's a gap that IVDP hasn't worked with, mainly due to the lack of knowledge about Port the employees and even owners of the restaurants show.

The lack of knowledge is a serious challenge that any product might face, because it takes time and money to educate people. At the same time, Port Wine has another challenge that can be related to the lack of knowledge – the perception about the product. Port Wine is perceived as a premium drink that is only supposed to be drank at special occasions. In the other hand people perceive, i.e., Whiskey as a drink that can be drank every night after dinner.

Hence, many people have a bottle in their dispensaries that they only go get on special occasions, other problem related to that is that people think it's a shame opening a bottle just for a few drinks, and then leave it open until the next special occasion. This can be linked with another challenge, the way of drinking.

People are used to drink Port in a small glass and not more than one or two ("Port is to appreciate"), well it's up to the Industry to innovate and show people that they can drink and appreciate Port in different ways and shapes, rather just having a small glass at the end of a special dinner. This challenge is already being addressed, with packaging innovations by creating half-bottles that can be more "drinker-friendly" as they can open it in a dinner with friends and, maybe finish it so it will not have to wait for the next special occasion.

In the past Port Wine as faced some crisis, mainly due to frauds and bad quality imitations that mined Port Wine's market and reputation. Nowadays, Port Wine is facing other challenge with imitations. The *Port* denomination is protected in UE but not in countries like, for example, US. What does that mean? It means that one of the differentiation advantages this region that is producing the real Port Wine has, is in danger – since people that want to buy this unique wine may be taken to buy wine produced in the other side of the World with the name of this old Portuguese region.

9. Opportunities

On a brighter note, there is a market full of opportunities that this ancient industry can take advantage of. People are, nowadays, constantly looking for next big thing, the next trend that is going to pop, and want to be the ones who tell their friends about it before somebody else does. That's an opportunity in two different senses. Firstly, it means people are receptive to new products, innovative ideas and are open to try different things. Secondly, it means they are going to spread the word, they want to be the ones who "discovered it", so for every person that enjoyed the product, one will win a new sales person.

Other opportunity is related to the highly technologic world we are living in. At a reach of a click, thousands of people are within reach – social media is a very powerful tool that has been taking more and more importance in all types of businesses nowadays, and IVDP as a big gap there, which is waiting to be filled. Brands like Bacardi, Smirnoff and Absolut Vodka have been praised by their innovative social media marketing strategies. Absolut has developed a micro-site and an app that allows consumers to look for cocktails and then gives a step-by-step explanation on how to do it. Bacardi, apart from beginning a partnership with Spotify has also created a mobile-app. In 2011, Smirnoff held a global dance competition called "Nightlife Exchange" with the goal of finding a dancer to join Madonna's 2012 tour. That event increased Smirnoff's share of voice in 30%, while garnering 5.000 Facebook likes for Smirnoff Cocktails. In 2012, their global tour of events named "Midnight Circus" created more 4.000 Facebook likes and reached over 800.000 people.

With all said above in mind, Port Wine has a trump card. Both Portugal and the UK are affinity markets. Portugal, for obvious reasons – Port Wine is a wine named after the 2nd largest Portuguese city, Porto and is specific to Douro's valley banks. The UK is an affinity market not only because the long tradition of importing Port Wine, but also because of many producers are in fact, English (i.e. Taylor's, Symington's**,** Graham's, Croft, Sandeman's).

An opportunity that IVDP can take advantage of is the increasing interest in cocktails, where in the UK the consumption grew by over 10% between 2010 and 2012. Which can be seen also in the sales increase in pre-mixed cans (driven by the off-premise consumption). [10]

10. Concluding Remarks

In the past years Port Wine has been falling in the lists of alcoholic beverages consumers favorite drinks, suffering with their perception of Port as a “boring old man’s drink”. There are many opportunities that IVDP, the most important public institution related to Port Wines, can take advantage of in order to catch up with the rest of the industry.

In the Portuguese market, even though the most sold wines Tawny, White and Ruby) are from the standard category, the sales were affected by the economic crisis in 2008, and since then Port sales have been following a growth tendency. However, sales in 2014 are still 10% lower than in 2006[5].

In the British market, as seen before, the Port consumption pattern is different from the Portuguese one. And within the three most sold Ports, only one (Ruby) is part of the standard category, being the two others (LBV and Reserve) part of the special categories. The sales tendency in this market is difficult to describe, but as the Portuguese one, sales decreased 10% between 2006 and 2014[6].

Research also showed that market demand for Port, is seasonal and follows a similar pattern in both Portuguese and British market. Being the third and fourth quarters the ones where Port is sold the most. In Portugal, there is a correlation between sales and the number of tourists in the first three quarters, which can explain help explain why Port sales increase steadily through those quarters, and the rise in the last quarter can be easily explained by the Christmas factor, which follows the perception people have about Port being a drink for special occasions, like holidays. In the UK, the Christmas factor is even more accentuated than in Portugal, but an interesting result came up in the research, showing that the third quarter (months of July, August and September), registers a relevant increase in sales (bigger than in Portugal), which could not be explained by the author.

By analyzing the alcoholic beverages industry trends, and its competitors, the Port wine cluster (IVDP and Port wine producers) know that Port has a very differentiating competitive advantage when compared to its competitors (Vodka, Gin, Martini, etc), which gives the Port cluster an edge to take advantage off.

When analyzing IVDP’s PPI (See Exhibit 13), one can see that, even though the biggest portion (25%) is spent on Origin Denomination Protection Activities, this amount represents only two different programs (Discover the Origin II, and Wine Origins 3) in the UK and USA.

Hence, the question that arises is what IVDP, the main regulator and promoter of the Port wine Cluster, can do to bring Port back into fashion. Which path should the Port cluster take, and how can they communicate it?

[5] See Figure 6
[6] See Figure 7

Exhibits

Exhibit 1 - Port Wine History

The Port Wine designation goes back to the second half of the 17^{th} century, a time of rapid growth in Douro wine's exports. That rapid growth was much due to the English detriment of French wines, as these two countries has a great rivalry between the maritime empires in the North.

In spite of the designation "only" goes back to the 17^{th} century, the wine itself can be dated much earlier. There are traces of stone treading tanks and casks dating back to the 3^{rd} and 4^{th} century that can be found throughout the region.

With England imports of Port Wine increasing, in 1703 the Treaty of Methuen seal approved this trade by exchanging privileges English textiles on the Portuguese Market With the demand increasing, and consequently, prices too, Port Production tried to adapt itself but fraud and infractions rose, which made the exportations stagnate, and soon after that British decided not to buy anymore wine, middle of the 18^{th} century

In 1756, "Companhia Geral dos Vinhos do Alto Douro", was founded with the goal of ensuring the quality of the product, avoiding fraud, balancing production and trade, and stablishing prices. And the first "demarcation of the mountains" was implemented

The 2^{nd} half of 19^{th} century was a turning point. The destruction caused by oidium during the 1850"s was followed, a decade later, by the ravages of the phylloxera that destroyed most of the vineyards in the demarcated region. This was followed by new methods for preparing the land, new planting techniques for vines, the selection of the best regional species of vines for grafting, the rational use of fertilisers and pest control, the perfecting of winemaking procedures.

In the 1880's fraud was the cause of other crisis. Crisis that led to new demarcation regulations. Besides exports rose at a totally unexpected rate to more than one hundred thousand pipes in 1924/1925, a volume of trade that would only be surpassed at the end of the 1970's, poverty and hunger were still present in the region.

In 1933, Port Wine Shippers Guild and Port Wine Institute are created. In 1974 the dictarship Portugal was ended, and with the revolution this system was also put to an end, but PWI and Casa do Douro maintained basic responsibilities.

In 1995 the Demarcated Region of Douro was re-organized. With the creation of the Interprofessional Commission for the Demarcated Region of Douro (CIRDD), farmers and producers started to have an equal representation with a joint goal: discipline and control the production and sale of wines from the region entitled to the denomination of origin.

In 2003, there are alterations when CIRDD was replaced by an Interprofessional Council which is a part of Douro and Port Wine Institute [1]

Exhibit 2 - Port Wine definition

The Port Wine is a liqueur wine, produced in the Douro Demarcated Region, under peculiar conditions due to natural and human factos. Besides the unique climate, the fact that the fermentation of the wine isn't complete, being stopped in an early stage (two or three days after start), through the addition of Brandy (aguardente vínica neutra) with 77º alcohol. Hence, Port Wine is naturally sweet (since the grape's sugar, doesn't turn into alcohol). Due to its particular characteristics it differs from the most common wines. There's a great diversity of types with a surprising richness and an aroma intensity incomparable, a very high persistence of either aroma or flavor, a high alcohol content (normally between 19 and 22% vol.), in a wide range of sweetness and color diversity. There's a set of designations that enables to identify the different types of Port Wine. [1]

Port Wine is divided into three big families: Ruby, Tawny and White:

Tawny

Tawny's can have shades between amber and brown. Its flavor resembles nuts and dry figs, due to the years of slow and controlled oxidation in large wooden barrels. They go by two names, either *Colheita* (specifying a vintage) or Aged Tawny (with a number of decades declared on the label - from 10 to 40). Colheitas and Aged Tawnies are best served chilled, all year long. They might be served as an aperitif, or drank at the end of the meal. 10 or 20-year-old are the best of all ports for Stilton, and go great with cheese.

Ruby

Ruby Ports, where the Vintage port is the other top-end style, are redder, firmer, slightly sweeter and fruitier than tawny. In years of old, vintage port had to be kept for years for its tough tannin and spirit to soften to drinkability. The spirit used to fortify port is of finer quality, and modern methods in vineyard, cellar and warehouse make vintage port a more balanced, less tannic wine that is drinkable after only a few years, although it will still age and develop complexity. There are numerous more modest categories, like Crusted, Late-Bottled Vintage (LBV), Late Bottled, Reserve, Premium Ruby and Ruby. Ruby is best drank at cool room temperature, and is good with certain cheeses, Queijo Serra da Estrela, Queijo de Azeitão, Cheddar, even strong, unpasteurized Brie in the case of LBV. They are also a good match with bitter chocolate or coffee desserts. The French drink this style of port as an aperitif, the English after the meal – take your pick.

White

White ports come in various levels of sweetness. '*Seco'* (dry) is actually quite sweet, '*meio seco'* (medium dry) pretty sweet, and '*doce'* a drink for the seriously sweet of tooth. A new style of port, sweet, fortified and rosé, this is made to drink chilled and neat, or in cocktails. White Ports are drank as an aperitif, sometimes mixed with tonic, neat on ice, or in cocktails. There are also more expensive, longer-wood-aged versions with a nuttier flavor, also best chilled and served as an aperitif.

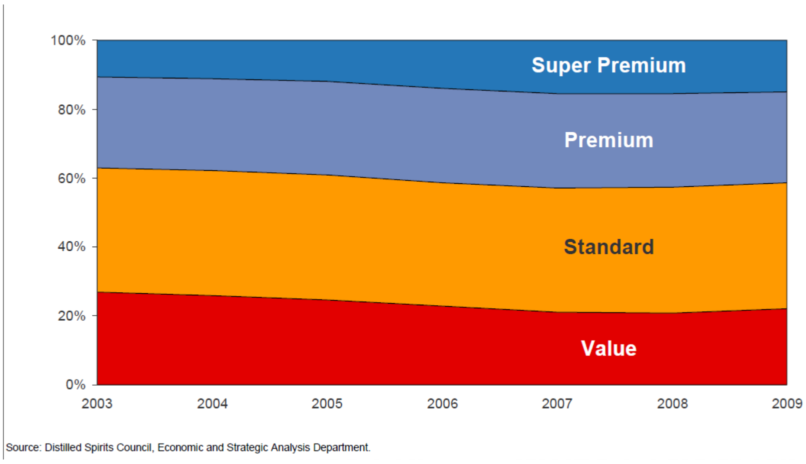
Exhibit 3 - RDD characteristics

Douro Demarcated Region is the oldest wine demarcated region in the world and highlights its products by quality, mainly due to the tradition associated to its production process. The companies inside a *cluster*[7] are limited by its own quality control from the production methods tradition and by the regulator institutes norms at all levels: regional, national and international [24].

The clusters in Portugal took a hit from globalization, since it opened a way to the product homogenization by big companies, which made disappear a significant parcel of small local companies [24]. Associated with this event, since the beginning of the XXI century, occurred a trend of mergers, acquisitions and joint ventures of regional and multinational producing companies.

With this scenario, there was a risk of losing the traditional values rooted in small-sized companies. Fortunately, that didn't happen. There was an adaptation of the know-how accumulated by experience with the application of technology on the production processes. [24]

Exhibit 4 – Spirits segmentation by dollar share, in the US



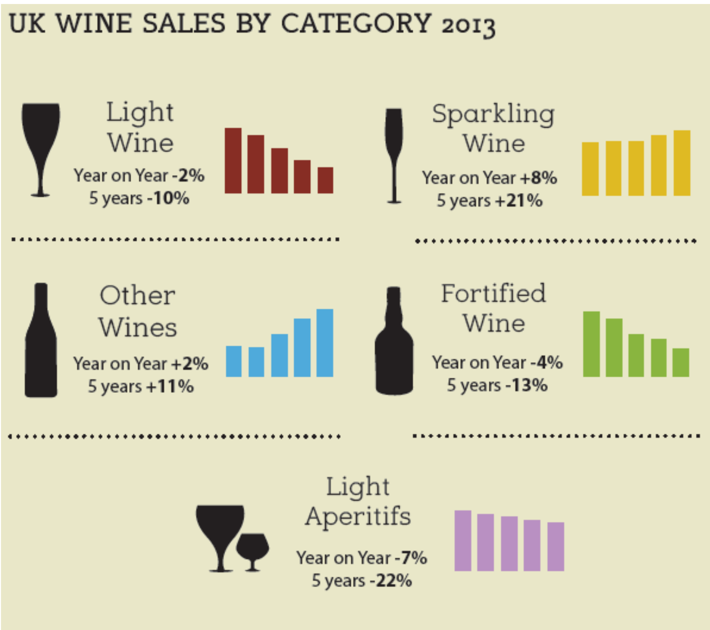
Source: Distilled Spirits Council, Economic and Strategic Analysis Department

[7] Cluster is a geographic location with a differentiated economic performance determined by an institutional environment, where major part of one organization's productive operations occur[c]

Exhibit 5 – UK Wine Sales between 2009 and 2013

Source: WSTA (2014) Market Overview – UK Wine and Spirits

Exhibit 6 – UK Wine sales by category, 2013



Source: WSTA (2014) Market Overview – UK Wine and Spirits

Exhibit 7 – UK Spirits Sales between 2009 and 2013

Source: WSTA (2014) Market Overview – UK Wine and Spirits

Exhibit 8 – UK Spirit Sales by Category, 2013

Source: WSTA (2014) Market Overview – UK Wine and Spirits

Exhibit 9 – Summary Table of IVDP's PPI costs

Summary Table, by actions	Total Costs (in million €)
I - Transversal Actions	291
II - Training and Pedagogy	243
III - Tastings	411
IV - Activities with Professionals	223
V - Origin Denomination Protection Actions	537
VI - Activities with Consumers and Wine Shows	244
VII - International Fairs	186
VIII - Digital Market	35
Total	**2170**

Source: IVDP's IPP

Exhibit 10 – IVDP's Mission, Vision and Values

IVDP Mission, Vision, Values

1. Mission, Vision, Values and Strategic Goals

1.1 Mission

Certify, control, defend and promote the "Douro" and "Port" origin denominations.

1.2 Vision

Boost Quality, work in the future.

1.3 Values

Competivity, credibility, integrity and innovation.

Exhibit 11 - IVDPs' Strategic Goals, Activity Plan (2012-2015)

Strategic Goals (2012-2015)

Goal 1 – Increase the International relevance of the Douro Demarcated Region and the "Porto" and "Douro" Origin Denominations;

Goal 2 – Promote the continuous improvement of the organization's developments, in a efficient, credible and rigor frame;

Goal 3 – Endow IVDP with a strong presence in DDR adopting a modern and innovative institutional positioning.

Exhibit 12 – IVDP's Communication and Promotion Service, and Actions

3.4 Communication and Promotion Service

3.4.3 Goals

A – Increase Port wine's knowledge rate

Reinforcement of Port Wine's perception in intern and extern markets, educating, forming and sensitizing, especially over the public professionals, so that these can "spread the word".

B – Increase the international notoriety of the DOC Douro Wines, from RDD and "Território Douriense"

C – Intensify the digital media's joint planning

Reinforcement of DO's and RDD's promotion in social media, with a special incidence to the markets defined as priorities in 2015.

3.4.4 Actions

A1 – Seminars promotion on the Portuguese Tourism Institute (Instituto do Turismo de Portugal – ITP) hospitality schools.

A2 – Execution of divulgation activities to target consumers in "gourmet fairs" in several international markets.

A3 – Creation of an interpretative centre about the Port and Douro Wines and the RDD in Porto.

A and B1 – Implementation of a mix of actions defined in function of the maturity degree in the maintance and diversification markets, with a highlight to the participation in high impact events, such as fairs, tastings and festivals, seminars dinamization and personalized formation programs to different target groups, awareness actions and communication among trade, HORECA channel, schools, importers, distributors and end consumers.

B2 – Consolidation of the Port Wine Day initiative

C1 – Implementation of micro sites and animation of social media in Spanish and French language.

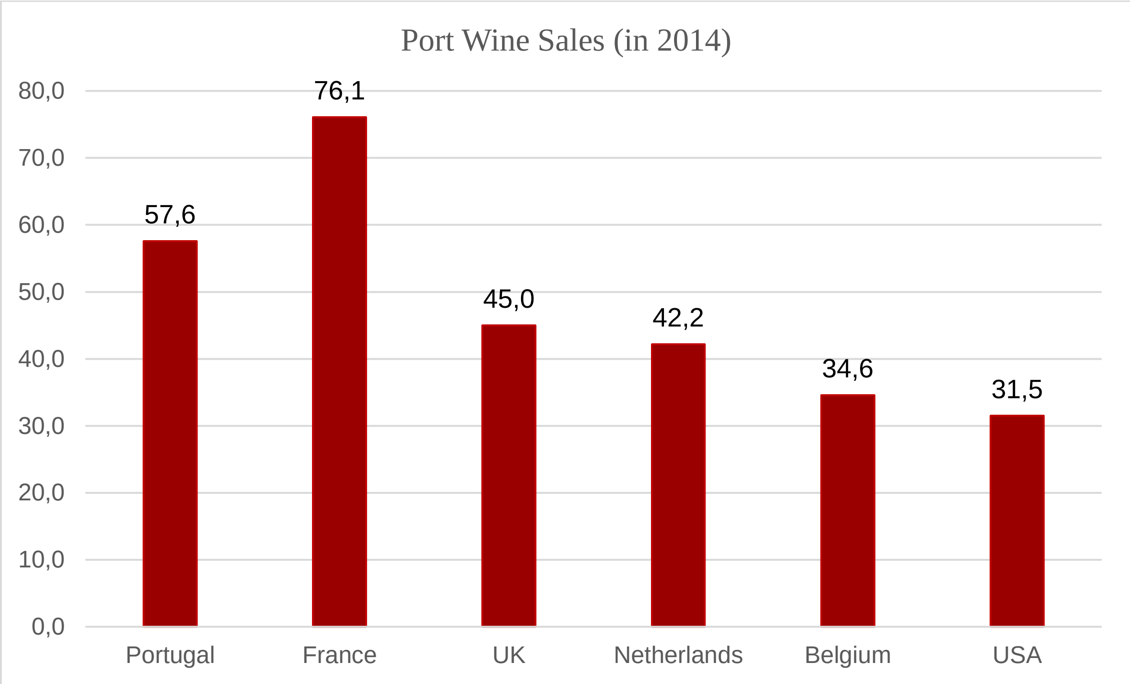
Exhibit 13 - IVDP's PPI Goals and Actions

Main Markets	Goals	Actions
Digital	Organize IVDP's communication in this domain	Internationalize IVDP's approach to the digital communication and social media several services.
Fairs	Create conditions to the promotion of commercial contacts of the Economic Agents	Aggregate the RDD's participation in a visible space, comfortable and with great working conditions
Formation and Pedagogy	Increase the number of graduates reached by IVDP through the increase of initiatives	Reinforce the partnerships with local entities and enlarge the number of markets targeted by formation
Portugal	Contribute to knowledge increase of Port wine and to the rejuvenation of its consumption	Act on end-of-line professionals (HORECA channel) and enlightened consumers
France	Improve the professionals' perception about Port wine and create new consumption opportunities	Increase the coverage of the IVDP activities about the current recipients and approximate professional associations to IVDP activities
UK	Rejuvenate the Port wine consumption	Communicate new opportunities, ways of drinking, harmonisations and value added wines with the partners of the "Discover the Origin" program
Brazil	Enlarge the "aspirational" desire of Port Wine to the new medium and medium-high class	Reinforce the communications strategies of high notoriety and

		enlarge the place-based action
USA	Consolidate the Origin Denomination concept	Communicate the concept of Origin Denomination to professionals, press and influent oenophiles, using the Port Wine example
Canada	Increase the Douro Wines notoriety	Reinforce the work over the “decision-makers” of wine sales in the main provinces, by a “seed marketing” strategy
Transversal Actions	Complementary activities to the Internationalization and Promotion Plan	Use the RDD and the IVDP to add value to the sector
Store and Solar	Increase Sales	Attract more foreign clients through the development of activity plans and contacts with tour operators

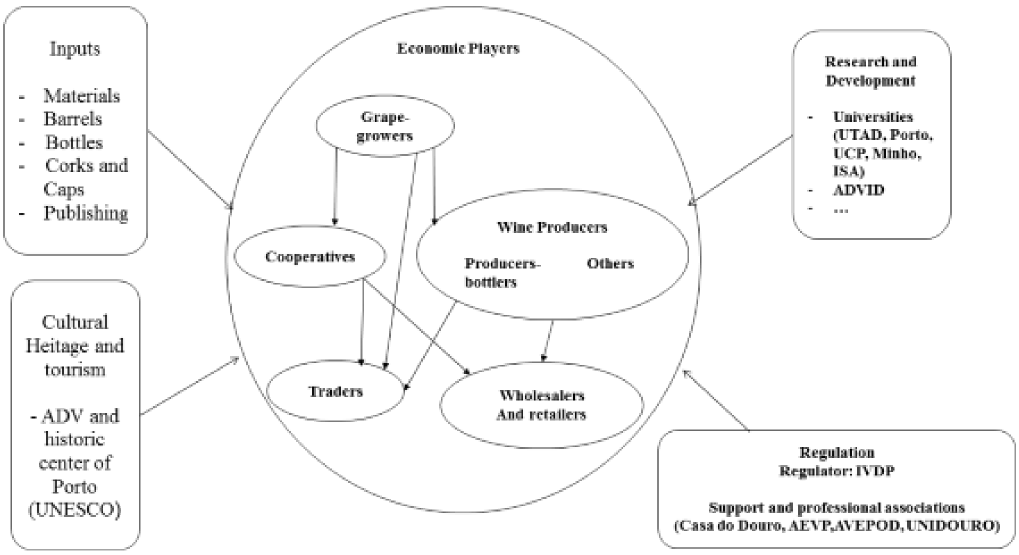
Source: IVDP’s PPI

Exhibit 14 – Top 6 Country of Port Wine Consumers



(Values in million €)
Source: IVDP

Exhibit 15 – The RDD Cluster members



Source: Rebelo, João & Caldas, José, (2013), The Douro Wine Region: a cluster approach

11. Teaching Notes

11.1. Introduction

The teaching notes section aims to provide the instructors with a plan. It is a written note of the class plan. The goal is to identify the key aspects that are presented in the case. Furthermore, some theoretical analyses will be presented aligned with suggestions and recommendations for the class discussion.

11.2. Case Synopsis

Faced with fierce competition, and brand image problems, the Port wine cluster has not performed in the past recent years, as Manuel Novaes Cabral would wish. This case is about what is the brand positioning that IVDP, the Port Cluster's main regulator and promoter should set for the cluster to make Port a fashionable drink, as opposed to the old man's boring drink connotation it has now.

11.3. Suggested Assignment Question

You are consulting IVDP about how can they make Port Wine trendier in the Portuguese and UK Industry. What set of actions would you recommend to implement?

11.4. Teaching Objectives

This case was developed with the following teaching objectives of:

- Understanding the tendencies of alcoholic beverages industry
- While thinking about marketing strategies for a single company, understand the potential effect of a cluster
- Understanding cluster marketing and branding as a source of competitive advantage

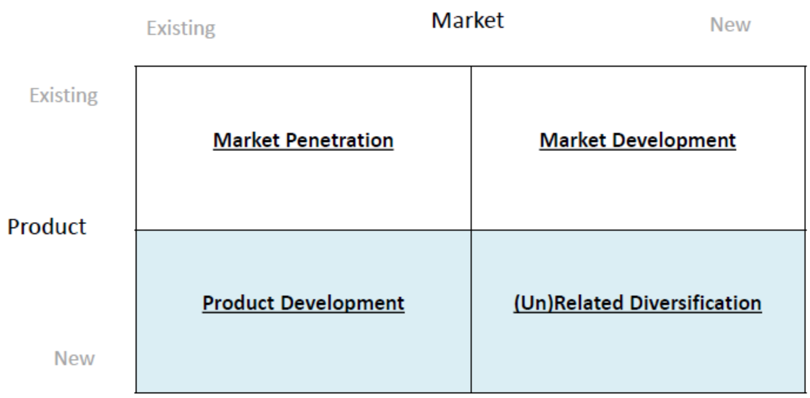
11.5. Use of the Case

This case was developed with the goal of demonstrating a perspective of the challenges and opportunities the Port Wine industry is facing nowadays and to promote the discussion in the classroom of what strategy (ies) can IVDP take to reverse the markets tendency. Having always in mind, the advantages in competitiveness, clusters can provide. Therefore, this case can be used in strategy courses or in marketing ones – such as: Strategic Marketing, Strategic Management.

11.6. Relevant Theory

The Ansoff Matrix

The Ansoff Matrix, developed by Igor Ansoff, can be introduced as an useful tool for thinking about marketing objectives. The Ansoff framework simplifies a firm's competitive situation by dividing it in two dimensions only – products and markets. [18]



Adapted from "Product-Market Strategies for Business Growth Alternatives" [19]

According to Elie Ofek and Luc Wathieu[8] there are three strategies one can use to address the impact of trends:

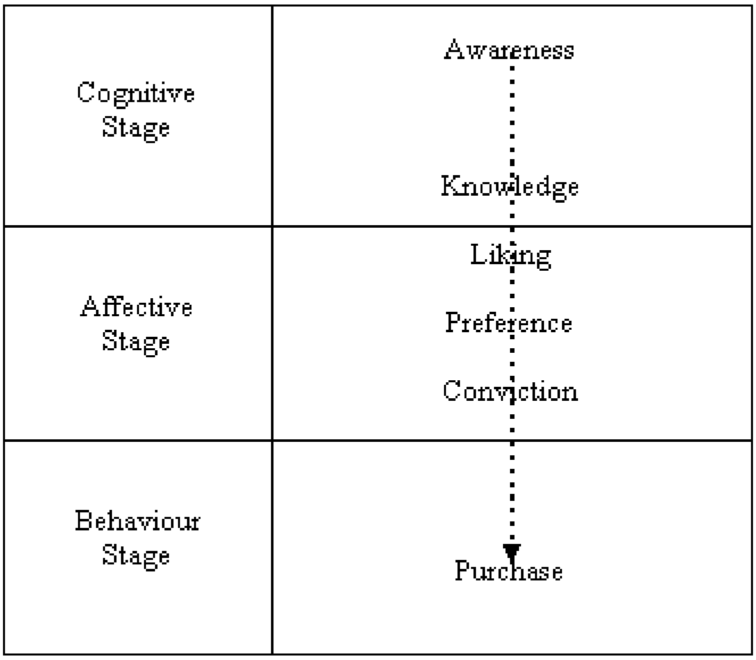
1) Infuse aspects of the trend into the category to augment traditional offerings
2) Combine aspects of the trend with attributes of the category to produce radical offerings that transcend the category;
3) Counteract negative effects of the trend by developing products and services that reaffirm the category's values [21]

Consumer's attitudes and behaviors change in ways that may not seem obvious, influenced by trends.

[8] Elie Ofek is a Professor of Business Administration in the Harvard Business School and Luc Wathieu holds the Ferrero Chair in International Marketing at the European School of Management and Technology in Berlin

Hierarchy of Effects

In 1961 Lavidge and Steiner presented a model for the predictive measurement of advertising effectiveness. They suggested an hierarchical sequence of effects, resulting from the perception of an advertisement – where the consumer moves closer towards the purchase. They claim it is based on a classic psychologiucal model, which divides behavior into cognitive, affective and conatice (or emotional) states. [17]



Adapted from Lavidge & Steiner (1961)

Competitive advantage of nations

According to Porter, competitive advantage is created and sustained through a highly localized process. Being nations successful in particular industries because their home environment is the most forward-looking, dynamic, and challenging.

His research also concluded that companies achieve competitive advantage (in international markets) through acts of innovation, whether that innovation translates in a new product design, new production processes or a new marketing approach. Many times these innovations are not even breakthrough ideas, but ideas that were already around but never were really pursued. It always involves investments in skills, knowledge, assets and brand reputations.

Porter considers that there are four broad attributes of a nation, which individually and as a system constitute the diamond of national advantage. These attributes make certain companies in certain nations capable of consistent innovation, while continuously looking for improvements and more sophisticated sources of competitive advantage. Those attributes are:

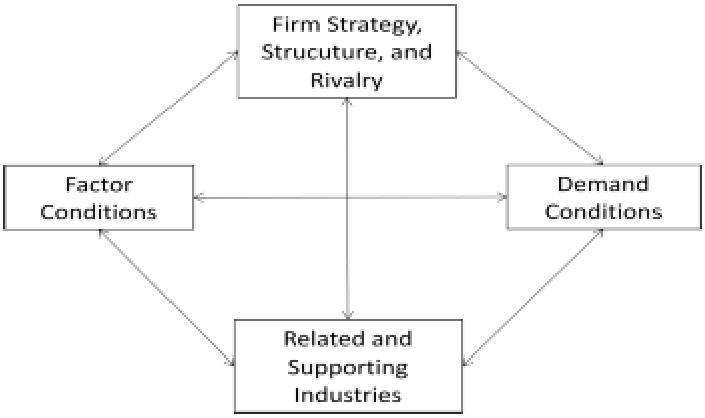


Figure 9 – Determinants of National Competitive Advantage
Source: The Competitive advantage of Nations

Each determinant of the system, affects essential points that influence a company to achieve international success.

- The availability of resources and skills necessary for competitive advantage in an industry
- The information that shapes the opportunities that companies perceive and the directions in which they deploy their resources and skills
- The goals of owners, managers, and individuals in companies
- The pressures on companies to invest and innovate

Cluster Marketing and Branding

Before deepening the subject, is important to understand the concepts of branding and marketing. While branding is how a company (brand) delivers the promises it makes to consumers, it is through marketing that brands communicate the promises they will deliver.

In "Cluster Branding and Marketing – a Handbook on Cluster Brand Management", Marcus Andersson, Adrian Solitander and Per Ekman (ASE), summarize it when say that, marketing communications are *what* a brand does to get the promise across to the target audiences, while branding is *how* you keep the promise made, through delivering it to the audiences.

One definition, they consider important is the definition of brand image. Defining it as a "set of beliefs or associations held about a specific brand in the minds of its target audience". As can be seen in Figure 10, they consider brand identity, what the company thinks of itself, and brand positioning the message sent by the company to its target audience.

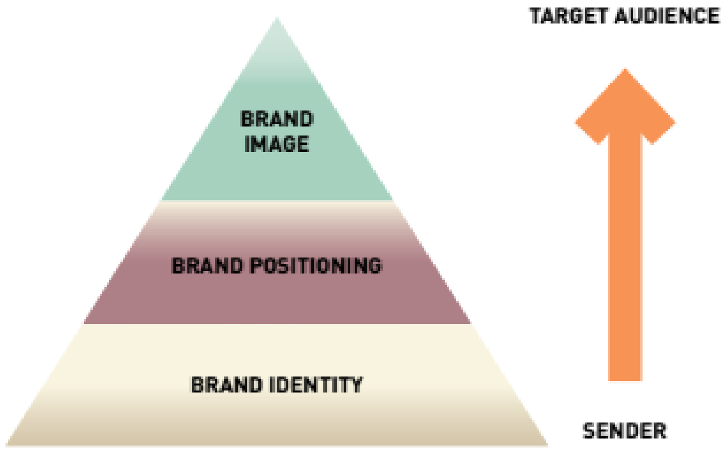


Figure 10 – Relationship between brand identity, positioning and image
Source:

According to ASE's research, cluster branding supports the attractiveness and competitiveness of cluster, and consequently, its innovation and growth.

A cluster's reputation enhances the recognition of a location in a particular field, acting as a quality proof, increasing in that way the probability of a consumer to buy from vendors based in it, or investors or talents to consider the cluster for future ventures. A clear cluster brand can also make the cluster more comprehensible to the outside world, and help the cluster stakeholders to find a path on building a strong cluster identity.

Some of the challenges their research found that cluster branding faces include:

1. The involvement of multiple stakeholders, often with competing interests, contributes to difficulties in forging a coherent and clear brand identity;
2. Target groups differ in their perceptions of the cluster but also in their needs and demands (PT and UK markets are different)
3. Since there are multiple stakeholders, it is difficult to evaluate how the cluster members are "living the brand". Hence, a good way of ensuring that, is to make as many cluster members as possible, co-creaters of branding and marketing activities, hence, creating a feeling of ownership of the brand.

They also identified that a cluster branding process should follow six steps:

1. Mobilisation and planning
   i. Ensure that stakeholders are ready to invest time and resources into the process
   ii. Mobilise the commitment of cluster stakeholders
2. Research and Analysis
   i. Understand how the cluster is perceived, how it communicates and what are its differentiating features

3. Process
    i. Forming the foundation of the branding platform and desired brand vision: the brand identity – who we want to be and how we want to be seen in the future, our brand positioning and our brand promise
    ii. Inclusion and co-creation
4. Strategy
    i. Working out and agreeing on the branding platform, brand architecture, marketing communications strategy and action plan for developing the attractiveness of the cluster
5. Implementation
    i. Define and plan appropriate implementation measures
6. Management, monitoring and evaluation
    i. Ensure the effective management and governance of the branding efforts
    ii. Revitalise the branding process with continuous creative refinements

Only by completing all these steps, a cluster can take advantage of its differentiating features. Those differentiating features, may emerge from a variety of backgrounds, but all clusters strive for a key position in a given economic branch of activity, with a decisive sustainable competitive advantage over other places. To identify this key position, it is necessary for clusters to recognise both their concept type, as defined by their emergence, and within that concept their competitive advantage.

In Figure 8, can be seen the eight positioning strategies, that a cluster can adopt.

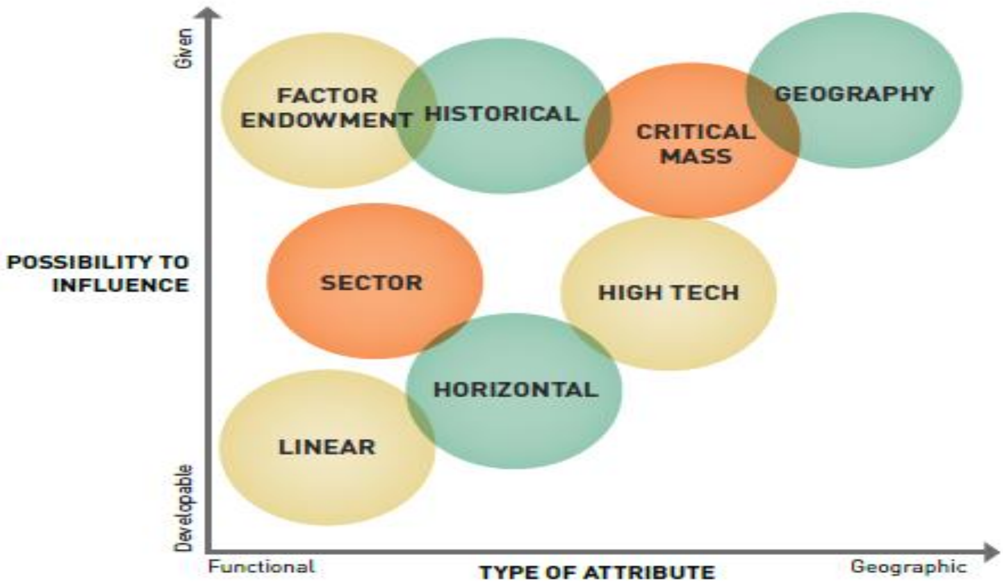


Figure 11 – Strategic positioning choices for clusters
Source: Cluster Branding and Marketing

In their research, some innovative tools and activies for cluster marketing and branding are also suggested: [27]

- Ambassador networks

According to SAE, one way of mobilising stakeholders both inside and outside the cluster is through ambassador networks. This can be a very powerful brand building tool, as they embrace marketing communications and also develop the attractiveness of the sector

- Storytelling

This branding and marketing tool can enhance the brands' image as well as the brands' identity. That means that by sharing the history of the cluster, helps the companies of a cluster better understand the cluster culture and therefore communicate it better to the consumers. Research also as found that provenance is a factor that consumers value

- High-profile events

Usually include high costs, but the outcomes can reveal significant, even mor if supported and reinforced by other communication channels, like social media or PR strategies

- Trainee programs

Trainee programs as well as university collaborations, are used for both fostering a better skilled pools of potential employees but also to enhance the clusters image within the younger age groups

- Social Media

These channels offer a cost efffective and powerful tool for clusters to share information and improve awareness and interest in the global market

- Brokerage events and business roaming agreements

SAE describe this activity as "connecting SMEs with multinational companies (MNCs) scouting for innovations, which can be a powerful tool to support commercialisation and internationalisation of cluster firms

- PR and media relations

According to SAE this can be a very cost effective way of reaching out to a broad audience. Traditional tools include press releases and press kits, which are given to the press with the purpose of generating interest

11.7. Analysis and Discussion

Core Question

You are consulting IVDP about how can they make Port Wine more fashionable in the Portuguese and UK markets. What set of actions would you recommend to implement?

As can be seen in IVDP's activity plan, the Strategic Goals (2012-2015) are too vague, and more about the IVDP itself than the Port Wine. To get to the Port Wine strategy, one needs to go to the Communication and Promotion Service goals, and actions.

As the research present in the case shows, the Port wine cluster as been facing some challenges in the recent past. Challenges, ranging from a fierce competition, where one can find multinational companies with big marketing advertising budgets and smaller companies like Licor Beirão that are marketing oriented, and with relatively big marketing budget as well, to Port wine's image, or the people's perception of Port wine, that is of an old man's drink, only to be drank in special occasions.

As seen in the literature review, the beliefs or associations that consumers hold about a specific brand can be referred as the brands' image. Those beliefs and / or associations are created and influenced by the brand positioning, that is the way the brand owner chooses to communicate how he wants the brand to be seen, or in other words, the brands' identity. (See Figure 10)

Being Port's cluster band image one of the challenges the cluster is facing, one can conclude that either the brand identity needs to change, or the brands' positioning is not the best. This is in agreement with IVDP's CEO (here considered as the brand owner), when he said to belief that is urgent to focus efforts on the image and future of Port wine and to reinvent it. [27]

In order to enhance the Port's cluster brand image, it is essential to first identify what is the distinctive competitive advantage, IVDP wants to pass to the consumers. In other words, IVDP needs to set what is the differentiate characteristic they want to be perceived as (brand identity) to be able to strongly and clearly position the brand, so the beliefs and associations consumers make in their minds of the brand (brand image) are the ones more favorable to the cluster.

Even though, the brand image of Port is not very clear in consumers' minds, being the lack of knowledge and confusion around the different types of Port one of the challenges Port wine companies face, the brand image is one of a drink that only old people drink and that is only to be drank at special occasions. Nevertheless, it is also perceived as a quality drink. One might say that, the positioning strategy the Port cluster have been following is the "Historic Know How", which aims to present a competitive advantage that is difficult to copy, in this case, impossible. Not only because of the history and know how involved around the Port industry, but because of it can only be produced in the RDD. There is nothing wrong with this positioning, besides being a differentiating characteristic and a distinctive competitive advantage, provenance is increasingly important. [10]

But, as Porter stressed in “The Competitive Advantage of Nations”, in order to achieve a competitive advantage, companies need to innovate, whether through a new product or through a new marketing approach. [25] And that is what IVDP needs to do.

If one were to be advising IVDP’s CEO Manuel Cabral, it would be needed also to weigh Ofek and Wathieu [21] ideas on innovationl, which tell us, that companies can embrace three broad innovation strategies to address powerful trends. They can infuse aspects of the trend into their existing category to augment their products or services. They can combine aspects of the trend with attributes of their category to produce radical offerings that transcend their traditional category and create a new one. Or they can counteract negatively perceived effects of the trend by developing products and services that reaffirm their category’s distinctive values.

But which innovations should one advice to Manuel Cabral? As Porter suggests, many times these innovations don’t have to be breakthrough ideas, but ideas that were always around, and were never really pursued.[26]

One of the innovations, IVDP can carry on is, not a new idea, but it is unknown for the vast majority of the public, mostly because it was never really pursued and assumed by Port producers: The Port cocktails. Following the UK’s increasing interest for cocktails [10], and by infusing aspects of that trend into Port’s forms of consumption, the Port cluster would start to show a different positioning and entering in people’s lives as a sexier and more fashionable drink.

By communicating Port cocktails in the HORECA channel, a side effect that Port could enjoy is the off trade consumption trend [10], where people that become aware of the Port wine different forms of consumption, start taking those drinking patterns to their homes.

One gap, where the Port cluster is lacking innovation, is on the social media platforms. Living in the highly technologic world, as we live nowadays, many of Port competitors have been taking advantage of these platforms, examples of brands like Bacardi, Smirnoff or Absolut Vodka, have been getting recognition for their social media marketing strategies. Being such a cost effective way of communicating and by being able to reach thousands or millions of people with one click, it is not understandable how IVDP and Port brands have such a weak representation in tools like Facebook. This gap, can be filled, as a support of another activity for cluster branding and marketing [27], high-profile events. These events might imply high costs, but can have significant positive effects on a brands’ communication. One example of the benefits of high-profile events is Martini, which in its 150 anniversary, decided to celebrate it in different parts of the world. In Portugal, more specifically in Lisbon they decided to do it by throwing every Wednesdays, sunset parties. These parties were in a Lisbon rooftop, with a great view, were private (only people invited could go), free and off course, Martini was the only drink available. Adding to these features, Martini also launched a special cocktail for the occasion. The regular drinker could win entry to the guest list by participating in some activities on facebook or at Friday nights, where Martini was in some of the principal spots of the city. [20]

In Martini's one can observe many features that IVDP can take advantage of. By using these high-profile events, supported by social media, Martini was trying to change its brand image, by positioning itself as a fashionable brand by associating the brand with a fashionable and trend event, with a rejuvenated form of consuming Martini (the special cocktail launched) and improved its social media awareness in the way.

Other idea that has been around, but unknown too many consumers are the half-bottles, that were invented to face the challenge of people not wanting to open a bottle of Port, because they will not drink it regularly and they do not want to waste it, therefore by not drinking Port at all. These bottles contain literally half of the volume of standard ones (375 ml, against 750 ml) and can take advantage off trade consumption trend, as the ready-to drink pre mixed cans are taking.

Concluding, the Port wine cluster has a brand image that is not favorable in the current market, being perceived as a synonym of an older generation. Consequently, it has been dropping in sales, the younger population does not include it in their regular drinks, and its consumption patterns are highly influenced by seasonality, being the Christmas factor the main factor of Port wines sales.

In order to fight these "internal" challenges, and the challenges its competitors impose, IVDP, needs to change Port's positioning in order to change its perception on the consumers' minds. In order to do that, an innovation path needs to be followed, starting by IVDP's marketing approach.

Port wines' most differentiating characteristic is its uniqueness, which comes from the fact that it can only be produced in the RDD, and all the historical know-how that comes from there. That is how IVDP and the Port wine producers have been positioning themselves. The problem with it is that the image people got, is of a quality drink, but a drink full of rules and rituals that scare them away. What is suggested in this case is that IVDP and consequently Port wine producers should position Port wine as a quality and unique drink, yes, but one without rules. It can be appreciated in every single way, whether is on the rocks, with tonic or by making Port sangria.

To position them like a trendy and fashionable drink, that can be enjoyed, not only as an aperitif or in a small glass after dinner, some positioning strategies are suggested. Strategies like, organizing high-profile events following a successful example of Martini, and enhancing its social media presence.

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