

PROMOTING MOLDAVIAN WINES ON INTERNATIONAL MARKETS AND DEVELOPMENT OF A NATIONAL BRAND

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Abstract: Moldovan wine industry has a long history, however it is currently in a very difficult position. In order to comply with the international standards several steps must be undertaken, starting from manufacturing process and ending with the marketing strategy.

In the article below we would outline some of the major problems of the wine sector, as well as offer solutions for properly branding moldovan wines in order to gain substantial shares of international markets.

Keywords: wine industry, marketing strategy, branding, international markets.

Historical overview

Winemaking in Moldova is a century old, interesting practice. It starts 4000 years ago, when the Dacs started to make wine from local grape varieties. In the second half of XIX century, European grape varieties have been brought into the country, thus determining the development of this industry. In XX century a series of events took place, which brought Moldova to the current situation

Starting 1991, once Moldova has gained its' independence, the wine industry started to flourish; most of the wineries were privatized. New owners started investing in modern equipment. Between 2000-2005, when a lot of companies decided to plant European clones, major capital was injected into the vineyards, and sales to Russia were a key factor for the continuous development of the sector. During this period, because the major market share was dedicated to Russia, not much attention was being payed to developing international markets. The local market also had a certain influence on most of the manufacturers, because making wine in home conditions is a vastly spread practice in Moldova, which determines the decrease of sales of bottled wine, but increase in wine consumption.

However the Russian Embargo on Moldovan wines and the 2006 agriculture, almost destroyed the industry, which currently is in a new rehabilitation phase. Being deprived by its major market, the industry significantly decreased, and the number of wineries has dropped considerably, as well as the vineyards surface. Today, the Moldovan Wine industry is slowly developing its' exports on international markets. However it is limited by a number of important factors such as high interest rates, global competition, lack of market experience, aroma profiles, the segmentation of the sector and little governmental support.

However the wine sector in Moldova, still continues to be a very important one for the national economy. During the last 5 years the number of wine companies reduced dramatically, from over 120 enterprises to approximately 50, and only around 30 of these are currently producing wines. In order for these wineries to be able to properly conduct and develop their businesses, a series of evaluations, permanent analysis, as well as programs of financial and governmental support are necessary.

Even if the sector is still fragmented, most companies have positive elements which can be used and developed to create a strong national brand.

Viticulture is an aspect that needs improvement, expertise and permanent diversification. The soil types in Moldova, determine a strong vigor of the vines, and in order to control this aspect it's necessary to work the "crown" of the vine. In the vineyards where the vine is directed and raised, the fruit is exposed and the vine shoots flex, a better wine quality has been observed.

The high acidity in the wine is also a problem for Moldova, but it can be reduced by viticultural techniques. Using adequate viticultural practices will decrease the sprinkling regime, which would later lead to improvements.

The soviet techniques of using too much pesticides, herbicides and fertilizers depleted the soil and considerably damaged the underground waters. Further degradation of the surface level of the soil due to the processing methods, predisposed land to erosion. In some cases the vineyards are abandoned or not properly taken care of, which represents a danger of contamination the nearby plantations. But there is also a positive combination of European and local grape varieties, several plantations have to be evaluated, in order to establish a balanced ration between the white and the red grapes.

Vinification is another aspect which needs a thorough approach. Although there was a certain transfer of international winemaking technologies, there still are companies which use obsolete techniques. The financing aspect is a major problem for most of the wineries, however many winemaking techniques can be applied by using the existing equipment at virtually no cost. The industry has to be as diversified as possible in order to increase the wine quality and minimize the harvest gaps form year to year. In many cases, processing high volumes, leads to losing some high quality wine lots. It is necessary for the grape processing to be done in lots, by individual vine parcels. As well, a lot of companies have to re-evaluate the logistical matters of the processing.

Marketing Moldovan wines on most of the export markets, still is in a incipient phase. Through gaining access to international markets, there is an extraordinary opportunity of growth and development.

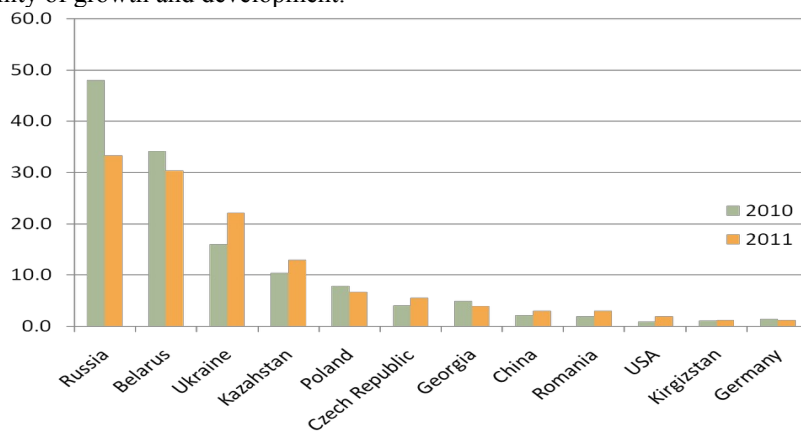


Fig. 1 Moldovan Wine Export on international market.

Source: Ministry of Agriculture and Food Industry

The Moldovan wines are basically unknown on international markets. The lack of recognition requires the adequate education of consumers regarding the quality and properties of Moldovan wine styles, because there is no preconception and the customers crave more information. A lot of Moldovan wines are suitable for various international markets.

Bulk wines are an important part of Moldovan Wine Industry, especially on traditional Markets such as Belarussia, where the bottled wine export is complicated.

If adopted to the international markets, this strategy would only depreciate Moldova, as wine category, that is why bulk wine sales have to be restricted, otherwise local wine would be only a convenient low priced merchandise, compared to big wine producers such as Australia, Chile, South Africa.

It is absolutely necessary to create a national institution, which would be responsible for promoting Moldovan Wines, with both private and governmental support. This would be a permanent problem as long as the legal bureaucracy in the sector is restrictive and difficult. As mentioned above, financing is a major problem and the auto-financing capacity of the sector is low.

Expansion on international wine market

The main priorities should be as it follows:

- Establishing a Moldovan wine series that would promote the individuality and quality aspects of Moldovan wine products.
- Finding the right distributors for local wines.
- Educating and informing the business environment, the media and the costumers about Moldovan Wines
- Identifying an interesting market segment for wine industry development.
- Increasing the sales volumes of bottled wines.

The focal point and the most important aspect in developing a new export market for Republic of Moldova is creating a high added value for the brand. Because the brand's success is determined by customers' interpretation of the brand the advantages of a high value are the following:

- The wine can be sold at a higher price, compared to the competition, because the brand will be perceived as an indicator of higher quality.
- Capitalize on the relationships with the distributors and retail commercial networks, because the clients will demand access.
- Offers protection against price dropping
- Can easily be expanded, because the brand has credibility
- In case of joint marketing campaigns, the costs are considerably reduced.

Developing a National Brand

Developing a brand is a very difficult process, given the complexity of the markets, the consumers' mindset etc.

It is a well-known fact that the countries that are successful on target markets, have a sector institution in charge of the wine sector. In France, for example, one of the biggest wine exporters, this institution is Sopexa, while in Australia - Australian Wine and Brandy Corporation, which manage programs such as Wine Australia.

Moldova has to create an institution which will be able to act on behalf of the entire sector, and will have impact and authority. One of the goals of this institution would be deciding upon a wine series that will:

- Promote unicity and quality aspects of Moldovan Wine Industry.
- Find adequate distributors for local wineries.
- To educate and inform business environment, customers and media about the Moldovan wines.
- To capture an interesting market sector for wine industry development
- To increase the bottled wine sales by min 10% yearly.

In order to achieve these goals, this institution has to:

- Establish a generally accepted standard for the wines which are to be exported, which would comply with international quality standards, to create recognition of the wine quality, to respect the demands regarding labeling and other legal norms.
- To monitor the manufacturing process of the wines destined for export, in order to insure the compliance with quantifiable parameters which would reflect the wine quality.
- To monitor and publish statistical data on an yearly basis, related to winemaking and viticulture
- To collect a certain budget for the export activities, through volume based taxes and to attract foreign funds from projects such as USAID/CEED II
- To insure presence on target markets, as well as locally.
- To recommend a standard accepted by the sector for all the wine types., which would allow marketing under the “Approval Seal”. This would create recognition of the country and the Wine Moldova brand.

The full traceability of wines and implementing an integrity program of the brand are imperative for the sector, hence it is necessary and essential in order to insure the compliance with the quality standards.

The educational message which has to be conveyed by “Wine Moldova” to international markets, has to be controlled by the sector for the sector, in order to achieve the best possible result for the industry. It is necessary to set clear goals, that would later be revised, in order to insure a proper basis for the next step in gaining more market shares.

These goals have to be evaluated from traditional perspectives, such as:

- Increasing sales and export volumes
- Creating brand loyalty and increasing sales under the respective brand.
- Creating brand awareness a

Following these steps, as well as implementing the above mentioned strategies we can create a success story of Moldovan wines.

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