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Working Paper

Italian Wine in the U.S. Market a Case Study of Canine Riunite

Staff Paper, No. SP 88-23

Provided in Cooperation with:

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Suggested Citation: Seger, Andrea; White, Gerald B. (1988) : Italian Wine in the U.S. Market a Case Study of Canine Riunite, Staff Paper, No. SP 88-23, Cornell University, Charles H. Dyson School of Applied Economics and Management, Ithaca, NY,
<https://doi.org/10.22004/ag.econ.187052>

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CORNELL
AGRICULTURAL ECONOMICS
STAFF PAPER

ITALIAN WINE IN THE U.S. MARKET
A CASE STUDY OF CANTINE RIUNITE

by
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Ithaca, New York

November 1988

No. 88-23

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ABSTRACT

Cantine Riunite, located in the Emilia Romagna region in northern Italy, is the largest cooperative winery in Italy. The cooperative, which bottles and markets the brand "Riunite", depends heavily upon exports, which account for about three-fourths of sales in recent years.

Riunite was first marketed in the United States in 1967. Rapid growth in the U.S. market was attained, and by 1982 the Riunite brand accounted for 27.4 percent market share of all imported table wine and 7.0 percent of all table wine.

An analysis of factors which contributed to the success of Riunite in the American market was conducted. The Riunite presence in the U.S. market was partly a matter of timing - that entry to the U.S. market was planned at a time which coincided with a rising consciousness and a growing market for wine. However, the Riunite success was also dependent on good marketing. First, Riunite was knowledgeable about American consumers' taste, and adapted products to appeal to that taste; secondly, its products were priced to attract consumers; and thirdly, their U.S. distributor was strong at marketing and the brand was skillfully promoted by large expenditures for advertising. The firm demonstrated the marketing skill and commitment of financial resources that are requisites for success in mass marketing in the United States.

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Conversion Factors

1 hectoliter (100 litres) = 26.45 gallons

1 hectare = 2.471 acres

1 metric ton = 2,204.6 pounds

ITALIAN WINE IN THE U.S. MARKET: A Case Study of Cantine Riunite

by

Andrea Segre` and Gerald B. White *

I Introduction

Wine in the American lifestyle never assumed the importance that it had in traditional European wine consuming countries such as Italy and France. Nevertheless, consumption grew rapidly in the late 1960's and early 1970's, prompting optimism that the U.S. market represented an almost unlimited market for table wine ^{1/}. Indeed, even as recently as 1980, the U.S. experienced a 10 percent annual growth in consumption of table wine (Wine and Vines). Table wine may substitute for other wines (dessert, sparkling wine, vermouth, and others), but in 1969-1972, the annual growth in consumption of all wines was greater than 10 percent (Wine Inst. Econ. Res. Report). These growth rates, if sustained, implied a huge market potential in a market with 240 million consumers.

Concurrent with the increased interest in and increased consumption of wine, Americans "discovered" European wines. As early as the decade of 1950's, imports of wine began a period of rapid growth (Table 1). That phenomenon reversed in 1984, and since then total consumption of imported wine has shown three consecutive years of declines. In retrospect, it appears that foreign wine producers (as well as American producers) misread the potential in the American market. Much of the impetus for the increase in consumption in the United States was the use of wine as a cocktail, rather than wine with meals which is the European tradition. Growth projections and marketing plans were made assuming that American consumers would emulate Europeans.

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Table 1 Growth in U.S. Wine Market for Imported Wines, 1950-1987.

Decade	Growth in gallons	Percent Growth
1950-59	5,237,000	112
1960-69	13,956,000	130
1970-79	62,145,000	207
1980-87	(-) 6,206,000	(-) 6

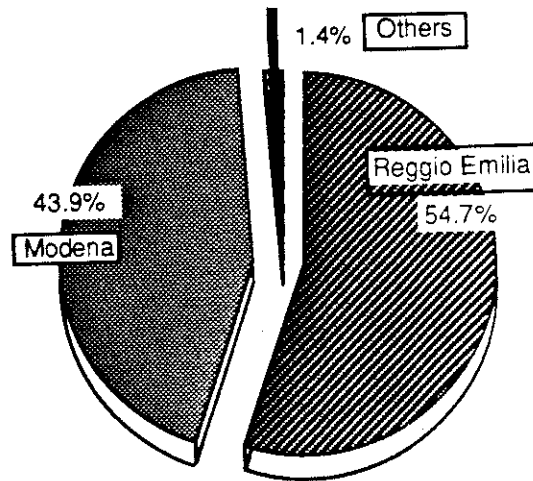
One exporting firm, however, was able to understand American wine consumption behavior and to design marketing plans accordingly. This firm was Cantine Cooperative Riunite, or the brand known in the U.S. as simply "Riunite". In this paper, the factors which led to the success of Riunite in the American market are analyzed. The conclusions will perhaps demonstrate for other firms, both foreign and domestic, the importance of carefully designed marketing plans. The study will also demonstrate that fundamentals have changed in the American wine market making successful penetration much easier at the time Riunite began its marketing operations in the United States in 1967 than it is today.

II Background

1. Agricultural and Wine Economics in Emilia Romagna.

The administrative offices and the main plants of Cantine Riunite are located in Reggio Emilia within Emilia Romagna, a region in northern Italy. In early 1970's about one third of Italian wine exported to the US market was from Emilia Romagna. By 1980 this figure had reached nearly 70%. In 1986 the region shipped to the US 55,000 hectolitres (about 1,5 million gallons), more than half of which came from the province of Reggio Emilia (Chart 1).

Chart 1 Share of Emilia Romagna's Wine Exports to the US Market, by Province. 1986.



Agriculture is of great importance to the regional economy, employing nearly 15% of the working population and accounting for 13-14% of the total value of Italian agricultural gross saleable production (Appendix Table 1). Emilia Romagna's agriculture is highly diversified with the wine sector accounting for only about one tenth of the total value of agricultural production. Pork, poultry, beef, and milk products together account for almost half of the total value with the remainder being mainly fruits and vegetables, grains and sugar beets. Table grapes, mainly produced in southern Italy (Sicily, Apulia and Abruzzi), play an insignificant role in Emilia Romagna's viticultural production (Appendix Tables 2).

Although wine is a small component within the agricultural economy, Emilia Romagna is among the leading producers of wine grapes and wine in Italy. In 1986 the region accounted for 11% of total Italian wine grape production and 10.6% of total Italian wine production (Appendix Table 3). However, farms growing wine grapes are less specialized in Emilia Romagna than in the rest of Italy. In 1982, only 60% of the total wine grape area in the region belonged to farms having wine grapes as their number one cash crop (Sorbini, 1984).

The total land area under wine grapes in the region has been increasing at a much faster rate than in the rest of Italy. Between 1971 and 1982 the growth was 4.8 % in Emilia

Romagna versus an increase of 3.9 % in the rest of Italy.

Average yields have also increased more rapidly in the region than the Italian national average. Today these yields, around 20-30 metric tons of wine grapes per hectare (8-12 metric tons per acre), are the highest in Italy. The result has been that, despite reductions in area due to the recent EEC measures such as conversion and abandonment premiums, total wine production in the region has continued to fluctuate around 9-11 million hectolitres (240-290 million gallons) without any clear downward trend.

Emilia Romagna is primarily a table wine producing region with only about 8-9% of its total production being "quality wines produced in specified region" (according to the EEC Regulation no. 823/87) or D.O.C wines. Only about one fourth of the region's D.O.C. wine is white, versus 40% for all of Italy. According to the 1982 agricultural census the leading wine grape varieties were Trebbiano (1 million acres), followed by Lambrusco and Sangiovese with about 400,000 acres each.

2. Cooperative Wineries in Emilia Romagna.

Despite fairly wide fluctuation from year to year, Emilia Romagna's cooperative wineries account for over half of the total volume of wine made in the region. Eighty four cooperative wineries have more than 51,000 members and a total cellar capacity of about 211 million gallons. This means that Emilia Romagna is one of the leading Italian region in cooperation (Table 2).

Table 2 Emilia Romagna's Cooperative and Private Production, Wine-Season 1985/86 (gallons and percent).

	Total Production	Private	Cooperative
Emilia R.	(9.9) 1,377,248 (100)	676,984 (49.2)	700,264 (50.8)
Italy	(100) 13,583,333		

Source: Elaboration from ISTAT, 1987.

The cooperative organization for wine in Emilia Romagna is divided into three levels or stages:

- The first stage cooperatives which are involved only in winemaking;
- the second stage cooperatives which have as their primary objective the bottling and marketing of the members' wine with a large emphasis placed upon exports; and
- the third stage cooperatives which deal only in wine marketing.

In Italy, cooperative wineries generally belong to one of three federations:

- the "Lega Nazionale delle Cooperative", also called "red" cooperatives because they are generally linked with the Communist or Socialist Party;
- the "Federazione Italiana delle Cantine Sociali", also called "white" cooperatives because they are generally linked with the Christian Democratic Party; and
- the "Associazione Generale delle Cooperative".

In Emilia Romagna the strongest federation is the Lega. At the basic level or first stage wine cooperatives, there are 50% of "red" cooperatives and 45% of "white"; four out of the six "second stage" cooperatives in the region belong to the Lega.

Riunite, a member of the Lega, is one of these six "second stage" cooperatives or "Consorzio" operating in the region 2/. Riunite is the biggest wine Consorzio in the region, and also in all of Italy. Compared to the other Italian Consorzio, however, Riunite has integrated itself with first stage functions. Not only does the Consorzio bottle and market wine from other cooperatives, but it has also built its own centers for crushing and making wine so as to increase its quality control over the final product.

III Cantine Cooperative Riunite

1. Membership, Expansion and Sales of Riunite.

1.1. The Membership of Riunite

The legal form of "Cantine Cooperative Riunite" is that of a "Limited Liability Cooperative", which was formed in 1950 by nine founding members of the wine growers' association. When Riunite was formed, only cooperative wineries could become members. In 1970 the by-laws were modified to allow individual growers the opportunity to also become members. Today there are 3,700 direct partners organized under 12 wine pressing centers in the province of Reggio Emilia and 14,000 associate wine growers spread among the 15 associate wineries in various Italian provinces. This allows the Consorzio to bottle and market wine from other regions (Piedmont, Apulie, Lazio, and Sicily), thus providing a wider zone from which to draw their wines as well as providing a base for future expansion.

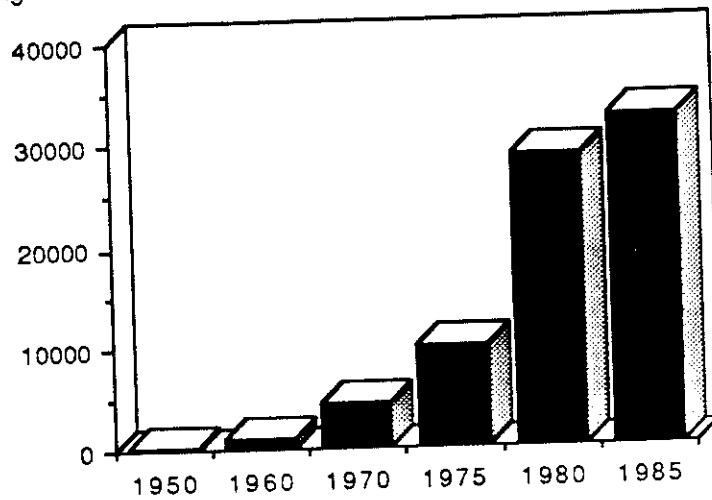
1.2. The Expansion of Riunite

Riunite's development can be divided in two major periods:

-From 1950 to 1967, when the firm built its first bottling plant (updated and expanded several times), emphasis was placed on improving the quality of its wines. This period was one of slow growth.

-After 1967, Riunite recorded a spectacular growth both in bottling and in marketing (Fig. 1).

Fig. 1 Riunite's Bottled Wine Sales. 1950-1985 (thousands gallons)



The Campagnola plant, built in 1974 and expanded in 1982, can store 3,8 million gallons of wine; 1,851 gallons of wine can be bottled per hour with an annual output of over 5 million gallons. Between 1982 and 1984 the wine producing plant of Correggio was built; its 118 tanks and 8 vats can stock 5,6 million gallons per hour and has 35 blending tanks. Finally, the Campegine bottling plant was built in 1983 jointly with the New York Vintners Villa Banfi; this establishment is utilized only for the production and bottling of new wine beverages and wine products like "flavored wines". Its two bottling lines bottle 3,900 gallons of wine every hour and the plant can actually bottle 11 million gallons per year.

The single most important event in this period was, however, the signing of a ten year exclusive distribution contract with Villa Banfi. In November 1967 Banfi received its first shipment of Riunite in the United States - 100 cases. In the next twenty years Riunite sold over 100,000,000 cases in US market. Recent expansion has been very rapid. From 4,5 million gallons in 1970, the Consorzio increased its bottled wine sales to over 28 million in 1980 and 32,4 in 1985 3/.

1.3. The Sales of Riunite

Riunite sells only 5 to 15% of its wine in bulk, most of which is destined to the domestic market. Most of its sales increases came through bottled wine sold abroad. The export market covers 21 countries. The Consorzio has thus become highly dependent on exports which, in recent years, absorbed three out of every four gallons of wine sold. In the early 1980's, the dependence of Riunite on foreign markets was even greater: 80-85% of the total volume was exported.

The dependence on export is largely concentrated in the US market. In 1985, out of a total of about 32 million gallons produced, 24 million (75%) went to United States. In the same period the breakdown by main type of wine exported was 50-55%, red-Lambrusco, about 30%, white table wine, and 15-20%, rose' 4/.

With a shipment of over 18 million gallons of table wine (US definition, meaning non-sparkling wine containing not more than 14% alcohol), Riunite is today the number one trade-mark for imported wine in the United States, even though in the five year period 1982-86 there was a drop of 36% on volume basis (Table 3).

Table 3 Shipments, Growth, and Share of Market by Volume of Riunite's Table Wine in US Market. 1982-1986 (thousands gallons and percent).

	1982	1983	1984	1985	1986	% Change 1985/86	% Change 1982/86
Shipments	29,450	26,211	26,691	24,437	18,600	-23.9	-36.9
Share of Imports	27.4	23.1	22.0	21.4	21.0		
Share of Total	7.0	6.1	5.9	5.1	3.6		
Total Imported							
Table Wine	107,559	113,461	120,973	114,422	88,473	-22.7	-17.7
Total							
Table Wine	418,051	427,711	451,679	478,266	509,197	6.5	21.8

Source: Elaboration from Italian Trade Commission, 1987.

Increases in the consumption of Lambrusco, which made the Riunite brand the leader in Italy as well as in United States, have been waning. In 1986, however, one out of every

five gallons of imported table wine into the US market bore the Riunite label.

2. The Management Structure.

2.1. General Management Structure

According to the by-laws of the Cantine Riunite, the president legally represents the Consorzio before the law and before the members. The president is elected from the management Council which in turn is elected from the membership base every two years. The president and management council together set an annual program and budget (in July or in September) and develop a long term strategy for the Consorzio. Taking into consideration harvest predictions, the Consorzio determines the amounts they are willing and able to take from their member cooperatives. If they deem that market conditions are favorable, Riunite's management council may decide that cooperatives are to supply their total harvest. Individual grower members, on the other hand, have an obligation to supply Riunite with their total production.

Because of their strong position as "buyers" in the market, Riunite as well as others large Consorzio have some influence on the price and the quality of wine entering the market in Emilia Romagna. Many believe that this has been a positive force in that the Consorzio have contributed to smoothing out price fluctuation and to improving the quality of the raw product.

2.2. Marketing Structure

Riunite products are currently marketed in several sales outlets in Italy where they are sold through the COLTIVA Group Sales Network. Cantine Riunite has its own sales network for the European market where its products are widely represented. Villa Banfi Enterprises in New York is responsible for distributing Riunite products for non-European sales. COLTIVA and Villa Banfi, directly linked to the president of Riunite, are thus

responsible for carrying out marketing functions.

2.2.1. COLTIVA

COLTIVA is a national level Consorzio located in Modena (Emilia Romagna) which represents 200 cooperatives producing over 185 million gallons of wine (10% of total Italian production and 50% of Italian cooperative production). COLTIVA, founded by the Lega, is a third-stage cooperative created to market its member's supply 5/. Thus COLTIVA assumes the advertising, general promotion, selling and invoicing functions for its members. Members then receive an amount equal to the value of the wine sold less marketing costs. In addition, the Consorzio encourages its members to produce wine which fits market requirements. This latter effort involves not only providing information concerning the markets within Italy or elsewhere, but also guiding investment decisions and promoting enological research 6/.

At the same time that Riunite is a member of COLTIVA, many of the members of COLTIVA are also members of Riunite. This has the advantage of providing a membership base for Riunite outside of its region of origin.

2.2.2. VILLA BANFI

Old Brookville, NY is the site of Banfi's world headquarters. In the early years of its association with Riunite, Villa Banfi promoted wine from Riunite at tastings organized for women's clubs and other groups. Sales were disappointing. By 1974 they began large-scale advertising based upon the trade-mark "Riunite" rather than the type of wine Lambrusco 7/. According to the "Jobson's Wine Marketing Handbook", Villa Banfi spent the following sums just to promote the brand "Riunite" (see Table 4).

Table 4 Print and Broadcasting Expenditures of Villa Banfi for the Riunite brand. Selected Years (US Dollars).

	1974	1978	1982	1984	1985	1986
Newspaper	37,200	-	191,800	5,100	225,200	10,900
Magazine	-	539,602	467,200	584,300	563,100	22,600
TV	639,400	4,462,200	12,541,100	15,547,800	20,017,200	11,983,900
Radio	17,500	22,300	40,200	236,600	457,000	74,400
Total	694,100	5,188,102	13,240,300	16,373,800	21,417,500	12,091,800

Source: Jobson's WINE MARKETING HANDBOOK, various issues.

IV Explaining the Success of Riunite.

Apart from the sound management decisions taken by the long-standing President of Riunite, Senator Walter Sacchetti, who designed Riunite's export drive in close collaboration with the head of Villa Banfi, a non-exhaustive list of "ingredients" that explain the success of Riunite might include the following elements:

1. Adaptation were made in products to appeal to American tastes.

An important reason which explains why Riunite was successful is the geographical location of its vineyards. Production is located in a viticultural zone which was well adapted to producing the very type of wine that many Americans were ready to begin consumed in the mid-1970's. The large generation from the post-war baby boom as well as many adults from previous generations were taken by light, fizzy, young, slightly-sweet taste of Riunite's Lambrusco.

Riunite demonstrated the willingness to further adapt the product to US tastes by

reducing the alcohol content and increasing both residual sugar and CO₂. Other wines (white, rosé and sparkling) were equally prepared with the American consumer's taste in mind.

To provide the right product, members of the Consorzio invested in modern vinification technology (crushing and vinification equipment) and hired qualified enologists to produce wines whose quality characteristics remained constant from year to year.

The fact that Riunite was able to enlarge its membership base to zones outside of its province of origin meant that the risk of having shortfalls in quality or quantity was lessened.

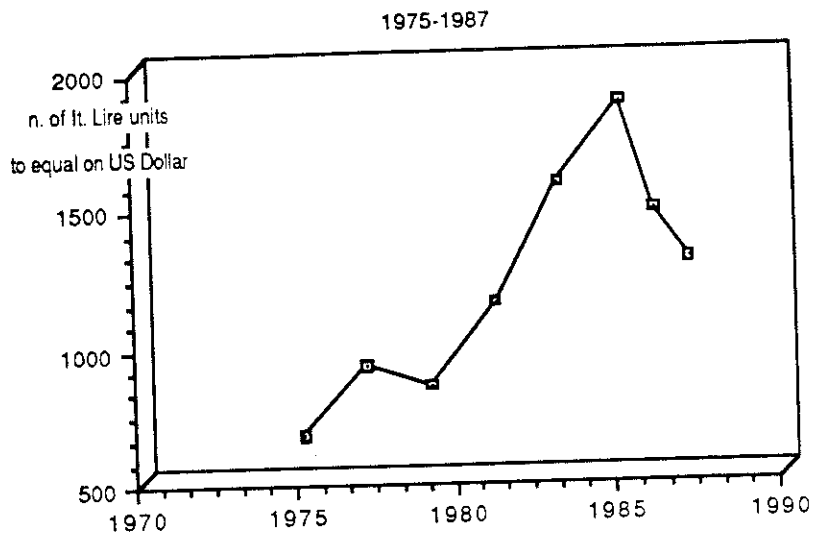
In summary, Riunite was endowed with an abundance of the right raw materials and was able to create a well orchestrated, tightly integrated production system which was capable of responding rapidly to market demand.

2 The prices were attractive to consumers.

According to Donadio (1987), in the case of cheaper Italian wines such as the Lambrusco-type (US customs data on wine imports distinguish between inexpensive wines, with a custom value of less than \$4 per gallon, and more expensive wines of more than \$4 per gallon), price change is the principal factor determining per capita consumption. The "real" or the "constant" (adjusted for inflation) price of Italian "table wines" (US definition) exported to the US dropped by nearly 50% between 1969 and 1980 (Sorbini, 1982). This price drop contributed to a large increase in the importation of Italian table wine (still wine) from 3,7 million gallons in 1970 to 54.3 million in 1980.

The price drop was apparently due to a combination of several factors. One of the major factor was the substantial appreciation of the US \$ against the Italian lira (Graph. 1).

Graph. 1 Annual Average Rates of Exchange for US Dollar versus Italian Lira.



This lowered the cost of wine and increased its competitiveness. Real prices of imported wines have declined even further because wine prices did not rise along with other good and services.

Another important factor was, moreover, the lower producing costs associated with higher yields in the zones supplying the US market, as well as the emergence of scale economies in production and marketing (Tables 5 and 6). Even though costs of production of grape appear to be somewhat lower in California, this may be due to the differences in methodology between studies (White and Blandford). Italian wines production costs appear to be somewhat lower, and Cantine Riunite is probably one of the most efficient Italian wineries.

Table 5 Adjusted Cost Comparison of Emilia Romagna versus NY State and California, Grapes for Table Wines. 1980 and 1984 (US Dollars).

	Cost per metric ton	
	1980	1984
Emilia Romagna	243	204
New York (1)	300	350
California (2)	143	176

Source: Facchini, 1983; White, 1986 and California Cooperative Ext., 1980.

- (1) Finger Lakes
(2) San Joaquin Valley

Table 6 Estimated Average Costs to Produce Table Wine in Bottles. 1986 (US Dollars per nine-litres cases).

Item	USA (*)	Italy	Difference
Cost of grapes	1.72	1.40	0.32
Crushing and fermenting	0.56	0.70	-0.14
Finishing	7.70	6.00	1.70
Total	9.98	8.10	1.88

Source: Moulton, 1987.

(*) California

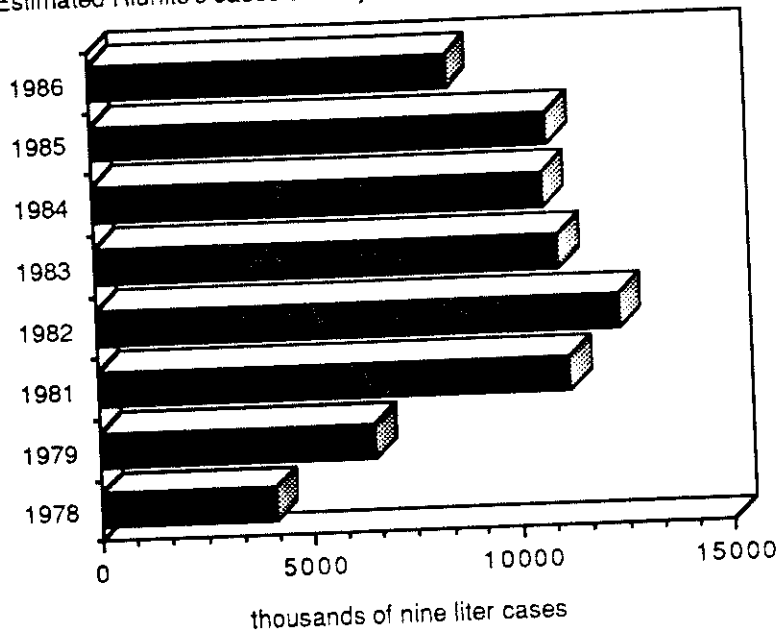
In the early 1970's, less than one third of Italian wine exported to US was from Emilia Romagna. By 1980 this figure has reached nearly 70%. Riunite and its U.S. distributor, Banfi, played a leading role in this evolution changing the image of imported wine from an expensive, sophisticated, upper-class beverage to that of simple, easy to drink, beverage at a very reasonable price.

3. The US distributor was strong at marketing and willing to devote considerable resources to advertising.

Villa Banfi was able to build a strong distribution network with careful attention given

to advertising and packaging. Advertising campaigns in the U.S. were simple, yet original. Once the trade-mark began selling well, the Consorzio and Banfi were willing to back it with a considerable sum of money (Fig. 2).

Fig. 2 Estimated Riunite's cases Sold by Villa Banfi in the US Market. 1978-1986.



Based upon the number of Riunite's cases sold in the US market by Villa Banfi, it is possible to estimate that from a maximum of \$0.93 (1982) to a minimum of \$0.50 (1985) per case was spent in advertising (Table 7).

Table 7 Estimated Advertising Expenditures per Case by Banfi Vitners to Promote Riunite's Wine in the US Market, selected years. (US Dollar per Case)

year	1978	1982	1984	1985	1986
\$ case	0.79	0.93	0.65	0.50	0.70

Source: Elaboration from Jobson's WINE MARKETING HANDBOOK", 1987.

Finally, unlike many other wines exported to U.S. market, Riunite was willing to

present the product in various bottle sizes - 750 ml, 1.5 and 3.0 litres, with labelling that was easy to read and remember and with caps which were simple to open. In its advertising campaigns, the company promoted drinking. "Riunite on ice", almost a heresy in traditional wine circles, but a practice which was appealing to American consumers, many of whom were accustomed to consuming drinks with ice.

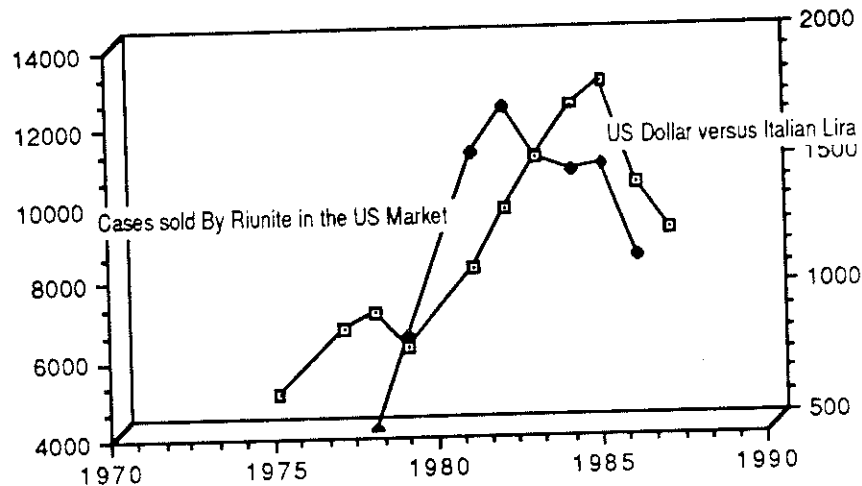
V Recent developments and New Products

1. Recent developments.

In recent years, as imports of Italian cheaper wine in U.S. market have grown, the response to price change has declined. According to Blandford and White (1987), each 1% decline in price has led to an increase in per capita consumption of only 0.7%. This low-price response, coupled with the lack of income response, suggest that a saturation point have been reached for Italian exports of low-cost wines in the US market, a view born out by recent developments. Indeed, exports of Lambrusco and its counterparts from Emilia Romagna did not reach their peak until 1981, when shipments amounted to 17.7 million cases. 1982 saw a modest decline (to 17.3 million cases), 1983 another (to 16.6 million cases), and 1984 yet another (to 16.2 million cases). In the 1985/86 "catastrophic" wine season the loss of Italian Lambrusco-type shipment in the US was over 46.3%: from 24.6 to 7.9 million cases.

Much of the decrease in market share that Riunite's Lambrusco suffered in the US market over this period was a result of a decline of the dollar against the lira (Graph. 2).

Graph. 2 Growth of Riunite's Sales in the US and Annual Average Rates of Exchange for US Dollar versus Italian Lira. 1975-1987.



The situation was further exacerbated by the diethylene-glycole (autumn 1985) and the methanol (winter 1986) wine contamination and the subsequent American Government's reaction to these scandals in removing Italian wines from retailer's shelves.

It is significant, however, that these declines were registered concurrently with the gains in sales of coolers, "the hottest category in wine business" according to the Jobson's Wine Marketing Handbook, which were introduced during 1981, the Emilian wines peak year.

These three main factors: declining strength of the US dollar, contamination related scandals, and competition of American-made wine coolers, affected Riunite's shipments in United States. The brand Riunite Classic, although always leader among the top wine exporters in to the US market, slipped by 28 % from 10 million cases in 1985 to 7 million in 1986 (Table 8).

Table 8 Top Five Imported Table Wine Brands and Line Depletion Analysis, 1985-1986 (thousands of nine-litres cases).

Brand	Importer	Depletions		Change		Imported Table Wine Market Share	
		1985	1986	Cases	Percent	1985	1986
Riunite	Banfi Vitners	10,290	7,405	-2,885	-28.0	21.9	21.2
Canei	Star	2,200	1,970	-230	-10.5	4.7	5.6
CELLA	Brown-Forman	2,500	1,925	-575	-23.0	5.3	5.5
Folonari	"21" Brands, Inc.	1,700	1,550	-150	-8.8	3.6	4.4
Bolla	Brown-Forman	1,600	1,500	-100	-6.3	3.4	4.3

Source: IMPACT DATABANK, 1987.

2. Wine Coolers and "Flavored Wines".

Significantly, the product that moved consumers from Lambrusco, as well as from other Italian semi-sparkling wines, was the American-made "wine cooler". The 1980's have seen the spectacular success in the US of these new wine products. First introduced commercially in 1981, coolers now command about 25% of the US total market for wine or 55 million of a total 224 million cases. Many consumers of the Lambrusco-type wines have switched to coolers or have abandoned wine altogether (Table 9).

Table 9 Apparent Consumption and Share of Market of Wine in the US, by Type, 1983-1986 (thousand cases and percent).

	Coolers		Table		Total Wines	
	Cases	% Share	Cases	% Share	Cases	% Share
1983	3,516	1.9	138,869	75.9	182,877	100.0
1984	14,852	7.7	137,973	71.2	139,726	100.0
1985	35,000	16.6	134,668	64.0	210,260	100.0
1986	55,607	24.8	127,070	56.6	224,324	100.0
	Cases	Percent	Cases	Percent	Cases	Percent
1983/86						
Change	52091	1481.5	-11,799	-8.5	41,447	22.6

Source: Elaboration from Jobson's Wine Marketing Handbook, 1987.

None of this is to say that coolers are wholly, or even largely, responsible for the declining fortunes in the United States of Lambrusco and its counterparts. It may be that these wines would have lost some or all of these same consumers to other beverages like beer and soft drinks, or to other beverages had coolers not been introduced, just as pop wines and bottled sangria might have lost many of their customers had Lambrusco not been introduced.

Recognizing the trend away from Lambrusco and other effervescent wine, Riunite-Villa Banfi introduced a "new product" to compete with coolers: Riunite Natural Peach Wine. Indeed, like coolers, this flavored wine is not exactly a new product. What makes today's flavored wines different is principally that they are low in alcohol, and their flavors are very close to those of ordinary juice. A case might be made that the differences between flavored wines and the coolers are mainly semantic 8/, but, fundamentally, both categories of products involve wine, low alcohol, and flavors or fruits.

Introduced in July 1986, the Italian flavored wines achieved sales of 2.7 million gallons by year end, up to 12,000% from the first six months of 1986 to the first half of 1987. During 1987 (January through December) the increase was even more spectacular: 9,1 million gallons, which means 84.2 % of the total foreign shipments of this type of wine

into the US market (US Customs service classifies imported flavored wines as "other fermented alcoholic beverages"). Thus, it now appears that Italian flavored wines will regain part of the lost business of table wines and perhaps expand their producers sales beyond what they had been (Table 10).

**Table 10 Shipments of Italian Wines in the US Market by Type of Wine.
1986-1987 (thousands gallons and percent).**

	Jan-Jun 1986	Jan-Jun 1987	Change 1986/87	Jan-Dec 1987	Percent of the Type*
Sparkling	2,353	2,268	-3.6	5,518	84.2
Table (1)	20,660	15,280	-26.0	30,205	45.9
Fortified (2)	91	117	28.6	250	7.9
Vermouth	1,135	1,048	-7.7	2,204	86.4
Other Fermented Beverages (3)	51	6,221	12,098.0	9,115	84.2
All Wines	24,290	24,934	2.7	47,292	49.1

Source: Italian Trade Commission, 1988; Wine Institute, 1988.

* Considered = 100 the total foreign wine shipments into US.

(1) Containing up to 14% alcohol by volume; includes both bottled and bulk.

(2) Containing more than 14% but not more than 24% alcohol by volume; includes both bottled and bulk.

(3) Flavored Wines.

Riunite's Natural Peach, the first Italian flavored wine on the US market, appeared about at the same time as an American counterpart, Chateaux Lasalle "La Peach" 9/, gaining soon the first place in sales (Table 11).

Table 11 Selected Flavored Wines Introduced in the US Market, 1985-1986
(thousands of 9-litres cases)

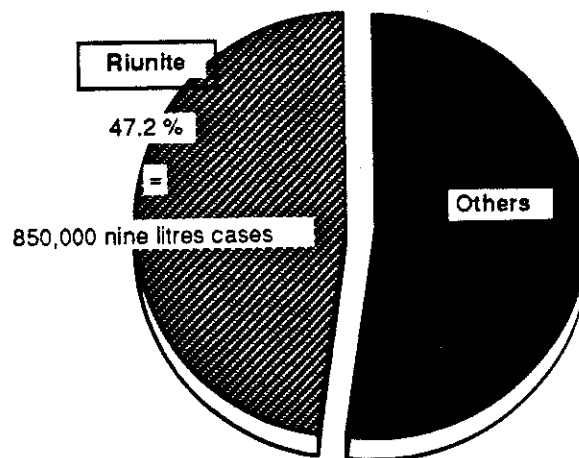
Brand	Company	Introduction	Depletions (1986)
Riunite Natural Peach	Banfi Vitners	7/86	800
Riunite Royal Raspberry	Banfi Vitners	11/86	50
Peach Canei	Star Industries	9/86	150
Chateaux Lasalle "La Peach"	Fromm & Sichel	6/86	100
Peach-A-Roo	Batavia W.C.	4/86	65
J. Roget L'Orangerie(*)	Canandaigua Wine Co.	9/85	70

Source: IMPACT DATABANK, 1987.

(*) Flavored Sparkling

On the heels of that success, Riunite-Banfi introduced two other flavored wines: raspberry (November 1986) and apple (1987), and a peach-flavored spumante, commanding today almost fifty percent of the total market for flavored wines (Chart 2).

Chart 2 Market Share of Riunite's Flavored Wine in the US, 1986



Source : Elaboration from IMPACT DATABANK, 1987.

VI CONCLUSION

The U.S. wine market is now in a period of malaise, which can be attributed to basic changes in consumers' behavior (White and Blandford). There is a noticeable trend toward lower adult consumption of several alcoholic beverages, including wine, distilled spirits, and beer. Consumption of nonalcoholic beverages, such as coffee and tea, have also experienced declining consumption. These trends are probably due to perceptions about the health effects of these beverages. Americans, as are European wine consumers, now show a trend toward drinking less, in total, but drinking more higher quality wines. Alcohol consumption in the United States has also been affected by legislative changes in many states which prohibited sales of alcoholic beverages to person less than 21 years of age.

These changes, along with a decline in the value of the U.S. dollar relative to the Italian lira, took place after Riunite had a strong foothold in the U.S. market. Even so, Riunite has not been immune to the effects of changing consumer habits and basic economic forces such as the declining U.S. dollar.

The Riunite presence in the U.S. market is partly a matter of timing - that entry to the U.S. market was planned at a time which coincided with a rising consciousness about wine. However, the Riunite success was also dependent on good marketing. First, Riunite was knowledgeable about American consumers' taste, and adapted products to appeal to that taste; secondly, its products were priced to attract consumers; and thirdly, their U.S. distributor was strong at marketing and the brand was skillfully promoted by large expenditures for advertising. The firm demonstrated the marketing skill and commitment of financial resources that are requisites for success in mass marketing in the United States.

The specifics of the approach of Riunite probably does not hold the key for firms which wish to penetrate the U.S. market for premium wines, but these three elements are crucial for the success of any product into the U.S. market.

NOTES

1/ In the American market, and in the United states statistics, the table wine category includes ordinary table wine as well as premium table wine or the equivalent of "quality wine produced in specified regions" in the European Common Market.

2/ These Consorzio can have as members cooperatives and/or individual growers.

3/ The expansion of Riunite has been accompanied in the region by a slightly faster expansion of the other five second-stage cooperatives taken as whole. One of them, the Consorzio Interprovinciale Vini (CIV) has launched the second most succesfull trade-mark (Cella) of imported wine in the U.S. with 2000 cases of Lambrusco exported in 1986. The CIV has recently built a very large bottling and wine conditioning center in Modena which has a capacity of about 30,000 bottles an hour.

4/ Lambrusco is a semi-sparkling (effervescent), lower alcohol (9 to 11%) wine which is traditionally red but can also be white or rose` ; this wine is generally made under controlled (lower) vinification temperatures so as to preserve the "fruitness". Most of the Lambrusco wines shipped to the US is non-DOC Lambrusco.

5/ It was created with the view that a national-level organization can realize economies of scale in marketing and obtain higher prices for its members.

6/ COLTIVA uses a computer to manage its information system and can provide members with current supply and demand data for many types of wine.

7/ In 1978 the total advertising budget was 15 million of dollars, 7.8 of which was spent on TV. In 1985 Villa Banfi's expenditures on print and broadcasting riched the top of \$ 22.3 million . By 1986 they were spending 11 million dollars in television advertising alone.

8/ Some producers may use or refrain from using carbonation, some may use fruit juices instead of other flavoring, and some may employ other approaches.

9/ These subsequently have been jointed by Peach Canei and Cella Peach from Italy, along with several American brands.

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Appendix Tables

Appendix Table 1 Territorial Distribution of Gross Saleable Production of Italy and Regional Specialization In Viticulture, 1986 (percent and billion lire).

Regions	Total AGSP (1)		Viticultural GSP		Coefficient of Specialization (2)
	Lire (billion)	Percentage of Italian GSP	Lire (billion)	Percentage of Italian GSP	
Piedmont	3,804.3	7.8	272.	5.8	7.1
Valle d'Aosta	60.	0.1	1.8	0.0	3.0
Lombardia	6,225.5	12.8	127.2	2.7	2.0
Trentino A. A.	1,011.6	2.1	109.4	2.3	10.8
Veneto	5,057.1	10.4	521.5	11.1	10.3
Friuli V. G.	906.3	1.9	76.3	1.6	8.4
Liguria	858.8	1.8	17.4	0.4	2.0
Emilia Romagna	6,780.2	13.9	405.1	8.7	6.0
North	23,785.	48.8	1,511.5	32.3	6.4
Tuscany	2,287.6	4.7	271.5	5.8	11.9
Umbria	894.5	1.8	55.5	1.2	6.2
Marche	1,485.4	3.0	141.	3.0	9.5
Lazio	2,844.6	5.8	329.2	7.0	11.6
Central	7,512.1	15.4	797.2	17.0	10.6
Abruzzi	1,293.8	2.7	225.6	4.8	17.4
Molise	398.8	0.8	24.3	0.5	6.1
Campania	3,630.	7.4	141.1	3.0	3.9
Apulie	4,270.1	8.8	1,014.4	21.7	23.8
Basilicata	746.2	1.5	51.7	1.1	6.9
Calabria	1,614.4	3.3	76.	1.6	4.7
Sicily	4,842.4	9.9	768.2	16.4	15.9
Sardegna	1,442.8	3.0	120.5	2.6	8.4
South & Islands	17,492.3	35.9	2,370.1	50.7	13.5
Italy	48,789.4	100.0	4,678.8	100.0	9.6

Source: Segre, 1988.

(1) Agricultural Gross Saleable Production.

(2) Ratio between GSP with respect to Regional GSP, and GSP with respect to the National GSP.

Appendix Table 2 Italian Grape Production and Utilization by Region, 1986 (tons).

Regions	Production (tons)				Utilization (tons)		
	Total		Wine Grapes		Table Grapes	Direct Consumption	Total Grapes
	Table Grapes	Wine Grapes	Table Grapes for Winemaking	Wine Grapes	for Winemaking	of Wine Grapes	for Winemaking
Piemonte	567,780	2,900	564,880	920	930	564,870	
Valle d'Aosta	6,100	-	6,100	-	300	6,070	
Lombardia	278,540	600	277,940	-	360	277,580	
Trentino A. A.	201,870	200	201,670	-	1,070	260,600	
Veneto	1,236,300	500	1,235,800	-	6,430	1,229,370	
Friuli V. G.	149,310	..	149,310	-	90	149,220	
Liguria	48,590	200	48,390	-	1,540	46,850	
Emilia Romagna	1,086,270	1,100	1,085,170	780	3,560	1,082,390	
North	3,574,760	5,500	3,569,260	1,700	14,190	3,616,950	
Toscana	542,880	2,300	540,580	30	5,920	534,690	
Umbria	140,570	100	140,470	-	1,040	139,430	
Marche	338,290	700	337,590	210	9,500	328,300	
Lazio	789,010	48,600	740,410	2,650	6,600	736,460	
Central	1,810,750	51,700	1,759,050	2,890	23,060	1,738,880	
Abruzzi	588,910	170,300	418,610	111,570	600	529,580	
Molise	78,390	2,200	76,190	210	30	76,370	
Campania	392,350	6,400	385,950	2,010	4,080	383,880	
Puglia	2,611,150	1,049,300	1,561,850	289,030	8,390	1,842,490	
Basilicata	126,450	52,400	74,050	1,520	890	76,080	
Calabria	201,720	17,100	184,620	250	1,790	183,080	
Sicilia	1,938,280	410,900	1,527,380	57,470	4,550	1,583,000	
Sardegna	338,740	13,500	325,240	150	1,600	323,790	
South & Islands	6,275,990	1,722,100	4,553,890	462,210	21,930	4,998,270	
Italy	11,661,500	1,779,300	9,882,200	466,800	59,180	10,354,100	

Source: ISTAT, 1987 and IRVAM, 1987.

Appendix Table 3 Territorial Distribution of Wine Production of Italy and Regional Specialization In DOC Production, 1986 (percent and hectolitres).

Regions	Total Wine Production		DOC		Coefficient of Specialization (1)
	(hectolitres)	Percentage of Total Italian Wine Production	Total (hectolitres)	Percentage of Total Italian DOC Production	
Piemonte	4,005,300	5.2	1,074,000	13.2	26.8
Valle d'Aosta	39,400	0.1	2,000	0.0	5.1
Lombardia	1,990,400	2.6	412,000	5.1	20.7
Trentino A. A.	1,428,500	1.9	720,000	8.8	50.4
Veneto	9,116,700	11.8	1,780,000	21.8	19.5
Friuli V. G.	1,036,900	1.3	436,000	5.3	42.0
Liguria	324,600	0.4	7,000	0.1	2.2
Emilia Romagna	8,168,700	10.6	684,000	8.4	8.4
North	26,110,500	33.9	5,115,000	62.8	19.6
Toscana	3,834,800	5.0	1,134,000	13.9	29.6
Umbria	1,010,400	1.3	160,000	2.0	15.8
Marche	2,394,800	3.1	284,000	3.5	12.2
Lazio	5,335,100	6.9	588,000	7.2	11.0
Central	12,575,100	16.3	2,166,000	26.6	17.3
Abruzzi	4,173,500	5.4	291,000	3.6	7.0
Molise	564,600	0.7	3,000	0.0	0.5
Campania	2,659,500	3.5	18,000	0.2	0.7
Puglia	14,380,000	18.7	183,000	2.2	1.3
Basilicata	476,500	0.6	9,000	0.1	1.9
Calabria	1,275,900	1.7	44,000	0.5	3.4
Sicilia	12,312,300	16.0	195,000	2.4	1.6
Sardegna	2,459,100	3.2	127,000	1.6	5.2
South & Islands	38,301,400	49.8	870,000	10.7	2.3
Italy	76,987,000	100.0	8,151,000	100.0	10.6

Source: Segre, 1988.

(1) Ratio between the incidence of DOC production with respect to the total regional wine production, and with respect to the total Italian DOC production.