INSTITUTO
UNIVERSITÁRIO
DE LISBOA

A Study On The Challenges And Opportunities Of Building A Still Wine Brand In Madeira Island

João Guilherme Correia Gomes

Master's Degree in Hospitality and Tourism Management

Advisor: Prof. Diana Vanessa da Silva, Invited Professor, ISCTE-IUL

Co-Advisor: PhD Susana Helena Correia Santos, Researcher, ISCTE-IUL

November, 2021

Department of Marketing, Strategy and Operations

# A Study On The Challenges And Opportunities Of Building A Still Wine Brand In Madeira Island

João Guilherme Correia Gomes

Master's Degree in Hospitality and Tourism Management

Advisor: Prof. Diana Vanessa da Silva, Invited Professor, ISCTE-IUL

Co-Advisor: PhD Susana Helena Correia Santos, Researcher, ISCTE-IUL

November, 2021

# Acknowledgments

Throughout the process of this academic endeavor, many were the people that gave me strength to continue and conclude yet another important chapter in my life.

First, I would like to thank Diana Silva for guiding me through this work, by providing me the guidelines to achieve success and sharing her extensive knowledge about the wine world. As a representative of Ilha wines, she was also very generous on providing the information I needed to conclude my work.

Second, I would like to thank Francisco Albuquerque, Américo Pereira and Pedro Machado for kindly accepting the invitation for an interview and answering pertinently and gracefully all the questions I imposed.

Third, I would like to thank all friends, family and strangers that answered the survey destined for this work. Your answers were pivotal to get a broader sense of the world I was exploring.

At last, I would like to thank my parents and my girlfriend, for their unconditional support and love.

# Resumo


O vinho representa um dos pilares da economia madeirense. O Vinho Madeira tem vindo a deliciar turistas e a embelezar as mesas de jantar dos quatro cantos do mundo por muitos séculos. Contudo, a forte presença do Vinho Madeira na mente dos consumidores tende a ofuscar o potencial do seu discreto irmão mais novo: o vinho tranquilo.

A história oficial do vinho tranquilo madeirense começa em 1992, quando a Madeira Wine Company lançou o Atlantis, o primeiro vinho tranquilo produzido e engarrafado na Madeira. Desde então, muitos foram os produtores que se desfiaram a criar o seu próprio vinho, cientes das barreiras que se multiplicavam à volta deste empreendimento. O panorama do vinho tranquilo madeirense está a crescer cada ano, no entanto ainda não penetrou com sucesso o mercado nacional e internacional.

Este trabalho investiga os desafios que se impõem à construção de uma marca de vinhos de mesa tranquilo na Madeira e as oportunidades que ainda estão por explorar no mercado, com um foco especial em descobrir se os madeirenses consomem ou não o seu próprio vinho.

Esta tese acompanha o caso do Ilha, uma marca de vinho tranquilo madeirense fundada recentemente por uma especialista na área, que impôs o seu nome no mundo do vinho num curto espaço de tempo. O caso do Ilha engloba todas as variáveis ideais para explorar os temas descritos anteriormente.



**Palavras-chave**: Vinho, Estudo de Mercado, Madeira, Desafios, Oportunidades, Ilha

**Código de Classificação:** M30, M31

# Abstract

Wine represents one of the pillars of Madeira's economy. Madeira Wine has delighted tourists and embellished dinner tables all over the world for many centuries. However, the strong presence of Madeira's fortified wine on consumer's minds tends to overshadow the potential of its discreet young brother: the still wine.

The still wine scene in Madeira officially began in 1992, when Madeira Wine Company released Atlantis, the first still wine produced and bottled in Madeira. Since then, many were the producers that jumped on board of this challenging adventure, despite the evident barriers around this endeavor. Madeira's still wine panorama is growing stronger every year but it is yet to penetrate successfully the national and international market.

This work investigates the challenges that arise from building a still wine brand in Madeira and the opportunities there are to explore in the wine market, with a special focus on whether Madeirans consume and are aware of the potential of their own wine.

This thesis follows the case of Ilha, a recently founded Madeiran still brand by a long-time expert in the field, that successfully imposed its name in the wine world in a short period of time. The case of Ilha encompasses the ideal variables for exploring the themes previously mentioned.

**Keywords**: Wine, Market Research, Madeira, Challenges, Opportunities, Ilha

**JEL Codes:** M30, M31

# Index

# List of Acronyms

**DOP** – Denominação de Origem Controlada

**DOC** – Denominação de Origem Protegida

**ha** – Hectares

**hl** – Hectoliters

**IG** – Indicação Geográfica

**INE** – Instituto Nacional de Estatística

**IVBAM** – Instituto do Vinho, do Bordado e do Artesanato da Madeira

**IVV** – Instituto da Vinha e do Vinho

**k€** – Thousands of Euros

**kha** – Thousands of Hectares

**L** – Liters

**mhl** – Millions of Hectoliters

**SWOT** – Strenghts, Weeknesses, Opportunities and Threats

**OIV -** Organização Internacional da Vinha e do Vinho

CHAPTER 1

# Introduction

Wine is one of the pillars of the tourism on Madeira Island. Madeira's fortified wine stands as one of the most famous in the world, carrying centuries of rich history. It has become a regional symbol and a sparkle that lights the curiosity of many foreigners about travelling to Madeira and getting to know the rest of its rich history.

Madeira Wine's strong presence on the consumers' minds tends to overshadow the other types of wine available in the Region. In 2020, 93,6% of the grapes harvested on the island were sold to the companies that produce the famous beverage, and only 4,6% were destined to produce still wines (Vinho Madeira, n.d.). The processes of making fortified and still wines vary in many aspects, and although Madeirans have fully perfected the art of making Madeira Wine since the 16$^{th}$ century, few were the investments made on the understanding the process of still wines. The first official studies for the adaptation of regional grape varieties on the production of still wines were made in the late 1970's with the support of the government and the first bottle of still wine to be produced and bottled on the island, Atlantis, was launched in 1992. However, it was only by the year 1999 that the government defined the requisites that the wines should follow in order to be recognized as DO (Denominação de Origem) "Madeirense" (IVBAM, n.d.). Forty years have passed since the first incentives from the Government, but Madeiran still wines continue to represent a small percentage of Madeira's wine export and still struggle to occupy a strong place on local and foreign consumers' minds.

The objective of this work is to find out what are the challenges and opportunities that arise from creating a new still wine brand in Madeira Island. To have a better understanding of the wine sector and come to a more complete answer to the questions will emmerge, this work will be following the case of Ilha, a recently founded Madeira still wine brand by a long-time expert in the field, Diana Silva. The wine industry has become increasingly competitive much due to globalization and the entry of new firms in the market. This thesis aims to show how a new wine brand can thrive in a small and traditional market, like the wine market in Madeira.

The main drivers that motivated me during this thesis are the love for my home Madeira and my curious and adventurous side always trying to find a new and different interest. The art of making wine always fascinated me and being born in Madeira had me looking at of our world-famous liqueur wine with a big sense of pride. Madeira Wine is a well-established regional symbol, that brought a lot of attention from foreigners over the centuries, but the wine scene in Madeira does not begin and end with Madeira Wine. Since early 1990's some local wine companies emerged with the goal of making still wine from the grapes planted in Madeira, traditionally destined for Madeira Wine. Prior to doing this work, my perception about Madeiran still wine brands was almost null, but once I heard about Ilha, and the amazing achievements they reached in such a short period of time, I became aware of the potential and room for growth within the reality of the Island there is to explore.

Therefore, the focus of this thesis will mainly be on the Ilha wine brand. However, before zooming in on the opportunities and challenges Ilha has ahead of itself, it is pivotal to provide pertinent context on the subject. Firstly, an historical background will be given, detailing the rich history that Madeira Island shares with wine making, since the Portuguese started populating the island. Following the historic contextualization, the vast existing literature about the world of wine will be explored so a solid foundation for the following research can be built, bringing forth a better sense of which direction to take. The literature research will revolve around six main concepts: branding, pricing, quality, authenticity, product involvement and consumer behavior. Following the literature review, the methodology adopted in this work will be presented dissecting the different means through which I was able to obtain the primary data: on-line surveys, interviews with experts in the field and the various meetings with the owner of Ilha, Diana Silva. After the methodology, a detailed market analysis will be conducted to get a full scope of the current wine panorama, both in Portugal and in Madeira Island, so it gets clearer to pinpoint Ilha's place on the market. An in-depth analysis of the market includes an external and internal analysis: the external analysis reveals the intricacies of the wider business environment that directly or indirectly affects the company; the internal analysis will layout the factors inside the company that form their strengths and weaknesses. Following the market analysis, the survey and the interviews will be carefully dissected, and the proper conclusions will be drawn. This analysis will help to answer the initial research questions and lead us to the next and final step of the project. At last, the conclusions of this work will be presented, along with limitations of this research and the future development recommendations.

CHAPTER 2

# Research Problem

## 2.1. Problem statement

Still wine from Madeira has been present in the market for the last 30 years, but its presence has gone under the radar on a national and international level. Madeira Wine, its famous older sibling, hasn't lost its thrust and continues to be a relevant presence in homes and wine shops across the world.

Madeiran still wines have been proving its signs of quality over the years, but many Madeiran consumers still hold a wrong preconceived image about them in their minds. The emergence of new dynamic brands like Ilha showcases the potential of Madeiran still wines and gives hope for a bright future. This work intends to discover which pathways should be taken for Madeiran still wine to impose its name around the world and come out of Madeira Wine's shadow.

## 2.2. Research questions

*Research Question 1*: What are the main challenges of building a still wine in Madeira Island?

This is the main goal of the thesis. It is a very broad question that can lead us to an infinite variety of answers. However, through the results of the questionnaires and the answers of the interviews, it will be possible to arrive to a solid conclusion, that will also help us answer the following questions.

*Research Question 2*: Do Madeiran people consume the still wines made in their Island? Why?

The objective of this question is to understand the target of Madeiran still wine brands. In order to create successful marketing plan, a brand has to know who they are selling their product to and who they want to sell it to. It is empirical to understand if the Madeirans are consuming their own wine, and if the sales strategy relies on collectively developing the local market or exporting to foreign markets.

*Research Question 3*: What actions should be taken to improve Madeiran still wine's image in the future?

This question will potentially uncover the ways through which a Madeiran table wine brand can grow in the future, exploring the critical success factors of a wine brand in the Madeiran market and the existing and future opportunities available for table wine makers

CHAPTER 3

# Historical Background

Madeira Island was discovered by the Portuguese explorers in 1419, during the Age of Exploration. At the time the island was inhabited, and its dense forests compelled the Portuguese to set fire to large areas of land so they could explore it, which consequently made soil more fertile, and made it possible to cultivate wheat, vines and sugar cane by order of the King. Records show that Madeira Wine exports were already a reality just 25 years after beginning of the colonization of the island (IVBAM, n.d.). However, this first version of Madeira Wine was very different from what it is today.

According to Hancock (1998), Madeira Wine was considered a cheap table wine made from a base of white grape until the beginning of the 18th century. The Madeira Wine we know and love today was only invented during the 18th century, after the Methuen Treaty between Portugal and England was signed, in 1703. The invention of Madeira Wine gives us a compelling insight into the eighteenth-century Atlantic commercial life in all its complexity (Hancock, 1998). Hancock also states that this process was both a social act, due to the commercial ties between Portugal and England, and an economic act, due to the network and cooperation of producers, distributors and consumers during the whole century (Hancock, 1998). Up until 1703 there were only four types of grapes planted on the Island (white, black, Malvasia and Vidonia) and the wine produced on the island was always a result of a black and white grape mixture, the so called Clarete. By the beginning of the next century, 23 varieties of wine were being produced, including 4 so called ‘noble’ ones that were aligned with consumer preferences and were made from a single type of grape, unblended – the dry Sercial, medium dry Verdelho, medium sweet Boal and the sweet Malvasia Candida. These now compose the main types of Madeira Wine in the market. Fortification – one of the most distinctive characteristics of Madeira wine today – only began in mid-18th century. Adding brandy to the wine was not a common procedure until the 1750’s, but consumers reacted very positively to this change, and despite some resistance from some, fortification had gained a widespread acceptance among most wine producers on the island. It is known that producers used to tailor the wine according to the preference of each export destination – London, New York, Virginia, Kingston – varying the formulas for sweeter, dryer, darker or paler wines. Producers and consumers noted the effects that the exportation trips had on Madeira Wine, and how greatly it impacted the drink. They concluded that the shaking of the boats, the heating of the sun and the aging were developing unprecedent flavors and began trying to mimic those processes artificially. As the techniques were perfected, Madeira Wine slowly became to be perceived as a reliable luxury, embellishing the dinners in the fashionable salons from London to New York. Innovation and adaptation throughout the 18th century profoundly changed the concept of Madeira Wine and gave Madeirans one of their most successful and important exports. Since the beginning of the 19th century Madeira Wine has not suffered more alterations in its production methods and it has endured a well-established reputation around the world.

With the dominance of Madeira wine in the wine export, still wines became a secondary character in the Madeiran wine scene. Madeira Wine gained such an importance as a product and as a cultural symbol for its uniqueness and flavor that soon most of the grapes were being harvested to make it. According to Instituto do Vinho it was only by the end of the 1970's that the first studies for the adaptation of regional, national, and international grapes to make still wines began, with support from the government. Throughout the 1980's and 1990's the most adventurous wine producers from the island began experimenting with different types of grapes and soil to find out which combinations would better suit the production of still wines in the island. In 1992 Francisco Albuquerque, a famous oenologist from Madeira, paved the way for the still wines in the island by leading his team at Madeira Wine Company to launch the first still wine produced and bottled in Madeira Island, the Atlantis Rosé. In May of 1999 the government issued the first ordinance in which the requirements for a wine to be recognized as Denominção de Origem (DO) 'Madeirense' were defined. We can conclude that the story of Madeiran still wines is still short and that there's still a lot of ground to uncover. This thesis will demonstrate that brands like Ilha show us there is a possibility for innovation and expansion for Madeiran still wines.

CHAPTER 4

# Literature Review

The literature review will be presented in the following chapters, where six concepts related to wine marketing will be thoroughly dissected. This section intends to layout the information previously explored by other authors in a clear and approachable way, so that it is easier to address the complexity of the wine world.

## 4.1. Branding

A brand can be defined as "a name, term, sign, symbol, or design, or combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (Kotler, 1991).

These individual brand components are here called "brand identities" and their totality "the brand". Some basic memory principles can be used to understand knowledge about the brand and how it relates to brand equity. Alba et al. (1991) have documented very well the importance of knowledge in memory to consumer decision making. Understanding the content and structure of brand knowledge is important because they influence what comes to mind when a consumer thinks about a brand - for example, the reaction to a marketing activity for that brand.

The first dimension for distinguishing brand knowledge is brand awareness. According to Rossiter and Percy (1987), brand awareness is related to the strength of the brand node or trace in memory, as reflected by consumers' ability to identify the brand under different conditions. In particular, brand name awareness relates to the likelihood that a brand name will come to mind and the ease with which it does so. Brand awareness consists of brand recognition and brand recall performance. Brand recognition relates to consumers' ability to confirm prior exposure to the brand when given the brand as a cue. Brand recall relates to consumers' ability to retrieve the brand when given the product category, the needs fulfilled by the category, or some other type of probe as a cue. The relative importance of brand recall and recognition depends on the extent to which consumers make decisions in the store, where they potentially may be exposed to the brand, versus outside the store, among other factors (Bettman, 1979; Rossiter & Percy, 1987). Brand recognition may be more important in a way that product decisions are made in the store.

Although brand image has been long recognized as an important concept in marketing, its appropriate definition is less agreeable (Dobni & Zinkhan, 1990). According to Herzog (1963) and Newman (1957) and an associative network memory model of brand knowledge, brand image is defined as perceptions about a brand as reflected by the brand associations held in consumer memory. Brand associations are the other informational nodes linked to the brand node in memory and contain the meaning of the brand for consumers. The favorability, strength, and uniqueness of brand associations are the dimensions distinguishing brand knowledge that play an important role in determining the differential response that makes up brand equity, especially in high involvement decision settings. Before considering those dimensions, it is useful to examine the different types of brand associations that may be present in consumer memory.

Branding techniques differ according to the nature of the product, especially in the case of wine branding (Lockshin et al., 2006). Wine diverges from the other categories of grocery products due to its nature and complexity. Brands on a grocery store shelf tend to be seen as easily substitutable from one another but wine contradicts that tendency, mainly due to the unpredictability of its flavor and the inability of the costumer to taste the wine before they buy it (Lockshin et al., 2006). Branding in wine is also inevitably linked with authenticity, especially after the mainstreaming of wine consumption by New World winemakers, which led traditional producers and experts complain about the “Coca-Cola” mass produced wines.

## 4.2. Pricing

Price is a key factor in wine purchases. Generally, wine prices are analyzed using a hedonic pricing model based on Lancaster’s approach, which relates the price of a good wine to its various attributes or characteristics. The principal theoretical foundation for the hedonic price function studies is the pure competition model for differentiated products (Rosen, 1974). This model assumes that market demand and supply for attributes interact to determine the implicit marginal market attribute prices.

Empirical application of the hedonic theory in the wine sector started in the early 1990s through Golan and Shalit (1993) and Oczkowski (1994). In these models the authors specify three main types of variables: objective attributes, sensory attributes and reputation. Objective attributes tend to be specified on the label and are therefore easy to identify and include characteristics such as color, vintage, alcohol content and grape variety. Many studies have shown that wine price is strongly determined by the objective attributes (Combris et al., 2000; Gil et al., 2000; Luppe & Angelo, 2005; Oczkowski, 1994). These studies did not consider the volume supplied or environmental variables as potential price determinants. However, Mccluskey et al. (2007)

and Florkowski et al. (2008) justified the inclusion of quantity, suggesting that when crops are small wine prices tend to increase. Delmas & Grant (2010) also addressed the impact of bio/environmental variables, the eco-friendly viticulture, on wine prices, pointing out that organic produces should impose premium prices, since it is more expensive to produce grapes organically than using conventional methods.

The second category is sensory attributes, such as aroma, finish or harmony, information about which usually comes in the form of expert opinions or medals awarded. Analyzing the literature, it is not clear to understand whether the sensory attributes influence wine prices or not. Some authors, such as Jones & Storchmann (2001), Schamel & Anderson (2001) and Ling & Lockshin (2003) have found that sensory variables influence wine prices, but others stated that these variables have a very low impact (Lecocq & Visser, 2006; Storchmann & Haeger 2006).

Finally, we have the reputation (individual and collective) of wines and producers amongst consumers. The individual reputation is related to the producer and own brand, and the collective reputation refers to variables such as umbrella brand, geographic origin and type of producer. There is a considerable body of research on the impact of reputation on wine prices and consumers' choices. Landon & Smith (1997) showed that both individual and collective reputation explains a substantial proportion of price variation and that long-term reputation is considerably more important than short-term improvements in quality. Subsequent studies by Oczkowski (2001), Ling & Lockshin (2003) and Delmastro & Castriota (2009) confirmed that there are in fact reputation effects.

## 4.3. Quality

It has been found that the reputation of the producer and objective wine trait measures, such as the wine's year of vintage, region from which the grapes were sourced and the grape variety, are significantly related to price (Combris et al. 2000; Landon & Smith 1997; Oczkowski 2001). Those same authors also found that a significant relationship with price occurs when overall sensory quality scores are employed with objective characteristic traits.

Landon & Smith (1997) suggest that given the incomplete information on quality, consumers rely heavily on both individual firm reputation based on the past quality of the firm's output and collective or group reputation indicators. These characteristics allow consumers to segment firms into groups with differing average qualities to predict current product quality. To help deal with that uncertainty, quality-conscious consumers process various perceived signals of quality, mainly of an extrinsic nature, such as price, producer, brand, vintage, region, awards, ratings and recommendations (Lockshin et al., 2000).

One would assume that taste is the most important factor in driving wine purchase. The research of McMullan & Casey (1995) found that the taste of the wine was a dominating factor for wine consumers. Thompson & Vourvachis (1995) stated that taste was the most highly correlated attribute relating to wine choice. The taste of the wine represents one of the major perceived risks presented by Mitchell & Greatorex (1988). They found that the taste of the wine was the risk that concerned consumers most. However, almost all purchase situations do not include the opportunity to taste the wine before purchase. New research used descriptions of wine tastes, such as fruity sweet whites, or tannic and full-flavored reds, to test consumers' preferences (Hughson et al., 2004) but the link to purchase or purchase intentions was not established. We do know that most wine purchases are made using information from the label as proxies or indications of what lies inside the bottle.

## 4.4. Authenticity

Authenticity is a wide and complex subject, to which a considerable attention in literature has been given over the years. According to Penaloza (2000), marketers are becoming more aware of the market value of brand histories and historical associations, and the underlying power of authenticity and legitimacy. Authenticity forms a big part of a brand's unique identity (Keller, 1993) and studies show that the use of authenticity as a positioning strategy resonates highly with consumers (Grayson & Martinec, 2004; Penaloza, 2000). Brown et. al (2003) went as far as stating that "the search for authenticity is one of the cornerstones of contemporary marketing" . Authenticity is considered a problematic term as there is not a concrete definition that is generally accepted in the academic world. Evidence shows that what is perceived as authentic is ideologically driven or asserted arbitrarily (Boyle, 2003).

Authenticity is composed of subjective and/or objective elements. On one hand, Postrel (2003) claims that authenticity is intrinsic to the object and that authentic objects cannot involve alterations between history, art or quality. On the other hand, Brown et. al (2003) and Holt (2002) affirm that authenticity is often more retrieved than real, that it is often fabricated and used as a strategic marketing technic. Managers should keep in mind that, when presenting a product as "authentic", it should match the consumer's mental frames of how the product "should be" (Grayson & Martinec, 2004).

A firm's ability to create and maintain and image of authenticity still remains a mystery in the academic world (Fine, 2003). A number of paradoxes emerge when creating authenticity because brands must remain true to their identity while remaining relevant in the market (Keller, 2003). Some brands, especially in a niche or luxury market, risk devaluing themselves if they start being perceived as too commercial (Holt, 2002). Small, specialist firms bolster claims of authenticity by strategically employing their identity in the marketplace, portraying them-selves as small craft producers that use (among other things) time, honored ways and natural ingredients as a means of competitive differentiation (Carroll & Swaminathan, 2000). While there may be some truth to aspects of this image, authenticity is often artificially fabricated (Peterson et al., 1997; Ulin, 1995).

Studies have shown that the perception of authenticity from the public is not exclusively influenced from brand management, but also lies on the established institutions (Scott, 2001). It is empirical that brand managers understand the relationship between them and the established institutions as authentic images need to be adapted and updated regularly, because they represent an interchange between consumers, producers, critics, competitors and commercial interests (Carroll & Swaminathan, 2000; Peterson, 1998). Furthermore, commentators discussing the sources of authenticity ignore how consumers and marketers view authenticity (Holt, 2002; Postrel, 2003). These views are limited because research has shown that consumers with different levels of cultural capital search for different cues to signal authenticity (Holt, 1998), and connotations of authenticity shift over time (Postrel, 2003).

In the wine sector Ulin (1995) noted that defining wine as a natural product, as opposed to an industrial mass-produced product, naturalized social, cultural and historical claims of authenticity. Critically, wineries make claims of authenticity based on the widely used term terroir, defined as "the holistic combination in a vineyard environment of soil, climate, topography, and the 'soul' of the wine producer" (Guy, 2002). The idea of terroir had the purpose of providing products an aspect of uniqueness and allure that would be difficult for competitors to replicate. The projection of an authentic image by a brand is partly true and partly rhetorical in the sense that it relies on the objective and subjective elements, including myths and status classifications. This combination of real and stylized attributes helps create an aura around the brand (Brown et al., 2003) that differentiates these brands from mass-market firms by allowing them to appear committed to values that are above commercial considerations.

To the main authors, authenticity needs to be studied due to the constant changes the world is suffering. Everything is now possible and available for consumers. According to Rickly &

Vidon (2017), these changes are consequences of the boundaryless commercialization and digitalization. The world is becoming a surreal place and people are now trying to find true, real and authentic experiences. The search for connecting emotions with places, destinations and products is nowadays a trend.

## 4.5. Product involvement

Product involvement has been used in a variety of marketing studies since Sherif & Cantril (1947) first presented the concept. Involvement is a motivational and goal-directed emotional state that determines the personal relevance of a purchase decision to a buyer (Rothschild, 1984). Involvement is thought to exert a considerable influence over consumers' decision processes (Laurent & Kapferer, 1985; Quester & Smart, 1998). Researchers have typically analyzed the influence of product involvement on consumers' attitudes, brand preferences, and perceptions (Chéron & Brisoux, 1989; Quester & Smart, 1998) using a single factor scale applied post hoc to consumer surveys. Involvement has been conceptualized as the interest, enthusiasm, and excitement that consumers manifest towards a product category (Goldsmith et al., 1998; Richins & Bloch, 1986). Involvement has been linked to wine purchase (Lockshin et al., 1997; Quester & Smart, 1998), where high and low involvement wine buyers have been shown to behave differently. Lockshin et al. (2001) showed involvement was a better predictor of wine choice behavior than the nationality of the wine consumers, using a French and Australian comparison.

The use of key attributes, such as price, region and grape variety was also influenced by involvement level (Quester & Smart, 1998; Zaichkowsky, 1985). Other differences in wine choice behavior related to product involvement were consumption situation (Quester & Smart, 1998), medals and ratings (Lockshin et al., 2001) and quantity consumed (Goldsmith et al., 1998). All these research papers categorized consumer involvement levels after the data was collected and analyzed. In summary, higher involvement consumers utilize more information and are interested in learning more, while low involvement consumers tend to simplify their choices and use risk reduction strategies.

## 4.6. Consumer behavior

The wine market is characterized by its complexity, due to the ammount of brands and heterogeneous products present on the market and the difficulty an average consumer has to identify many of the wine's characteristics before actually buying it (Caldeira, 2009). The decision making process by the consumer reveals itself as more complex when compared to other high-consumed products in the market, because of wine's plurality of associated attributes turning it into an information intensive product (Lockshin, 2003).

Comprehending and analysing a consumer's behaviour over a certain product implies understanding their perception *a priori* about that specific product. According to Schiffman and Kanuk (1997) perception is "the process through which each individual selects, organizes and interprets the stimuli into a meaningful and coherent picture of the world". So perception encompasses elements of a consumers' cognitive nature as well as their previous experiences with that product. In a case of scarse information, like in the process of buying a wine bottle, the costumer will analyse the few information available and through perception mechanisms will contextualize within their past experiences, and base a decision around that.

One of the most common strategies of a consumer's buying process is to reccur to a previous experience with a product as the main source of information when deciding on wether to buy it again or not. Besides previous experiences, the two main sources of information available for a wine consumer are the promotional brand materials and the wine bottle label (Chaney, 2000), in which the latter clearly stands out as the most important. The consumer will consequently build a perception of quality of the wine prior to the consumption phase. However, the evaluation of quality is based on the intrinsic attributes of the wine, making it really difficult for a consumer to analyse the quality of the product before tasting it. So, when making a buying decision, the consumer has to resort to his past experience with the brand, the company's reputation and the extrinsic attributes of the wine like price, label, producer, region of origin and awards obtained (Lockshin et al., 2000).

Pettigrew and Charters (2006) defend that wine quality perceived by consumers can fall into two dichotomies: absolute/relative quality and objective/subjective quality. Some consumers find quality to be an objective concept, in which the product, in this case the wine, presents verifiable dimensions of quality like flavor, aroma and acidity, whether or not the individual can recognize them. However, other consumers see quality as a subjective concept, very reliant on personal taste. The consumer recurs to attributes like the brand, high price, awards won and good reviews by experts, as these factors are all immutable and recognized as representations of quality. Additionally, some people regard quality in relative terms, meaning that their perception will always be linked to other factors like the product's price, fashionability or the context of the purchase. Lastly, some consider quality to be fixed and absolute. For these consumers quality is irrevocably present, irrespective of a person's inability to detect it. This viewpoint differs from the objective quality because the criteria to measure objective quality can change over time, whereas the absolute is fixed.

After the perception process is complete, the consumer will assume a position relative to his/her ideas of the product, more commonly known as attitude. According to Schiffman and Kanuk (1997), an attitude is a “favorable or unfavorable tendency that directs the behavior of consumers towards certain objective”. Schiffman and Kanuk further state that attitude is composed of three dimensions: cognitive, comprehending all the knowledge and beliefs a costumer has about a certain product; affective, encompassing the emotions and feelings resultant of a relation with the product; conative, which translates the behavioral intention of the consumer towards the product. When taking an attitude, the consumer goes through these three dimensions chronologically.

Once the attitude is taken, the consumer will then begin the decision-making process. In 1910, John Dewey created a framework consisting of the five stages of the consumer’s decision-making process: problem/need recognition, information research, evaluation of alternatives, decision of purchase, post-purchase behavior.

Firstly, the consumer recognizes a necessity or a problem that needs to be solved. Having recognized the problem/need, the consumer then starts searching for information about the product in need/that will solve the problem. As a result of the information research, the consumer picks a potential candidate that, in his/her mind, will most likely solve the problem or fulfill the need. After the initial pick, the consumer will consequently evaluate the alternative options, based on the factors that the consumer values more in that specific purchase. Once all the options have been analyzed the consumer decides which product will be brought home. At last, the consumer evaluates in what way the recently bought product fulfilled his/her need after the product is consumed. If the evaluation is positive, the consumer will most likely create a connection to the brand. In the case of a negative reaction to the product’s effectiveness, the consumer will be disappointed and probably won’t repeat the purchase.

CHAPTER 5

# Methodology

The development of this thesis was based on the case of Ilha, so it would be possible to get a real perception of the challenges and opportunities Madeiran still wine brands face today. Revolving the study around a real company lets the reader observe beyond the theoretical landscape and get a more authentic view about what is going on in the wine world. According to Zainal (2007), a case study as a research method is used when you want to "explore and investigate contemporary real-life phenomenon through detailed contextual analysis of a limited number of events or conditions and their relationships".

During the course of this work, the company was receptive and agreed to collaborate in its development, channeling all the information necessary for the completion of the case study. The choice of this company was based on its growth and innovation potential and the achievements attained in such a short period of time. Despite being a young company, Ilha can serve as an example for the future of new still wine brands in Madeira.

Yin (2009) recommended methodology for a case study should follow the following procedures:

1st – Case study design

2nd – Preparation for data collection

3rd – Collection of the data

4th – Analysis of the case study results

5th – Elaboration of conclusions, recommendations and implications based on the case study.

The previously mentioned procedures will be developed in the following way:

*Case study design*: In this phase the author decides which type of case study is most suitable for the theme i.e., multiple or single case, holistic or embedded, flexible or closed. The present work can be classified as a single case, embedded and flexible case study.

*Preparation for data collection*: As Benjamin Franklin famously stated, "If you fail to plan, you are planning to fail". This quote perfectly fits this phase of the work. At this point, the author starts setting the ground for data collection through investigation, selecting the case, preparing of the interviews, and developing the case study protocol. A vast literature review was conducted for this work, where six concepts related to the wine world were acutely explored. This demonstrated to be a crucial step to understand the path to take in the data collection phase and clear many doubts about the wine industry.

*Collection of the data*: At this stage the author proceeds to collect the data needed for the work, weather it is qualitative, quantitative or both. For this thesis there will be both qualitative and quantitative data, collected for different purposes. The collected data will then be applied to the analysis of the market which will be divided into two categories, internal and external, to accurately portray the market, the consumer, and the company.

For the internal analysis Diana Silva, the owner of Ilha, kindly agreed to channel all the information needed to complete this work. The data collection possible through on-line meetings and e-mails, in which Diana Silva showed to be very receptive to my questions and doubts about the company and the Portuguese wine panorama.

For the external analysis, the data collection was rather complex as the average consumer's knowledge about the wine world is usually very sparse. Adding to that, Ilha can be classified as niche wine for its recency in the market, price and complexity. It would be unfair and inconclusive to obtain primary data for our external analysis exclusively from an online survey, where the answers tend to be biased according to the friends and family of the author. Thus, the data collection for the external analysis was done in two ways.

The first source of data consisted of a survey to potential Madeiran still wine consumers. It had the main objective of understanding people's perception about these wines, especially the local people, and how aware they are of the challenges these brands must endure and the opportunities that may arise in the future. The data was collected online through a questionnaire which allowed to reach a total of 107 respondents in a short period of time, being convenient for both respondents and the author.

Following the survey, three interviews were conducted to three influent and notorious workers of the Madeiran wine industry. The first interview was conducted to Francisco Albuquerque, a veteran oenologist from Madeira, wine director at Madeira Wine Company, elected 2013 oenologist of the year and a pioneer in the production of still wine in Madeira with his works on Atlantis, the first market rosé wine made in the island. The second interviewee was Américo Pereira, a well-known oenologist and wine merchant from Madeira with years of experience in the wine industry. Américo is also a fierce promoter of Madeiran still wines, either through his wine shop in Funchal, his workshops around the island or through his collaborations with renowned chefs. The final interview was directed to Pedro Machado, an up-and-coming Madeiran oenologist and winemaker in Instituto do Vinho da Madeira that works along with Diana Silva in the development of Ilha wines. Despite working in the same industry, these three interviewees contributed to this work with three distinct points of view of the Madeiran wine panorama, which enabled to analyze the market in a more balanced way.

The external analysis also required the collection of secondary data i.e., data from previously published works on a related subject and from reputable institutions like OIV and IVBAM.

*Analysis of the case study results*: In this phase all the collected data was meticulously organized and analyzed. From this, it was possible to accurately depict the Portuguese wine industry, the Madeiran wine industry and the target company of this case study.

*Elaboration of conclusions, recommendations and implications based on the case study:* Based on the results obtained in the previous phase, a series of conclusions, , research limitations and future recommendations were presented in a clear and succinct way, so that it is easily understandable for the average reader.

CHAPTER 6

# External Analysis

## 6.1. Macro analysis

### 6.1.1. Political and Legal

The level of regulation in the wine industry is extremely high due to the endless number of factors and elements that compose it. From the vineyard to the bottle on the shelf, every process is carefully regulated by a local, national or international entity to ensure the compliance of the quality standards.

When Portugal entered the EU in 1986, the former entity in charge of controlling wine quality in the country, Junta Nacional do Vinho, was substituted by a new one: Instituto do Vinho e da Vinha (D.L. nº 304/86 of September 22$^{nd}$). This organization adapted the structures imposed by the new market policy conducted by the European Union and is now the institutional organism responsible for the policies and management of the wine sector. This not only changed the organization and operation of the national market but also the previously established regulations across the whole sector. Portugal is now divided into fourteen main IGs (Indicações Geográficas) – Vinho Verde, Porto e Douro, Távora e Varosa, Trás-Os-Montes, Dão, Bairrada, Beira Interior, Lisboa, Tejo, Alentejo, Península de Setúbal, Algarve, Açores e Madeira. Within these regions we can find thirty-one DO (Denominação de Origem). Fourteen regional commissions and entities were created across Portugal in order to manage and control these designations and make sure all the rules are followed (see annex A).

IVBAM – Instituto do Vinho, do Bordado e do Artesanato da Madeira – is the entity responsible for regulating the still wine made in Madeira, as well as other traditional products from the Island. As mentioned earlier, the official/legal still wine panorama in Madeira is still very recent. It was only in 1999 that the government issued the first ordinance in which the requirements for a wine to be recognized as Denominação de Origem (DO) 'Madeirense' were defined. Until 1999, only a handful of adventurous producers dared to experiment making high quality still wines in Madeira, with the grapes that were historically and sacredly linked to the fortified Madeira wine.

Portugal is also a member state of the OIV – International Organization of Vine and Wine. OIV defines itself as an "intergovernmental organization of a scientific and technical nature of recognized competence for its works concerning vines, wine, wine-based beverages, table grapes, raisins and other vine-based products" (OIV, n.d.). This organization has the main mission of promoting and guiding scientifical and technical research and experimentation as well as a harmonization and adaptation of regulations by its member states.

### 6.1.2. Economic

The wine industry is a major contributor to Portugal's economy. In season of 2020/2021 Portugal produced 6,4 million hectoliters of wine in its territory (Annex B), and wine sales generated 1.6 billion euros in revenue, divided between exportations and internal market sales. Wines in Portugal are also subject to various taxes and duties, directed to the government and the institutions that oversee the quality control and organization of the sector. According to the IVV (n.d.), Portuguese wines producers are bound to pay four types of tax: Coordination and control, certification, promotion and VAT. Given the revenue generated by the sector, the average price of wine per liter sold (3,25€ in 2020) and the amount of duties and taxes, it is clear to acknowledge the impact that the wine industry has on the Portuguese economy and the government's revenue.

The sector has registered a total 22.889 employees (IVV, 2020) and has a significant indirect impact on other sectors like the cork sector, in which Portugal is the biggest producer in the world.

### 6.1.3. Social

Wine is deeply embedded in Portuguese culture. Its long and rich history with wine makes a small country like Portugal one of the most relevant wine producers in the world. Portugal is currently ranked 1st on the list of main wine consuming countries per capita, with an average of 51,9 liters of wine consumed per person per year in Portugal (Annex C). Considering that Portugal is one of the poorest countries in Europe, it is evident that the average Portuguese consumer lacks a refined wine knowledge and culture and prefers quantity over quality.

Wine knowledge and culture are socially relevant for the educated and wealthy part of the population, as it is a complex and information-intensive drink that requires time, knowledge, and experience to fully appreciate the experience. The high prices of quality wines also tend to discourage the lower class of exploring new oenological experiences.

### 6.1.4. Technological

The fundamental characteristics which make wine a unique beverage, that has been successfully delighting hundreds of generations throughout thousands of years, have remained essentially the same: an alcoholic drink made from fermented grapes. When the average consumer discusses wine, the technological part of the wine making process tends to be overlooked as the experience of opening and drinking a wine bottle has not been altered for a long time. However, technology has had a great impact on every aspect of the wine world, from the farmer to the costumer.

In the vineyards, thanks to big data and IoT (Internet of Things) it is now easier to collect data about weather patterns, soil conditions, sun exposure, humidity, etc. Merging this data with historical knowledge and know-how can facilitate real time decision making and help to identify long term trends. The use of drones can also aid vineyard owners and farmers to identify potential areas of concern in the vineyard and pests are more easily managed due to the amount of information on the timing and application of pesticides and fertilizers. Growers also use advanced tools to determine which vines suffered from wildfire-induced smoke-taint. Another big technological innovation is the transformation of pomace (skins and seeds left after pressing) into biofuels.

In the wineries, technological advances have further enhanced the workflow efficiency and quality of the wines. Automated systems can now help wineries keep track of their entire supply chain. For example, optical sorting equipment can accurately determine ripeness or sunburn and remove any unwanted material from the grapes. Embedded smart sensors in the cellars can easily monitor temperature, light and humidity so that the aging process can be under control. In the bottling phase, wineries can give their costumers a more dynamic and personal experience with the help of QR codes or 'VR' labels.

The wine distribution chain is known for being complex and it involves a lot of participants. The incorporation of tags and tracking in the wine bottles and packages makes the supply more accurate, faster and more efficient.

#### 6.1.5. Ambiental

Climate change is one of the biggest threats to wine production worldwide. The prolonged droughts, high temperatures and heavy rains are already showing the devastating impact global warming has on the vines around the world, and Portugal is no exception. The most affected areas today are those with a weaker water balance, where occurs less rain and the water evaporates more.

According to Carlos Lopes, a professor of the Instituto Superior de Agronomia (ISA) and the coordinator of the master in Viticulture and Enology in that same university, the consequences of climate change in the Portuguese vines are already evident as some companies have started to plant their vines on the coast or in higher altitudes, where the temperatures are milder (Pires, 2019). Carlos Lopes stated that as the temperature rises, the grapes tend to become riper and sweeter earlier than expected which leads to a less acidic, less color intense and more alcoholic wine. Grape producers will have to adapt to these new conditions, moving their vines to colder places and choosing a type of grape that resists better to the heat and the lack of water, so wine producers can create a more balanced wine. The growing unpredictability of the weather will also trouble the management schedule of a vineyard, as phenological states shorten in time and vineyard owners must adapt the timings of each phase every year. Carlos Lopes added that, currently, the most affected areas in Portugal are Douro Superior, Foz Coa and the south of Alentejo.

## 6.2. Micro analysis

### 6.2.1. Production

Portugal shares a rich history with the art of winemaking. History tells us that the first vines planted in the Iberic peninsula date back to 2000 BC. Despite its size, Portugal presents a wide range of wine regions, which carry very distinctive characteristics.

The difference in climates and soil within the country allows for a large set of combinations of different factors which then result in the creation of very distinct wines. The Portuguese climate is heavily characterized by its Atlantic and Mediterranean influences, but the weather conditions vary from the north to the south and from the coast to the interior, giving Portugal a diverse cultivated vine (Abrunhosa et al., 2003). Despite this diversification, many soils don’t have the ability to produce. The Mediterranean and Atlantic climate contributes to a high erosion level in the soils, and there is an evident irregular distribution of precipitation. The regions located closer to the coast suffer even harder from the soil erosion due to the proximity to the Atlantic Ocean. However, these barriers don’t seem to be a problem for many, as “the vine that makes quality wine, doesn’t like fertility” (Afonso, 2014).

Madeiran soils differ from the ones in mainland Portugal, due to its Vulcanic origin and richness in organic matters and acids. These characteristics combined with the island’s humid climate, the traditional conduction of the vine in pergolas that makes the grapes maturation difficult, boosts the levels of acidity in the wines, which has become a trademark of Madeira’s vinification (Wines of Portugal, n.d.).

There are four very important aspects about wine making in Portugal: the vine, the production, the process and the official designations.

*The vine*: Just like in every other country, the Portuguese vine is not exclusively destined to wine production. Despite representing a majority, wine grapes share the Portuguese vine with grapes that serve other purposes: table grapes, sultanas and juices. Analyzing the evolution of the planted vine in Portugal (Annex C), it is clear to state that over the last 10 years the area of cultivated vine has been shrinking, with the exception of 2019, a common tendency across some of the main wine producing countries. Portugal places $10^{th}$ on the list of countries with the largest vineyard area, with 194.000 hectares planted (OIV, 2021). Madeira island has also followed the global trend, seeing its area of planted vineyard decrease from 1423 hectares in 2010 to 1025 hectares in 2020, and representing only 0,5% of the Portuguese vineyard area.

*Wine production*: Portugal currently ranks $11^{th}$ in the list of biggest wine producing countries in the world and is the $5^{th}$ biggest European producer (Annex B). Drawing a comparison between planted vines and wine produced, it's noticeable that Portugal's vineyard area is not proportional to its production given the discrepancy in the rankings. This may be due to the low productivity of Portuguese soils. Furthermore, according to IVV, a hectare of vine in Portugal produces an average of 5,15 tons of grape, while in America that average reaches 14 tons of grape per hectare. The data provided by the IVV also proves that Douro is the region that produces more wine in Portugal, followed by Alentejo. Madeira is ranked $12^{th}$ among the 14 wine regions of Portugal (Vini Portugal, n.d.)

*Official wine designations*: The entry in the European Union obliged Portugal to change its laws related to the designations attributed to wines produced inside the country. The level of scrutiny increased and to get those designations, the wines are now subject to great control in every step of production. The certifying entities, supervised by the Instituto Português de Acreditação (IPAC), are divided by different regions of Portugal and assure the preservation of quality in each of those regions (Annex A). According to IVV, wines produced in Portuguese lands can have the following designations:

- *DOC – Denominação de Origem Controlada; DOP – Denominação de Origem Protegida.* This designation is adopted by the products that are associated to a certain region, place or traditional denomination. Its qualities and specific characteristics are the result of the geographical environment and the natural and human factors of that specific region. The types of grapes used, and the vinification methods are two of the elements verified to guarantee the wines' quality and authenticity. In Madeira there are two possible DO designations: Denominação de Origem (DO) "Madeira", attributed to the fortified Madeira Wine and Denominação de Origem (DO) "Madeirense", attributed to still wines.

- *IG – Indicação Geográfica; IGP – Indicação Geográfica Protegida.* This designation is adopted by products produced in a specific region (which in named in the label), in which at least 85% of the grapes are harvested in that same region. It is also requested by the same entities that certify the DOP and DOC designations. These wines can also be labeled Vinhos Regionais. In Portugal there are a total of 14 Indicações Geográficas, being that the one corresponding to Madeira is *IG "*Terras Madeirenses*"*.
- *Vinho.* This designation is attributed to every product that doesn't follow all the requirements imposed in the previously mentioned designations. Nevertheless, these wines must fulfill the national and European requirements in place.

*The process*: Wine stands out from other alcoholic beverages due to its complexity and subtlety in flavor. Every step of the production process will influence the quality of the final product and dictate the consumer's experience when tasting the wine. Analyzing the Portuguese wine scene, we observe that the production process includes six main phases: the harvest, crushing and pressing, fermentation, clarification, aging and bottling. In general, the role of the wine producer is to oversee the entire production process, like a head chef in a kitchen, combining their scientific knowledge and practical experience to alter the wine's chemical composition. Wine producers pinpoint the best time to harvest, oversee the crushing and pressing and make key decisions based on the levels of sugar, acid, sulfur, and sulfite within a wine.

In the case of small wineries, the wine producer is frequently the owner of the company which increases their scope of responsibility, going from grape planting to the marketing and selling of the final product. Cooperative wineries are fundamental for small wine producers in Portugal. These warehouses, funded by the government, provide all the necessary equipment for wine making, allow small wine producers to bypass a big barrier that is the high capital initial investment required in wine production.

### 6.2.2. Distribution

According to Lendrevie et al. (1995), a distribution channel is the itinerary that a product or service follows from the production phase until the end consumer. This chain is composed by a set of companies and individuals called intermediaries that facilitate the flow of goods and services between the company and the consumer (Kotler, 2000). When analyzing a distribution chain, three main considerations stand out: the choice of the intermediaries, the number of intermediaries and the intensity of the distribution. Thus, the size of the distribution channel may vary, depending on the factors stated previously. The number of intermediaries in a wine supply chain is also a driver on wine price, as an increase in the number of intermediaries generally results in a rise of the price. Lendrevie et al. (1996) states that distribution channels can be categorized in four main levels:

1. Direct Sale: Producer – Consumer
2. One intermediary: Producer – Retailer – Consumer
3. Two intermediaries: Producer – Wholesaler – Retailer – Consumer
4. Three intermediaries: Producer – Wholesaler – Regional wholesaler – Retailer – Consumer

Considering the wine distribution channel, it is possible to divide the final phase before consumption into two categories: off-trade retailers (Supermarkets, wine stores) and on-trade retailers (restaurants, bars, cafés, etc.). In Portugal, the distribution chain is similar to the rest of the world, with each company choosing the depth and extension of their distribution chain according to their size (Annex D).

#### 6.2.3. Competitiveness

Porter (1980) famously implemented a new way to analyze the competitiveness of an industry through five main forces: competition in the industry, potential of new entrants into the industry, power of suppliers, power of customers and threat of substitute products. In order to make an in-depth analysis of the competitiveness level of the Portuguese wine industry, Porter's model should be applied to the Portuguese market.

Regarding the potential of new entrants into the industry, the situation is stable due to the limitation imposed by common agricultural policy (CAP) on the area of vineyards as well as to the amount of wine stock available in warehouses. It is also very hard to penetrate the market due to its high costs, high amount of know-how necessary and the power of the very well-established wine companies (IAPMEI, 2011). A lot of cooperative wineries no longer admit new associates and some already put restrictions on the amount of grapes handled in by the current associates. In the international panorama, the main threat of new entrants comes from the new world producing countries (Carreira et al., n.d.).

There are two main sectors to consider when debating the power of suppliers in the wine industry: the cork and glass bottle sectors. These are two very well established and well-structured sectors with great bargaining power. Portugal is the biggest cork producer in the world, detaining one third of the cork trees on the planet and contributing for half of the global production of cork (Faget, 2017). The sector is composed mainly of small companies, there is a clear leader that dominates the market, Grupo Amorim, that presents great power over the wine companies. In the case of small wineries, it is common that they don't grow their own vines and are forced to buy grapes from others. This dependence not only increases the price of their wines, but also potentially sabotages the quality of the final product since they don't control one of the most important stages of the process of wine production.

The threat of substitute products is a controversial subject when discussing wine. The most obvious substitute to wine is beer but some people argue against this statement, like Smith (1999), who claims that beer and wine are considered complementary products and not substitutes. However, it is possible to identify other substitute products, like wines from other countries or from other regions within the same country and other alcoholic drinks. Thus, the threat of substitute products is present and should be taken into consideration.

The power of the costumers has been increasing over the years due to the impact the big retailers like supermarkets had on the distribution of the food and beverages. This high volume and concentrated demand by the big retailers sets a lot of pressure on the prices practiced by the wineries.

The competition inside the wine industry in Portugal can be considered strong. One of the main reasons for the intense rivalry felt in the industry is the high amount of stock available resulting from a reoccurring overproduction, which leads some companies to reduce the price of their wines so that the storage costs can be reduced (Carreira et al., n.d.). Another main reason for the strength of the competition is the number of delimited wine regions in Portugal that produce unique and distinct wines, turning the Portuguese wine panorama much richer and diverse and thus more competitive. The market is also very fragmented, with the presence of a lot of medium/small sized and undifferentiated companies making it extremely difficult to establish a coordinated price policy. Sogrape is the biggest player in the Portuguese wine market, holding more than 30 brands under its umbrella, 1600 hectares of vine and 1000 plus collaborators. In Madeira, the wine scene is dominated by the Madeira Wine companies that have been establishing its secure position in the market over the years. The Madeiran still wine scene is still small and fragmented but offers a great deal of competition in its niche environment. Quinta do Barbusano, Terras do Avô, Atlantis and Barbeito represent the biggest players in the market, with latter two being branches from two major Madeira Wine companies. On the international landscape, new world producing countries represent a big threat for Portugal due to growing popularity among new consumers and differentiated marketing approaches. The intense rivalry inside the country makes it even harder to promote Portuguese wines outside of Portugal. However, the creation of organizations like ViniPortugal and Wines of Portugal helped unify the image of Portugal in the international market. These organizations frequently advertise Portuguese wines through promotional campaigns in the most relevant wine markets.

Considering the five forces of Porter, framed within the context of the Portuguese wine industry, it is possible to conclude that the overall competitiveness in the sector is strong. There's a strong rivalry between local companies, a growing power from suppliers and clients and a moderate threat from substitute products.

#### 6.2.4. Segmentation

Wine's inherent complex characteristics often lead people to attribute different interpretations to the same wine. This difference in quality perception can be dependent on many intangible factors, like personal taste and level of knowledge. For these reasons, properly segmenting such a heterogeneous market can be a difficult task. However, based on observation of recurring patterns, Spawton (1991) divided the wine consumer into four types, based on the level of involvement and knowledge:

- *Connoisseurs*: presents a high-level wine knowledge, particularly with high quality wines. Explores the world of wine as a hobby and searches for the most detailed information possible, frequently in specialty magazines. Enjoys buying wine on specialist stores or wineries.
- *The aspirational consumer*: a very risk-adverse costumer that weighs-in heavily on the consequences of each purchasing decision. Spends a lot of time searching for information, usually asking for advice in the shop. The social dimension of wine drinking represents a big role in these consumers' decisions, and they are easily influenced by wine critics' opinions and fashionable brands and labels, so they can lower the risk and increase their social status.
- *Beverage wine consumer*: Shows little desire to appreciate wine to its fullest potential and no interest in varying a lot, normally staying loyal to a single product or brand. This consumer generally purchases wine in supermarkets or big retail stores, in which the decision is normally based on past consumption experiences, accessible prices and discount campaigns.
- *The new consumer*: This group consists mainly of young people that are now beginning to discover the world of wine and show to be highly influenced by family and friends. The price is a preponderant factor in this consumer's decision, which is also very

dependent on the occasion and place of purchase. Wine consumption is seen strictly as a social behavior, showing with no preference for a certain product or brand.

### 6.2.5. The Sector In Numbers

Portugal remains one of the most relevant wine producing countries in the world. Portuguese wines show tremendous influence in the world, despite having to compete with bigger and richer countries. The historical heritage, extensive know-how and ability to merge tradition with innovation put Portuguese wine producers among the most exciting producers in the world.

In 2020, Portugal produced a total of 6,4 million liters of wine. While the global wine exportations decreased in 2020, Portugal was able to bypass that trend. Despite the pandemic, Portugal’s wine exportations in 2020 summed up to a total of 847 million € (+ 3,4% than the previous year) and 296 million liters sold (+ 2,6 % than 2019) (Annex F). This made Portugal the 9$^{th}$ highest exporting country in the world in terms of value, and the 8$^{th}$ biggest in terms of volume. Nevertheless, the external market is not the only focus of wine producers and salesmen in Portugal. The internal market plays a big part in many wine companies’ revenue, as Portugal became in 2020 the biggest consumer of wine, per capita, in the world. In 2020, 251 million liters of wine were sold in Portugal (between restaurants and distribution), which represented a total of 816 million euros in revenue (IVV, n.d.)

The wine sector also has a big weight on the Madeiran economy, mainly driven by Madeira Wine sales and exports. According to INE, Madeira has seen a big increase in overall exportations over the last few years having reached its peak in 2019, translating in a total of approximately 272 million euros. In that same year, 3,16 million liters of Madeira wine were sold, summing up to a total of 18,66 million euros (Annex H). From this total, 15 million euros worth of Madeira Wine were destined to exportation, which constituted 5,5 % of the total Madeiran exports. The still wine exports from Madeira, however, still have a very residual impact on the economy. Outside Madeira, the demand for still wines is still very low when compared to Madeira Wine, with 144.107 euros worth of exports, within which Portugal partakes of 73,3 % (Annex I). In 2019, there was a total of 147.126 liters of still wine produced in Madeira (Annex J).

## 6.3. COVID’S impact on the sector

The COVID-19 pandemic came roaring in the spring of 2020 and no business or sector remained indifferent to its effects. The global shutdowns devasted many industries, and the wine industry was no exception. Wineries lost one of their main sources of income (on premise sales) due to the shutdown of restaurants and bars which caused a tremendous impact on the industry's revenue. The effects of the pandemic were only compounded by another crisis, climate change, in which the occurrence of uncontrollable wildfires caused unprecedented damages in some of the world's top wine producing regions (Canavati et al., 2020). Fortunately, many countries are on the verge of beating the pandemic and catching a glimpse of the ever-desired normality.

According to the OIV annual report (OIV, 2021), in 2020 there was an overall decrease in consumption and increase in production of wine in the world. Comparatively to 2019, the world consumption decreased 2,8% in 2020. Despite the sharp decrease in sales in the first half of the year, a recuperation in the latter half assured that average decline was not so abrupt. However, this global statistic hides a huge variation between the numbers of the individual countries, due to varying levels of lockdowns and restrictions. For example, Brazil saw an increase of 18,4% in their wine consumption, the biggest in the world, and South Africa was the most affected country during the pandemic, with a decrease of 19,4% in wine consumption. Portugal suffered a decrease of 0,6% in wine consumption during 2020.

With the halt of tourism, the closure of restaurants and bars, wine sales became exclusively dependent on the off-premises and on-line sales. Bag in box saw the biggest global expansion while high-end and sparkling wines took the biggest hit, both in volume and in value. High end and sparkling wine sales are highly dependent on the HORECA channel, and the successive lockdowns and shutter of the hospitality industry brought many difficulties for the luxury companies. The health crisis was also a logistical nightmare when it came to international trade. The sanitary protocols at ports and airports entrances, the "Trump Tax", the priority given to those carrying medical equipment and basic needs and suspension of passenger flights all brought consequences to the global wine trade, especially in the first months of the pandemic. While the volume of imports only decreased 1,7 % in 2020, the value of imports decreased 6,7% in the same year. For example, the French wine business, which holds a high proportion of sparkling wine and Champagne exports, is estimated to have lost more than a billion euros in 2020. Portugal didn't follow the global trend and took a bigger hit in import volume (-7,9%) than in value (3,7%).

Despite the encouraging numbers in 2019, the wine sector in Madeira was also not immune to the devasting consequences of the pandemic in 2020. Madeira wine sales dropped 22 % from 2019 to 2020 (Annex H) and still wine sales went down 62 % in that same period (Annex I).

During this period many companies sought to improve their on-line presence and their e-commerce outlets and tried establishing a deeper connection with the consumer. However, in the Business-to-Business side of things, companies had less room to innovate. All BtoB marketing actions like wine fairs, wine festivals, competitions and tastings were canceled or postponed, and the efforts made to somehow digitalize those events, always fell short of its viewers' desires and expectations.

To mitigate the effects of the COVID-19 pandemic governments around world set up programs and packages to help the most affected industries. In July of 2020, the Portuguese government, through the ministry of agriculture, approved a package of supporting measures directed towards the wine sector, with a reinforcement of 18 million euros (República Portuguesa, 2020) and package one in 2021 of 8 million euros (Alvorada, 2021).

CHAPTER 7

# Internal analysis

## 7.1. Ilha

The company DSW (Diana Silva Wines) was founded in April 2017, based on a dream of a visionary woman passionate about wine. Diana Silva (the owner, producer and creator of the brand) had the mission to show the world Madeira has a well-deserved place among the great still wine producing regions of the world. With the creation of this company, Diana wanted to honor her origins and make Madeira's name proliferate through the halls of the wine world.

Based on her belief on the Madeiran *terroir*, Diana Silva created the motto: "Love to the land, belief in the *terroir*". This motto explains her love for authentic wines, made from autochthonous grapes that carry the most characteristic features of Madeira: Minerality, Freshness, "Atlanticity" and Acidity. So, she decided to invest in one of the more ancient types of grapes in Madeira, Tinta Negra, that first appeared on the island in the XVI century according to Professor Virgilio Loureiro. This grape resisted the great *Phylloxera Vastatrix* plague in the XIX century and many consider the Madeira Wines from that era to be immortal due to the survival capacity of this grape, that formed 85% of the blend at the time. Although it has been considered an inferior grape for a long time, used to produce the cheaper batches of Madeira Wine, Diana Silva prides herself to be the producer of the first still wine trilogy of Tinta Negra (white, red and rosé).

The company works with local viticulturists that oversee the vineyards and show relentless support to make sure that the grapes are as healthy as possible. In total the company has access to a total of 29.000 square feet of planted vineyards, within which 16.000 $m^2$ are Tinta Negra grapes and 13.000 $m^2$ are Verdelho. Most of the Tinta Negra vines are located in the São Vicente region, in the north of island, but some small lands can also be found in Campanário and Garachico, in the south.

The objective of the company has always been to help the viticulturists as much as they could and together publicize Madeira Island. However, due to diverging visons from the company and the viticulturists, using Tinta Negra has been a big challenge from the start. This type of grape has been historically worked with the idea of quantity over quality in mind. These grapes were exclusively used by Madeira Wine producers, in the production of cheaper and low-quality wines, like 3-year Madeira. So usually, the grapes arrive the wineries with a very low degree of maturation (between 8º and 9º), which serves the purpose for Madeira Wine producers but not for an up-and-coming producer of still wines like Diana.

The standards for Tinta Negra have been systemically low, leading to some form of conformism among viticulturists and wine producers, which inevitably resulted in a lack of will to change the vine's conduction system and the treatments used in the vineyard. Everything counts when trying to achieve excellence in wine making, and quality should be a priority in every single step of the production chain, starting from the vineyard. Diana came to shake the traditional system and change mentalities, aware of all the barriers and challenges that it implies, driven by her endless love for wine and her hometown.

The Ilha DOP Madeirense wines are produced in Adega de São Vicente, where the company has a resident oenologist João Pedro Machado.

## 7.2. Internal Organization

Despite being founded in 2017, DSW only launched their first wines in 2018. Attending to the short time span that DSW has been on the wine market, the company has reached a very impressive market share having sold all their stock within months in their year of launch. In 2018, Ilha sold 12.000 bottles in just 2 months which led the company to decide to nearly double its production in 2019 with a total of 20.000 bottles. This decision was also backed by the increasing demand on a national and international level, to markets like Germany, Belgium, USA and Canada. Due to the pandemic, the company had to sell a portion of their vines in 2020, but the project and its soul is still alive and well.

The company also counts with the support of Ricardo Gusmão, Diana's husband, that assumes the role of business manager since 2018. Due to the size of the company and its family driven business model, the role of Ricardo Gusmão goes beyond a simple business manager, where he appears to be a "jack of all trades" participating in fairs, helping with social media and the site and anything necessary for the company. Ricardo is essentially Diana's right hand.

DSW has already invested 100.000 € of their own capital and expects to return its investments in some years, given the long-term nature wine related projects.

## 7.3. Commercial Strategy

The commercial strategy has been very clear since the foundation of the company, with its focus on the HORECA channel (Hotels, Restaurants and Bars). The only outlier in this strategy is El Corte Inglês, where the wine is for sale in their gourmet sections (Clube Gourmet and Amoreiras Gourmet). Diana believes that Portugal is going through a degenerate phase when it comes to wine, so she reiterates that it is crucial to create a brand to be remembered for its identity, differentiation, and peculiarity. To stand out in such a competitive and fragmented market, one must be special and fabricate wills and necessities.

After a careful market analysis, the potential partners and rivals, the company decided to pursue the hardest way: sell exclusively through an *on trade* and long distribution channel. The company never sells directly to the consumer. The distribution strategy implemented is called exclusive distribution, in which the company picked exclusive distributors in each region of the country, and only sells through those same actors. This bet on the trust and relationship with exclusive distributors is key to meet the company's qualitative and quantitative objectives.

The extension of their range of products was another way the company found to penetrate such an aggressive and densely populated market. Innovation and differentiation were always at the core of the company's DNA, and the introduction of a new wine in 2019, Ilha Verdelho, to their products only appeared to cement that fact. This new product came to join the other three wines that founded the company:

- *Ilha Tinta Negra Rosé*: An extremely gastronomic wine, full of character and personality. This wine stands out among the so-called "pool rosé" for its refusal to follow trends. It could easily be compared to a rosé from the region of *Loire.*
- *Ilha Blanc de Noirs*: It is the first white wine made from Madeiran red grapes. This wine stands out for its acidity, the minerality of the *terroir* and the choice of Tinta Negra grape, which has become Ilha's trademark.
- *Ilha Tinta Negra*: one expression can perfectly describe this wine: out of the box. It presents a very open color and subtle entry on the mouth. The consumer will find resemblances, either in the mouth or nose, with the famous *Pinot Noir*.

As a way of increasing DSW's market share, the strategy established by the company relies on finding a good business partner that believes in the brand. A partner that doesn't have a lot of brands under their responsibility and that carries experience working with other niche brands like Ilha, so it gets easier to attract clients that search for a differentiated product. Diana states that for the company it is very important that the sales team behind the distribution firm believe in their product, so they always let them taste the wines to clear any doubts about which target profile is more adequate for Ilha wines. At the moment, the company is open to the majority of the national market: North region, Lisbon region, Madeira, Algarve and Center region.

Regarding the tables in annex (Annex K and L) it is safe to say that in general Ilha's direct competition practice lower prices. Their commercial strategy relies on a market penetration process focused mainly on the price. DSW chose a different path, portraying themselves as niche and cluster company. Since they can’t be aggressive on the prices, Ilha has space to invest their efforts on communication and image.

Their biggest distribution partner is located in Lisbon, the region that alongside Madeira sells more Ilha DOP Madeirense. This relationship flourished from previous years of work/friendship between the Diana and the founder of the distribution. Accepting this deal was a “no brainer” for the founder of the distribution company, as he says “since we believe that in this sector the people are the most important key for success, from the moment Diana started her own project, I decided to work with the brand because I knew that it would make my own brand grow”. Fortunately, this sentiment was shared among all the distributors and business partners that work with Diana, either in the rest of Portugal or in international markets.

The sales force is divided per region. In each region a distributor is attributed a certain number of clients (restaurants or wine shops). Once they receive the product these clients transform into sellers and their objective is to present/sell the Ilha wines to the final consumer and outline the importance and relevance of this product in the success of their business. To improve their commercial performance, DSW provides a set of tools that will act as an attraction to potential buyers, also known as on trade charm actions:

- Degustation and tasting promotions in the most well-known wineshops in the country (Porto, Center, Lisbon and Algarve) with the presence of the producer.
- Promotion of 6 wine themed dinners (one every two months) in strategic restaurants, to be selected along with the distributor
- Commercial/notoriety actions in a selection of 50 premium restaurants in Portugal
- With the repeated purchase of the three main Ilha DOP Madeirense wines, an offer of an empty 5 litter bottle, for marketing purposes.

In addition to the previously mentioned on trade charm actions, the company meticulously checks their sales every three months, to see which clients repeated the purchase, how many new sale points there are and who are them. Currently, the main objective of the brand is to be displayed in the best restaurants of the country to improve its notoriety. The company wants to embed the name of the brand in the mind of the premium consumer and make them instantly associate the brand with quality.

Attending to the dimension of the project, it is still impossible to provide financial incentives to the clients, but the company is aware of the benefits those kinds of actions bring to the table. The company will always be willing to make an effort to motivate clients to keep representing Ilha and keep the name of the brand alive. Everything related to Ilha boils down to passion and emotion and the clients/salesman need to be immersed in that mental state and embrace the vision, so they can properly represent the brand.

## 7.4. SWOT Analysis

Table 7.3: SWOT Analysis of the Ilha brand

| Strengths | Weaknesses |
|---|---|
| S 01 – Emotion based project – return to the roots<br>S 02 – A new project without the “addictions” of the industry<br>S03 – Differentiating project in Madeira and continental Portugal<br>S 04 – Use of autochthonous grapes<br>S 05 – The only wine with strength of sales in all Portuguese regions<br>S 06 – First Tinta Negra monovarietal table wine | W 01 – Young project with no notoriety<br>W 02 – Need for further market penetration<br>W 03 – Less competitive price than their peers<br>W 04 – Wine from a less known region, concerning table wines |
| **Opportunities** | **Threats** |
| O 01 – Few Madeiran wines relevant presence in continental Portugal and external markets<br>O 02 – Weak sale strength of Madeiran wine producers outside of Madeira<br>O 03 – The use of Tinta Negra in Blends or Rosé wines<br>O 04 – Great potential for Verdelho grape table wines in the continental Portugal wine market. | T 01 – Competitive prices from the peers<br>T 02 – Strong competition in the madeiran table wine panorama – Barbusano, Terras do Avô, Atlantis Rosé, Paixão pelo Vinho.<br>T 03 – Increase in direct competition, with the proliferation of new, small, independent wine projects.<br>T 04 – Madeiran wines with a very low share of globally consumed wine |

## 7.5. Dynamic SWOT Analysis

Table 7.4: Dynamic SWOT of the Ilha brand

| | |
|---|---|
| Opportunities | Strengths |
| | **Action 1**: (S 05 & S 02 X O 01 X O 02) - Brand activation (through national and international wine fairs alongside business partners.<br>**Action 2**: (S 04 X O 03 X O 04) - Differentiation using autochthonous grapes and for being the first Tinta Negra monovarietal table red wine. |
| | Weaknesses |
| | **Action 1**: (W 01 & W 02 X O 01) – Advertise this new up and coming brand in wine magazines, blogs, social media, and traditional press.<br>**Action 2**: (W 03 & W 04 X O 02) – Communication through differentiation: exclusive launch packaging with the launch of the new brand<br>**Action 3**: (W 04 X O 04) – Introduce the Verdelho grape wines in the sector through tastings, to pedagogically spread its history and palate. |

| | |
|---|---|
| Threats | Strengths |
| | **Action 1**: (S 01 & S 02 X T 03 X T 04) – Advertisement and Banners scattered across the biggest wine shops in the country.<br>**Action 2**: (S 03 X T 02) – Promoting initiatives for further market penetration, with sell out actions |
| | Weaknesses |
| | **Action 1**: (W 04 X T 01) – "First move advantage" communication relative to the use of Tinta Negra |

## 7.6. Buy and Sell Process

The buy/sell process related to this kind of product is complex. As it has been mentioned earlier, the wine market is highly fragmented, and the clients (restaurants and wineshops) often have their wine portfolio settled and show themselves reluctant to change. The only way to introduce a new brand in their portfolio is to show some kind of differentiating factor. In that sense Ilha has a characteristic that most brands don't have: its origin.

On one hand, if the client is a frequent costumer of the salesman, it will be easier to convince them to buy a new wine brand, as a trust bond has been established between the two. On the other hand, if the client is new to the salesman and given that the market leaders in the wine menus are the Alentejo and Douro regions, the salesman must know how to tell the story of the brand and the region.

Following the “storytelling”, the salesman must then highlight the product’s intrinsic characteristics that make it stand out among the usual wines and convince him of the benefits that come from its purchase. The price should be the last item to be mentioned in this interaction. If the salesman shows to be a specialist and connoisseur, which is highly recommendable when dealing with these types of wines, the price factor tends to lose its importance in act and once the interest/need is sparked in the mind of the client, it becomes hard for him not to pursue with the purchase.

The great problem that arises from the interaction between the salesman and the client (restaurant/wineshop) is the fact that the salesmen, in its majority, are not prepared to perform a consultative sale (described in the previous paragraph) and often carry a large portfolio in hands filled with extremely competitive and relevant brands that they also need to sell. Usually, the salesman relies on the Brand Leaders, that are proven to be safe and trustworthy, putting little to no effort on selling a differentiated and innovative product. This phenomenon is transversal to every distributing partner through the whole country, except in Lisbon where the sales volume of Ilha is the highest. The lack of formation among salesmen pressures Diana Silva to invest her time in accompanying them to the field, and act as a consultative seller and brand ambassador. This additional task has shown to be very intense for Diana given the national and international range that the brand has gained. Nevertheless, in this sector, the presence of the brand manager/commercial director/producer in act of purchase makes it substantially easier to sell the product. The majority of the clients wine *connoisseurs* and show interest in helping and tasting everything available to get a good sense of the market.

However, the mission is not complete just as soon as the sell takes place. As it is commonly said, the battle to remain on top is tougher than the battle to climb up. One of the most important aspects of this process is to give continuity to the work, making recuring visits and not letting the client forget your brand and ensuring its rotativity. This rotativity is only verified if the staff (sommeliers, waiters, and wineshop workers) believes in the project and imposes the brand to the costumer. Adding to these incentives it is necessary to invite the clients to the winery (if possible), taste the wines with them and establish a connection beyond the commercial interests. That sums Diana’s philosophy and objective for this brand: guarantee that the market accepts and repeats the brand, establish an ever-adequate distribution to its volume always believing that it’s better to be in the few places with trustworthy and profitable relations than in all places with no rotativity.

## 7.7. Sales and Marketing plan

The objectives of a start-up company are always to grow in a sustainable way and reach the break even as rapidly as possible. The business plan established leans on listening to the market and adapting. If the company sees an increase in demand, it will try to meet the expectations by upping the production. As it is displayed in Ilha's Business plan (Annex M) the company presents a constant increase of production each year, but always at a safe pace.

There is an evident lack of education and training in the sector (specially in Portugal), so it is imperative for new brands to create effective marketing strategies aimed towards the potential clients. In that sense, DSW hired a communication firm to publicize the brand in all the media outlets and arrange interviews with the most prestigious journalists in the sector and others like Marketeer, Lux, Sábado, Observador, etc.

Despite all the investment in communication and effort in the presentation, the lack of training/education of the client still represents a major barrier for the success of the company. Diana claims that in Madeira, for example, the brand struggles to succeed because the local consumer tends to like wines with a high alcohol level and due to a overall prejudiced mentality, common across small environments, about local and up-and-coming products ("*no men is a prophet in his own country"*). Diana has always had the need to open consumers' minds to look beyond the same producers and regions and value the difference. If the buyers and salesmen don't share this vision, new projects will remain in the underground cultures and the consumers' choices will always fall back in the safe options.

CHAPTER 8

# Primary data analysis

During the course of this study, the lack of information available about the wine market and wine consumers in Madeira was evident, and impeditive of pursuing an in-depth and rich analysis of the sector. So, it was imperative to obtain primary data. Given the wine's information-intensive nature and complexity, it was necessary to divide the respondents into two groups: experts and average consumers. This way, it was possible to obtain a fairer and unbiased portrait of the wine scene. The information from the experts was withdrawn through personal interviews, and from the average consumer was obtained through an on-line survey.

## 8.1. Interview Analysis

The interviews were conducted during the month of May in 2021, to three very influential and groundbreaking personalities of the Madeiran wine scene.

The first interview was conducted to Francisco Albuquerque, a veteran oenologist from Madeira, the following interviewee was Américo Pereira, a well-known oenologist and wine merchant from Madeira with years of experience in the wine industry, and the final interview was directed to Pedro Machado, an up-and-coming Madeiran oenologist and winemaker in Instituto do Vinho da Madeira. The remaining information about the interviewees was already mentioned in the Methodology chapter of this work. The interviews were conducted with the help of an interview script (Annex N), containing questions to be answered by all the interviewees. The interview was conducted in an informal and conversational way, in which the interviewees could deepen the answers as much or as little as they wanted, many times leading to other unplanned themes, that added a lot of value to the interview. The role of the interviewer was to guide and stimulate the conversational line and exert as little influence as possible in the answers of the respondents.

The themes/questions addressed, mirrored the objectives of the interview, which were the following:

### 8.1.1. Challenges and opportunities

This theme sparked a lot of common points among the interviewees. All three of them agreed that Madeiran still wines face tremendous challenges but are hopeful about the opportunities ahead.

Regarding the challenges, Francisco Albuquerque went deep on the root of many problems of the Madeiran wine scene: the vine. The oenologist mentioned the lack of space for growing vines due to the dense forestation in Madeira, high inclination of most of the available space, the increase in population density which is pushing the vines up on altitude or to the north of the island, the conversion of vineyards into banana tree fields due to a faster and higher profitability, the seven microclimates in Madeira that don't allow all the grapes to thrive everywhere and an overall lack of will from the new generations to pursue the works in the vine. All this added up makes it very expensive and hard to grow vines in Madeira. Francisco also noted that most vines in Madeira are conducted for Madeira Wine, which has different requirements than still wine. In order to produce good quality wines, the vines should be thought and conduct specifically for table wines. Pedro Machado also followed the opinion of Francisco, by mentioning high cost of producing wine and expensive manual labor as a big barrier for Madeiran wine producers.

All the three interviews reinforced that the Madeiran still wine is a difficult wine for a regular consumer, due to its natural high levels of acidity. The Vulcanic soils and the climate provoke that inevitable acidity. The wines are then very gastronomic, in the sense that they depend frequently on the harmonization with the food to succeed among a crowd of regular consumers. However, they all agree that Madeira should embrace its own uniqueness and fingerprint and should never try to copy wines from other commercial regions because the conditions simply don't allow it. Pedro Machado also mentioned the barrier that is the mind of the local consumer, that is still not open to drinking their local wine. There is an historical mistrust from Madeirans about local products and an ability to despise without knowing that runs through the veins of many Madeirans. However, Pedro is happy to see more and more open-minded people in recent years ditching those stereotypes. Américo and Francisco share the same opinion as Pedro.

When it comes to opportunities, all of them are hopeful for the future of Madeiran still wine. They are aware that still wine in Madeira is still in an embryonic phase, and that will take many years of investments and improvements to become undeniable in the wine sector. But all of them see room for growth in the future. Francisco says the creation of an effective, well designed eno-tourism route in Madeira would be key for the legitimacy of the still wine scene in Madeira. In his opinion a good wine region needs a strong culture of still wines and a well-built eno-tourism route. Francisco also calls for more unity among the local producers, through the creation of an association. The occasional rivalries and lack of idea exchanges is only affecting the potential growth of Madeira's still wine image as a whole. Américo follows this line of thought but warns that getting the producers to sit down and talk is not an easy task. Pedro Machado sees a path for growth, innovation, and development, starting from the adequate preparation of the vines. The oenologist asserts that there is still a lot of room for improvement in communication. Madeira is rarely associated with still wines and a lot of people don’t even know they exist.

### 8.1.2. Behavior of the Madeiran consumer

All three of the interviewees share the same opinion about this topic. There is a poor wine culture amongst the regular Madeiran wine consumer, and if Madeira wants to evolve as a wine destination it is urgent to educate the people.

Regarding the difficult nature of Madeiran still wines, it is pivotal to create awareness about the importance of the eno-gastronomic connection given that the wines produced in Madeira are very gastronomical and depend on a good harmonization with the food. This education process also passes through making people understand the differences between regions and in what aspects they are incomparable.

Despite being Madeirans themselves, they recognize the character flaws of their people that prevent them from evolving. Madeirans are typically tough on themselves, despising on first-hand what is made locally, even without trying. They claim that “dizer mal” (saying bad things) is almost a sport, especially for new things, and that mistrust of local products has been present throughout generations. Madeiran still wine had a bad reputation from the start of its recent history. Since then, it has evolved into a unique product, but many Madeirans don’t have the open mind to ditch that initial stereotype. Many Madeirans are not aware of the richness of its terroir, and the potential it carries. Américo also puts some of the blame on restaurants, for sharing that shame of Madeiran wines and almost hiding them in their menus. This lack of offer in the restaurants will make the tourists suspicious of the quality of the wines, preventing the wines from succeeding among locals and tourists.

However, all of them agree that a shift in mentality is happening in the younger generations, and they are finally valuing what is local.

### 8.1.3. Lessons from the past. Advice for the future

The three experts praise the work that has been done the last thirty years, since the introduction of the first regulated still wine in the market “Atlantis”, which has been critical for the development of the wine scene in Madeira. But they all agree there is a lot of room for improvement and growth in the future in this slow growing/long-term business. All three of them highlight the importance of marketing and the power of a good image, mentioning the case of António Maçanita, a famous wine producer from Alentejo that almost single-handedly changed the world's perception about Azorean wines. He invested his time and money on building an Azorean wine brand, his extensive knowledge and marketing power put Azores on the map as quality wine destination. They hold Madeira needs the "Maçanita effect". Américo claims that many companies don't invest time and money on the brand's image which many times prevents their wines from getting the attention they deserve. Pedro adds that "you can have the best wine in the world, but if no one hears about it, no one will buy it". The oenologist also insists that in an ideal future producers should have more control over the vines to prevent their wines to be "sabotaged" from the start. This way, it will be easier to maintain quality consistency, which is absolutely key for success of the brand and the region. Francisco proposes a common rhetoric, well-constructed and thought by the producers with a clear, well-studied and unmistakable message of what it means to produce wine in Madeira and what are the characteristics of Madeiran still wines.

#### 8.1.4. Competitive advantages and disadvantages

They all identified the Madeiran *terroir* as a competitive advantage. The singularity of the Madeiran climate, soil and agricultural practices translate itself into the wines, providing them with distinct characteristics that should be highlighted as a selling point. Another competitive advantage is the well-oiled machine and image built around Madeira wine, that could be used to propel Madeiran still wine. Madeiran wines also carry an ability to age extremely well which is not so common among other Portuguese wines.

The competitive disadvantages shared were mainly the inability to compete in pricing. Francisco Albuquerque states that Madeira doesn't stand a chance on the "war of 1,99€ wines" due to its very high costs of production, so a higher price positioning should be a shared battle among producers. The ultraperipheral location of the island is also adds a cost to potential exportations which can be impeditive of closing deals. The acidic characteristics of Madeiran wine constitute a barrier for it to gain mainstream consensus.

#### 8.1.5. Lessons to be learned from Ilha's success and the lessons that Ilha should absorb from the rest of the market

The three experts praised Diana Silva for her success in such a short period time. Américo highlighted her marketing actions as one of the reasons for her success. Ilha was visibly careful with their image, bottles, logos and invested a lot in promotion across the media. These concerns were normally discarded by most Madeiran producers but were a focal factor for Diana's success. Américo also mentions her experience in the field as another differentiating factor. Her years of experience promoting wines gave her a deep understanding of the Portuguese wine market and an important contact list around the globe, settling her name in the industry. Pedro Machado attributes Ilha's success to their marketing efforts as well as their approach to the grape Tinta Negra. Making a wine trilogy from the same grape was a bold innovative move, that worked as planned.

Américo suggests that the usage of Tinta Negra can be extended to make "the best sparkling wine in Madeira". They all suggest borrowing some practices from the success of the neighbor islands of Azores, which displays a lot of similarities to the Madeiran wine scene.

### 8.2. Survey Analysis

The survey had the purpose of understanding the behavior of the average wine consumer. It was elaborated by the author and shared among friends and family in social media. Despite the limited reach of the author's social media, his efforts led to a total of 107 respondents answering the survey. All the graphs and charts are available in the annex of this work (Annex O).

The questionnaire was divided into the following three sections:

#### 8.2.1. About You

This section had the objective of profiling the respondent in which they had to answer a series of questions that clearly profiled them like age, gender, place of birth, level of education, etc.

It is possible to observe that the majority of respondents that completed the questionnaire were women (60,4%) and were also born in Madeira Island (73,8%). The age of the respondents was concentrated between 18-34 years old (60,7%), with remaining being 35 or older. The survey was also answered mainly by highly educated people, with 18 out 107 people only having a high school diploma or less. It is important to highlight that the answers obtained originated from people born in the north region, center region, Lisbon region, Madeira and outside of Portugal, leaving no answers from those born in the remaining regions of Portugal.

### 8.2.2. About Wine

In this section were asked to disclose their knowledge and opinions about wine through many questions regarding the frequency that they drink wine, which wines they prefer, acceptable price ranges for wines, among others.

The major part of the respondents claimed to drink wine on social occasions (53,3%) and only 6,5% admitted to drinking every day or almost every day. In the sample collected, nobody considered himself/herself as a wine expert, and the most frequent rate to their own wine knowledge was a 3 out of 5. The factor that most influences the majority of the audience when buying a bottle of wine was the region of origin (43,9%) followed by price (24,3%) and brand (15%) and the average price range that attracted them the most was 5€ - 9,99€ (47,7%), followed by 3€ - 4,99€ (29,9%), 10-19€ and only then 1€-2,99€. An overwhelming majority of people said they buy their wines in the Supermarket (83,2%) and take advantage of the big discounts occasionally (47,7%) or every time (39,3%). Regarding the reason drinking, most revealed to drink wine for its taste (50,5%) and 42,1 % related it to the conviviality aspect, with only 7 out of 107 answering "To get drunk". Word of mouth shows to be effective, as a great part of respondents base their purchasing decisions either on friends and family (43%) or previous purchasing experiences (39,3%), with the remaining relying on label information (7,5%), wine magazines (4,7%), advertisement (0,9%). Despite two thirds of the audience not knowing a single wine magazine from the extensive list presented to them (including Grandes, Escolhas, Revista de Vinhos, etc.), 64% of respondents admitted to being more inclined to buy a wine if they read a positive review in a Magazine, with only 3,8% being indifferent to the article and 32,1% being indecisive. The Douro region showed to be a favorite among the 14 Portuguese wine regions, as 47,7% of people disclosed that they usually buy their wines from that particular region. Following Douro, unsurprisingly, was the region of Alentejo with 22,4%, and the lack of preference for a specific region was also popular (19,6%). Madeira came in 4$^{th}$, with 2,8% which can be explained by large percentage of respondents born in Madeira. All the other regions obtained similar percentages. Finally, when asked about the type of wine they preferred to drink, most participants replied red wine (57%) and white wine (33,6%), with rosé occupying the third position, sparkling wine the 5$^{th}$ and at last the fortified wine.

### 8.2.3. About Wine from Madeira

This section was dedicated exclusively to still wines from Madeira and had the objective of delivering many of the answers to the questions that emerged along this work.

To start 77,6% of people avowed that they had already tried Madeiran still wine at least once. However, those answered positively also admitted that they rarely find themselves drinking it (53%) or occasionally (41%) with only 1 respondent saying they would drink it once a week. The 22,4% that never tasted or didn't recall ever tasting it justified their choice mainly for lack of knowledge (48%), lack of opportunity (28%), lack of offer (12%) and taste (12%), while no one mentioned price as an impeditive reason. The preponderance of participants didn't agree with a statement that claimed Madeiran still wines were inferior to wines from other regions. However, 28,4% were neutral to that statement and 14,7% agreed. At this stage, respondents were asked which Madeiran still wine brands they knew from a selected list, and Barbeito showed to be the most famous, followed closely by Terras do Avô and Atlantis. Ilha came only at 5$^{th}$ place, preceded by Barbusano and Seiçal. Only one respondent claimed to know all the brands present in that list. From the same list, participants were asked to choose the brands that they were most willing to buy which delivered very similar results to the previous question with Ilha ranking 5$^{th}$ tied with Terra Bona. The following question proved once again that word of mouth is one of the most effective marketing tools when it comes to marketing since 82% of the sample said they got to know those brands through Family and Friends, only 6,7% through advertisement and 2% through the internet. The rest was equally divided by TV, Wine Magazines and Wine Tasting events. 56,9% of the audience was also optimistic as to whether Madeiran still wine could gain high levels of notoriety in the long-term future, similar to the famous Madeira Wine. Unfortunately, only 10,6% of the respondents had already tasted Ilha, but when asked to rate it from 1 to 10 the average score given was 7,1. Despite the small sample, Ilha created a positive impact on those who tasted it. At last, when asked if they were willing to pay more for a wine from Madeira, 40,4% of people didn't have a clear opinion while the rest was equally divided between agreeing and disagreeing.

### 8.2.4. Other Relevant Observations

Since one of the objectives of this work is to study the Madeiran wine consumer, it is crucial to skew the survey and analyze it regarding only respondents born in Madeira Island. 79 out of the 107 people that answered the survey were born in Madeira, so despite still being a small sample, there is a considerable amount of data to draw important conclusions. Considering that Madeirans constitute a great part of the sample, it is expectable that the results from the whole sample don't differ much from only the Madeirans.

As it was expected, 83% of people who claimed to have tasted still wines from Madeira before were born in Madeira, with people originating from Lisbon coming in a distant second place and people born outside of Portugal completed the podium. Within the people born in Madeira, a great 87% of them said to have tasted still wines from Madeira before, while that percentage appears to be lower in the other regions. It is clear that Madeiran still wine still struggles to affirm its quality outside of the island. Unfortunately, Ilha is still unknown among the common Madeiran, as only 10,2% of them said to have tasted this wine before. However, despite many Madeirans having tasted it, when asked from which region they usually buy their wines, only 3,8% of Madeirans affirmed to buy wines from their region, while the majority buys from Douro, following the trend of the whole sample. Those who drink Madeiran still wine do it very occasionally or rarely and only one respondent claimed to drink it once a week. Not a single respondent born outside Madeira chooses Madeiran still wine as their go to option. Half of Madeirans who never tried their regional still wine justify their choice with the lack of knowledge and the others split their answers between lack of offer, lack of opportunity and taste. "Lack of knowledge" seems to be the predominant answer among the sample, which calls for more effective marketing campaigns from the companies and the government. Most Madeirans were positive about paying a little extra for a still wine from Madeira with only 18% being neutral and 8,5% somewhat disagreeing.

Madeirans' preferred average price range when buying wine is 5€-9,99€ (48% of respondents), followed by 3€-4,99€ (27%) and 10€-19,99€ (18%), mirroring the results of the hole sample. People born in Madeira are also mainly driven by region of origin when buying a wine (43%), then price (20,3%) and brand (17,7%). Only a minority of 17,7% of Madeirans buy their wines in Wine Shops, as the rest resort to the supermarket.

CHAPTER 9

# Conclusion

## 9.1. Final notes

The importance of wine to Portugal is undeniable. The small size of the country doesn't prevent it from being one of the biggest producers in the World. Wine is rooted in the lives of the Portuguese scattered across the country, with each region offering a different set of distinct wines, and Madeira is no exception. Madeira Wine has been enchanting the taste buds of millions of people for centuries, settling its name as one of the best wines is the world. But recently Madeiran wine producers have shown that the vines planted on the sloping hills of the Island have more to give than fortified wine.

This work had the objective of exploring the recent history behind Madeiran still wine, unwrapping what has been done in the past and guiding the path that should be taken in the future. Through interviews, surveys, and additional research it was possible to answer the questions imposed at the start of this work. The literature review was a fundamental step to organize the initially scattered ideas and find the correct approach for the remaining work.

The wine market revealed to be very complex. To deconstruct it and simplify it an extensive external analysis was conducted, organized by macro and micro factors adapted to the context of the work. Through this analysis it was possible to understand in what way the external factors affected the wine sector in Portugal, in Madeira and consequently the Ilha brand. Portugal's wine sector is heavily regulated by the government and the EU in order to keep the high standards that consumers expect from Portuguese wines. The economic impact of the wine sector is evident through direct and indirect employment, massive exportations and internal sales. The Portuguese internal market is very competitive, highly fragmented and heavily populated by many medium/small/family-owned companies. Portugal ranks number one in the countries that consume more wine per capita and is the 11$^{th}$ biggest wine producer in the world. Wine runs through the veins of the Portuguese people and is a big part of their cultural identity. Following the external analysis, an internal analysis of Ilha was also conducted, to understand its recent history, the motivation behind adventuring in such a high-cost and difficult business, the organization of the company and its strategy.

The goal set in the beginning of this project was to answer the research questions proposed in the problem statement. The first question was "What are the challenges of building a still wine brand in Madeira?". With the help of the internal analysis and the interviews to the experts, it was possible to come to some clear answers to the question. The first big challenge is the cost of production. There was a consensus among the interviewees and Diana Silva about the high costs of producing still wine in Madeira constituting a big barrier, especially for small producers. Madeira's orography and dense forestation make for a small eligible plantation area, the existing vineyard surface area is hard to monetize and has been shrinking over the years due to an increase in population density and the conversion of the vines into more profitable banana tree fields. The Island's ultraperipheral condition makes matters worse with additional transportation fees. This leads to a second challenge which is lack of control over the vines. The high costs prevent many wine producers from owning the vines, making them dependent on farmers that usually have their vines structured and conducted for Madeira Wine. This forms a huge disadvantage as the raw material will rarely meet the expectations and needs of the wine producers, sabotaging the end-product from the start.

The second research question was "Do Madeiran people consume their own wine? Why?". Analyzing the results of the survey and the interviews it became clear that in fact Madeirans in general don't consume their own wine. The survey provided data from regular wine drinkers, and despite 87% of the Madeiran respondents claiming to have tasted still wines from Madeira before, only 3,8% of Madeirans usually buy their wines from their region. Those who drink it, do it ever so rarely or occasionally. These results were backed by the statements of the experts during the interviews. Their years of experience and observation led them to a consensual conclusion that one of the main reasons for this casualty is in the nature of the people. Historically, Madeirans have had a great tendency to form preconceived ideas about what is made locally, specially something new, and labeling what is foreign as automatically better. This is only aggravated by a poor culture of wine among the average consumers on the Island and Portugal. The interviewees also attributed the nature of the wine as another barrier for the consumer. The Madeiran still wine is especially acidic and doesn't instantly appeal to the taste buds of the mainstream audience. The experts claim that some Madeiran wines rely on an adequate food harmonization to succeed, and that message should be clear on consumers' minds. The tradition of still wine making in Madeira is also very recent, which justifies some of the gaps present in the sector. The *savoir faire* is still not fully developed and wine regions take a long time to affirm its quality in the market.

The final research question was "What actions should be taken to improve Madeiran still wine's image in the future?". The first evident step to take is an improvement in communication. From those who answered the survey and had never tasted Madeiran still wine before, half of them mentioned "lack of knowledge" as their main driver. It has become clear after this investigation that the Madeiran still wine is yet to occupy a place the wine consumers' minds and affirm its quality in Madeira and Portugal. The experts agree that communication is main aspect that Madeiran wine brands need to improve, adding that it could be a real game changer for the success of the brands. Ilha was able to achieve great success (at scale) much due to the brands' marketing campaign among the media and Diana Silva's connections in the wine world outside Madeira. A solution for this problem would be creating an association of Madeiran still wine producers, with the support of the government. This way a clear, well-studied and common rhetoric can be constructed and promoted to the consumers. In this embryonic phase of the sector, it is very important that everybody is rowing in the same direction. This would also be a space to share ideas and learn from others' mistakes, so that the Madeiran still wine scene could grow as a whole. Through this association it would be easier to fund effective marketing campaigns in local restaurants, the national and international media and facilitate presences in the most prestigious wine fairs. Producers should also have in mind the singularity of their wines. Madeira produces unique wines full of personality, and producers should avoid the trap of copying wines from mainstream regions and should start embracing their identity. It will be the only way to differentiate in such a competitive sector.

To sum up, Madeiran wines still have a long journey ahead. The barriers seem to overlap in front of the wine producers' eyes, but the potential and quality of the wines have been put to the test and passed with distinction.

## 9.2. Research limitations

The first limitation to this research was the size and the biased nature of the sample examined for the study. The sample was collected through an online survey, shared by the author with his friends, family, and some strangers mainly through social networks. Despite counting with 107 respondents, the sample was not representative of the Portuguese or Madeiran wine consumer. Online surveys tend to offer a biased view of the world, according to the "bubble" that the author lives in.

The other limitation is related with the nature of the interviews. The interviews conducted for this work were directed solely to Madeiran wine experts. Although they provided crucial information to successfully develop this study, sharing the full scope of their opinions on the still wine scene in Madeira, there were expert voices from outside the island. They were all deeply involved with the wine scene in Madeira, and all three of them take part on its pathway to success. Thus, all of them inadvertently had biased take on the subject. To deepen the understanding about wine in Madeira, and the image that it passes to the national and international wine landscape, it would be important to get expert voices on board that were not involved on the wine business in Madeira.

The final limitation was the lack of information about the still wine scene in Madeira. From my research, this theme was never investigated before in an academic context, and it was really challenging to obtain certain information.

## 9.3. Future developments

Considering the limitations that arose in this work, it would be important to rectify some aspects of this study for future purposes.

For further research on this theme, it will be fundamental to obtain a wider and more diverse sample. The limited resources and time made it very hard to reach a wider audience subject for analysis. A solution for this problem would be the distribution of printed surveys through supermarkets and wine shops in Madeira and across the country. This way, it would be possible to obtain a bigger and unbiased audience. Another solution would be resorting to focus groups, which act as a blend of interviews and surveys. Focus groups spark more spontaneous and honest opinions from various participants simultaneously without being too personal and intrusive.

Furthermore, it would be highly recommendable to broaden the spectrum of expert interviewees. On this work, the interviews to experts in the field were directed to people who are deeply involved in the wine scene in Madeira. This unintentionally narrowed the data to a very peculiar and impartial set of answers. For future research on this matter, it would be suggested that the interviews to wine experts “travel” outside of Madeira, seeking for specialists’ voices hidden throughout Portugal. Their takes will constitute the missing piece that will provide a full scope of the perception on Madeiran still wines.

# Bibliography


Abrunhosa, L., Serra, R., Lima, N. & Venâncio, A. (2003). Ochratoxin: A risk assessment in Portuguese wines: a one-year case study. *Le Bulletin de l'OIV. Paris: Organização Internacional da Vinha e do Vinho*, 618–634.

Afonso, J. (2014). *Entender de Vinho*. (5th ed.). Lisbon: A Esfera dos Livros.

Alba, J., Hutchinson, J., & Lynch, J. (1991). *Memory and decision making*. New Jersey, NY: Prentice Hall.

Alvorada. (2021). Covid-19: Governo anuncia apoio excepcional de 8 milhões de euros para o sector do vinho. *Alvorada*. Retrieved from https://www.alvorada.pt/index.php/economia/3463-covid-19-governo-anuncia-apoio-excepcional-de-8-milhoes-de-euros-para-o-sector-do-vinho

Bettman, J. R. (1979). Memory factors in consumer choice: A Review. *Journal of Marketing*, *43*(2), 37–53. https://doi.org/10.1177/002224297904300205

Boyle, D. (2003). *Authenticity brands, fakes, spin and the lust for real life*. New York, NY: Harper Perennial

Brown, S., Kozinets, R., & Sherry, J. (2003). Teaching Old Brands New Tricks: Retro Branding and the Revival of Brand Meaning. *Journal of Marketing*, *67*, 19–33. https://doi.org/10.1509/jmkg.67.3.19.18657

Canavati, S., Bauman, M., & Wilson, D. (2020). The Wine Industry and the COVID-19 Pandemic. *Wine Business Journal*, *4*(2), 2–5. https://doi.org/10.26813/001c.22307

Carreira, F., Diz, M. & Heliodoro, P. (s.d.) *Análise económica e financeira: O caso das empresas vitivinícolas portuguesas*. Instituto Politécnico de Setúbal.

Carroll, G., & Swaminathan, A. (2000). Why the microbrewery movement? Organizational dynamics of resource partitioning in the U.S. brewing industry. *American Journal of Sociology*, *106*, 715–762. https://doi.org/10.1086/318962

Chaney, I. M. (2000). External Search Effort for Wine. *International Journal of Wine Marketing*, *12*(2), 5–21. https://doi.org/10.1108/eb008706

Charters, S., & Pettigrew, S. (2006). Conceptualizing product quality: The case of wine. *Marketing Theory*, *6*(4), 467–483. https://doi.org/10.1177/1470593106069932

Chéron, E., & Brisoux, J. (1989). Brand Categorization and Product Involvement. *Advances in Consumer Research*, *17*, 101-109.

Combris, P., Lecocq, S., & Visser, M. (2000). Estimation of a hedonic price equation for burgundy wine. *Applied Economics*, *32*, 961–967. https://doi.org/10.1080/000368400322011

Delmas, M. A., & Grant, L. E. (2010). Eco-labeling strategies and price-premium: The wine industry puzzle. *Business & Society*, *53*(1), 6–44. https://doi.org/10.1177/0007650310362254

Delmastro, M., & Castriota, S. (2009). The economics of collective reputation: Minimum quality standards, vertical differentiation and optimal group size. *AAWE Working Paper*.

Dobni, D., & Zinkhan, G. M. (1990). In search of brand image: a foundation analysis. *Advances in Consumer Research*, *17*, 110–119.

Fine, G. A. (2003). Crafting authenticity: The validation of identity in self-taught art. *Theory and Society*, *32*(2), 153–180. https://doi.org/10.1023/A:1023943503531

Florkowski, W., Carew, R., & He, S. (2008). British Columbia Consumers' Preferences for Italian Wines: Reputation and Vintage Effects on Wine Quality and Prices. *European Association of Agricultural Economists, 2008 International Congress, August 26-29, 2008, Ghent, Belgium*.

Gil, J., M., Gracia, A., & Sánchez, M. (2000). Market segmentation and willingness to pay for organic products in Spain. *The International Food and Agribusiness Management Review*, *3*, 207–226.

Golan, A., & Shalit, H. (1993). Wine quality differentials in hedonic grape pricing. *Journal of Agricultural Economics*, *44*(2), 311–321. https://doi.org/10.1111/j.1477-9552.1993.tb00274.x

Goldsmith, R. E., d'Hauteville, F., & Flynn, L. R. (1998). Theory and measurement of consumer innovativeness. *European Journal of Marketing*, *32*(3/4), 340–353. https://doi.org/10.1108/03090569810204634

Grayson, K., & Martinec, R. (2004). Consumer perceptions of iconicity and indexicality and their influence on assessments of authentic market offerings. *Journal of Consumer Research*, *31*(2), 296–312. https://doi.org/10.1086/422109

Guy, K. M. (2002). Rituals of pleasure in the land of treasures: Wine consumption and the making of French identity in the late nineteenth century. In W. J. Belasco & P. Scranton (Ed.), *Food nations: Selling taste in consumer societies* (1st ed., pp. 14-28). London: Routledge.

Hancock, D. (1998). Commerce and conversation in the eighteenth-century Atlantic: The invention of Madeira wine. *Journal of Interdisciplinary History*, *29*(2), 197–219. https://doi.org/10.1162/002219598551670

Herzog, H. (1963). Behavioral Science Concepts for Analyzing the Consumer. *Marketing and the Behavioral Sciences*, 78-86

Holt, D. (1998). Does cultural capital structure American consumption?. *Journal of Consumer Research*, *25*, 1–25. https://doi.org/10.1086/209523

Holt, D. B. (2002). Why Do Brands Cause Trouble? A Dialectical Theory of Consumer Culture and Branding. *Journal of Consumer Research*, *29*(1), 70–90. https://doi.org/10.1086/339922

Hughson, A., Ashman, H., Huerga, V., & Moskowitz, H. (2004). Mind-sets of the wine consumer. *Journal of Sensory Studies*, *19*, 85–105. https://doi.org/10.1111/j.1745-459X.2004.tb00138.x

IVV. (n.d.). *Taxas e impostos*. Instituto Da Vinha e Do Vinho. Retrieved November 2, 2021, from https://www.ivv.gov.pt/np4/533/

IAPMEI (2001). Análise estrutural de sectores: O modelo das cinco forças de Michael Porter. Instituto de Apoio às Pequenas e Médias Empresas e à Inovação. Disponível em: http://www.iapmei.pt/iapmei-art-03.php?id=316 (acedido a 29 Agosto 2013)

Jones, G. V, & Storchmann, K. (2001). Wine market prices and investment under uncertainty: an econometric model for Bordeaux Crus Classes. *Agricultural Economics*, *26*(2), 115–133. Retrieved from https://econpapers.repec.org/RePEc:eee:agecon:v:26:y:2001:i:2:p:115-133

Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, *57*(1), 1–22. https://doi.org/10.1177/002224299305700101

Keller, K. L. (2003). Understanding brands, branding and brand equity. *Interactive Marketing*, *5*(1), 7–20. https://doi.org/10.1057/palgrave.im.4340213

Koch, M., & Mcgrath, R. G. (1996). Improving labor produtivity: Human resource management policies do malter. *Strategic Management Journal* , *17*(2), 335–354.

Landon, S., & Smith, C. E. (1997). The use of quality and reputation indicators by consumers: the case of bordeaux wine. *Journal of Consumer Policy*, *20*(3), 289–323. https://doi.org/10.1023/A:1006830218392

Laurent, G., & Kapferer, J. N. (1985). Measuring consumer involvement profiles. *Journal of Marketing Research*, *22*(1). https://doi.org/10.2307/3151549

Lecocq, S., & Visser, M. (2006). What determines wine prices: Objective vs. sensory characteristics. *Journal of Wine Economics*, *1*(1), 42–56. Retrieved from https://econpapers.repec.org/RePEc:cup:jwecon:v:1:y:2006:i:01:p:42-56_00

Ling, B. H., & Lockshin, L. (2003). Components of wine prices for australian wine: How winery reputation, wine quality, region, vintage, and winery size contribute to the price of varietal wines. *Australasian Marketing Journal* , *11*, 19–32. https://doi.org/10.1016/S1441-3582(03)70132-3

Lockshin, L. S., Spawton, A. L., & Macintosh, G. (1997). Using product, brand and purchasing involvement for retail segmentation. *Journal of Retailing and Consumer Services*, *4*(3), 171–183. https://doi.org/10.1016/s0969-6989(96)00048-3

Lockshin, L. (2003). *Consumer purchasing behaviour for wine: What we know and where we are going*. Retrieved from https://books.google.pt/books?id=2izdmgEACAAJ

Lockshin, L., Jarvis, W., d'Hauteville, F., & Perrouty, J. P. (2006). Using simulations from discrete choice experiments to measure consumer sensitivity to brand, region, price, and awards in wine choice. *Food Quality and Preference*, *17*(3), 166–178. https://doi.org/10.1016/j.foodqual.2005.03.009

Lockshin, L., Quester, P., & Spawton, T. (2001). Segmentation by involvement or nationality for global retailing: A cross-national comparative study of wine shopping behaviours. *Journal of Wine Research*, *12*(3), 223–236. https://doi.org/10.1080/09571260120106848

Lockshin, L., Rasmussen, M., & Cleary, F. (2000). The nature and roles of a wine brand. *Australia and New Zealand Wine Industry Journal*, *15*, 17–24.

Luppe, M. R., & Angelo, C. F. (2005). Componentes dos preços dos vinhos Brasileiros, Argentinos e Chilenos : Uma análise de preços hedônicos. *Revista de Gestão USP*, *12*(4), 89–99.

Mccluskey, J., Costanigro, M., & Mittelhammer, R. (2007). Segmenting the wine market based on price: Hedonic regression when different prices mean different products. *Journal of Agricultural Economics*, *58*, 454–466. https://doi.org/10.1111/j.1477-9552.2007.00118.x

McMullan, C., & Casey, M. (1995). Purchasing behaviour in the Northern Ireland wine market. *British Food Journal*, *97*, 17–20. https://doi.org/10.1108/00070709510077935

Mitchell, V.W., & Greatorex, M. (1988). Consumer risk perception in the uk wine market. *European Journal of Marketing*, *22*, 5–15. https://doi.org/10.1108/EUM0000000005296

Newman, J. W. (1957). New insight, new progress for marketing. *Harvard Business Review*, *35*, 95–102.

Oczkowski, E. (1994). A hedonic price function for Australian premium table wine. *Australian Journal of Agricultural Economics*, *38*(1), 93–110. https://doi.org/10.1111/j.1467-8489.1994.tb00721.x

Oczkowski, E. (2001). Hedonic wine price functions and measurement error. *Economic Record*, *77*(239), 374–382. https://doi.org/10.1111/1475-4932.00030

OIV - International Organization of Vine and Wine. (2021, April). *State of the world vitivinicultural sector in 2020*. https://www.oiv.int/js/lib/pdfjs/web/viewer.html?file=/public/medias/7909/oiv-state-of-the-world-vitivinicultural-sector-in-2020.pdf

Penaloza, L. (2000). The commodification of the american west: Marketers' production of cultural meanings at the trade show. *Journal of Marketing*, *64*, 82–109. https://doi.org/10.1509/jmkg.64.4.82.18073

Peterson, R. A. (1998). Creating country music: Fabricating authenticity. *Sociological Focus*, *31*(4), 407–408. https://doi.org/10.1080/00380237.1998.10571117

Pires, M. (2019, June 5). Vinho com menos cor e menor acidez. É o impacto das alterações climáticas na vinha. *Rádio Renascença*. https://rr.sapo.pt/noticia/pais/2019/06/05/vinho-com-menos-cor-e-menor-acidez-e-o-impacto-das-alteracoes-climaticas-na-vinha/153789/

Postrel, V. (2003). *The substance of style: How the rise of aesthetic value is remaking commerce, culture, and consciousness*. New York, NY: Harper Perennial

Quester, P. G., & Smart, J. (1998). The influence of consumption situation and product involvement over consumers' use of product attribute. *Journal of Consumer Marketing*, 15, 220–238. https://doi.org/10.1108/07363769810219107

República Portuguesa. (2020, July 18). *Ministra da Agricultura reforça medidas excecionais de apoio ao setor dos vinhos* [Press release]. https://www.portugal.gov.pt/pt/gc22/comunicacao/comunicado?i=ministra-da-agricultura-reforca-medidas-excecionais-de-apoio-ao-setor-dos-vinhos

Richins, M., & Bloch, P. (1986). After the new wears off: The temporal context of product involvement. *Journal of Consumer Research*, *13*, 280–285. https://doi.org/10.1086/209067

Rickly, J. M., & Vidon, E. S. (2017). Contesting authentic practice and ethical authority in adventure tourism. *Journal of Sustainable Tourism*, *25*(10), 1418–1433. https://doi.org/10.1080/09669582.2017.1284856

Rosen, S. (1974). Hedonic prices and implicit markets: Product differentiation in pure competition. *Journal of Political Economy*, *82*(1), 34–55. Retrieved from https://econpapers.repec.org/RePEc:ucp:jpolec:v:82:y:1974:i:1:p:34-55

Rossiter, J. R., & Percy, L. (1987). *Advertising and Promotion Management.* New York, NY: Mcgraw-Hill Book Company.

Rothschild, M. L. (1984). Perspectives on involvement: Current problems and future directions. *Advances in Consumer Research*, *11*(1), 216–217. Retrieved from http://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=6434133&site=eds-live

Schamel, G., & Anderson, K. (2001). *Wine quality and regional reputation: Hedonic prices for australia and New Zealand*. [Unpublished manuscript]. Center for International Economic Studies, Adelaide University.

Schiffman, L. G., & Kanuk, L. L. (1997). *Consumer Behavior*. Retrieved from https://books.google.pt/books?id=y6jZAAAAMAAJ

Sherif, M., & Cantril, H. (1947). *The psychology of ego-involvements: Social attitudes and identifications.* New Jersey, NY: John Wiley & Sons Inc.

Spawton, T. (1991). Marketing planning for wine. *International Journal of Marketing, 2*(2), 2-49

Storchmann, K., & Haeger, J. (2006). Prices of American pinot noir wines: Climate, craftsmanship, critics. *Agricultural Economics*, *35*, 67–78. https://doi.org/10.1111/j.1574-0862.2006.00140.x

Thompson, K., E. (1995). Social and Attitudinal Influences on the Intention to Drink Wine. *International Journal of Wine Marketing*, *7*(2), 35–45. https://doi.org/10.1108/eb008643

Ulin, R. C. (1995). Invention and representation as cultural capital: Southwest French winegrowing history. *American Anthropologist*, *97*, 519–527.

Vinho Madeira. (n.d.). *Estatísticas - Vinho Madeira*. Retrieved November 2, 2021, from https://vinhomadeira.com/o-vinho-madeira/estatisticas

Vini Portugal. (n.d.). *Vini Portugal - Estatísticas*. Retrieved November 3, 2021, from https://www.viniportugal.pt/Estatisticas

Wines Of Portugal. (n.d.). *Regiões Vitinícolas - Madeira*. Retrieved November 2, 2021, from https://www.winesofportugal.com/pt/descobrir/regioes-vitivinicolas/madeira/

Yin, R. K. (2009). *Case study research: Design and methods*. Retrieved from https://books.google.pt/books?id=FzawIAdilHkC

Zaichkowsky, J. (1985). Measuring the involvement construct. *Journal of Consumer Research*, *12*, 341–352. https://doi.org/10.1086/208520

Zainal, Z. (2007). Case study as a research method. *Jurnal Kemanusiaan*, *9*.

# Annexes

**Annex A**: Portuguese wine regions, certifying entities and official designations attributed to Portuguese wines

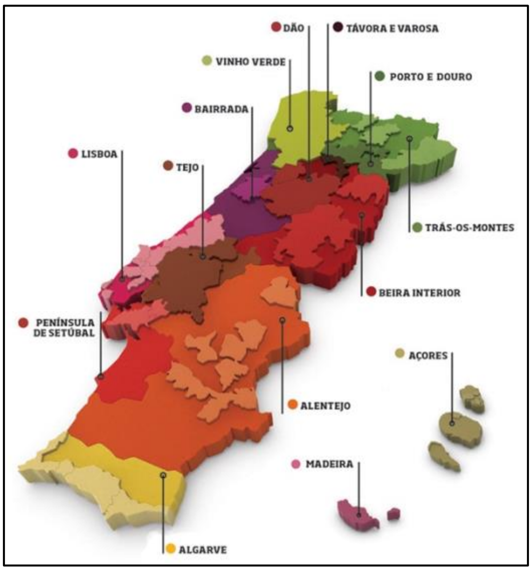


Figure 6.1: Map of the Geographical Indications (IG) in Portugal

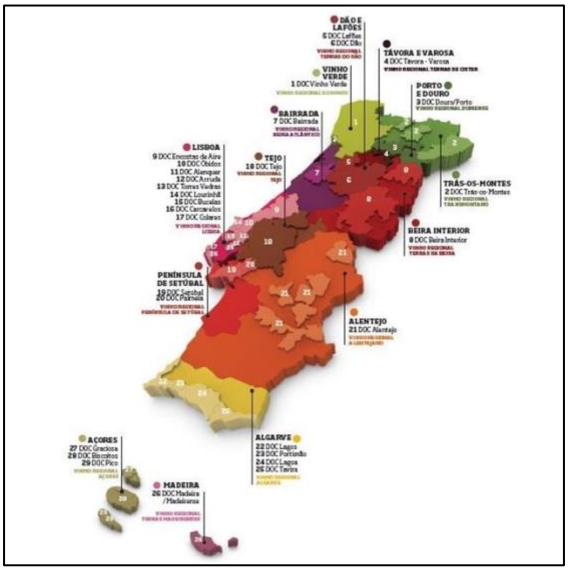


Figure 6.2: Map of the Designations of Controlled and Protected Origin (DOP and DOC) in Portugal

Table 6.1: Portuguese wine regions, certifying entities and official designations attributed to Portuguese wines (source of data: IVV 2021)

| Region | Certifying Entity | Denominação de Origem Protegida (DOP) | Indicação Geográfica Protegida (IGP) |
|---|---|---|---|
| Vinho Verde | Comissão de Viticultura da Região dos Vinhos Verdes (CVRVV) | Vinho Verde | Minho |
| Trás-os-Montes | Comissão Vitivinícola Regional de Trás-os-Montes (CVRT-M) | Trás-os-Montes | Transmontano |
| Porto e Douro | Instituto dos Vinhos do Douro e Porto, I.P. (IVDP, I.P.) | Porto<br>Douro | Duriense |
| Távora-Varosa | Comissão Vitinícola Regional de Távora-Varosa | Távora-Varosa | Terras de Cister |
| Bairrada | Comissão Vitinícola da Bairrada (CVB) | Bairrada | Beira Atlântico |
| Dão | Comissão Vitivinícola Regional do Dão | Dão<br>Lafão | Terras do Dão |
| Beira Interior | Comissão Vitivinícola Regional da Beira Interior (CVRBI) | Beira Interior | Terras da Beira |
| Lisboa | Comissão Vitivinícola da Região de Lisboa (CVR Lx) | Alenquer<br>Arruda<br>Carcavelos<br>Colares<br>Encostas D'Aire<br>Óbidos<br>Torres Vedras<br>Lourinhã | Lisboa |
| Tejo | Comissão Vitivinícola Regional do Tejo (CVR Tejo) | DoTejo | Tejo |
| Península de Setúbal | Comissão Vitivinícola Regional de Setúbal (CVRPS) | Setúbal<br>Palmela | Península de Setúbal |
| Alentejo | Comissão Vitivinícola Regional Alentejana (CVRA) | Alentejo | Alentejano |
| Algarve | Comissão Vitivinícola do Algarve (CVA) | Lagoa<br>Lagos<br>Portimão | Algarve |
| Madeira | Instituto do Vinho, do Bordado e do Artesanato da Maderia, I.P. (IVBAM, I.P.) | Madeira<br>Madeirense | Terras Madeirenses |
| Açores | Comissão Vitivinícola Regional dos Açores (CVR Açores) | Biscoitos<br>Graciosa<br>Pico | Açores |

**Annex B**: Wine production in the major wine producing countries in the world

Table 6.2: Wine production in the major wine producing countries in the world (source of data: OIV’s State of the world viticultural sector in 2020 report)

| *mhl* | **2016** | **2017** | **2018** | **2019** | **2020** | **2019/2020 % var** |
|---|---|---|---|---|---|---|
| Italy | 50.9 | 42.5 | 54,8 | 47.5 | 49.1 | 3% |
| France | 45.4 | 36.4 | 49.2 | 42.2 | 46.6 | 11% |
| Spain | 39.7 | 32.5 | 44.9 | 33.7 | 40.7 | 21% |
| USA | 24.9 | 24.5 | 26.1 | 25.6 | 22.8 | -11% |
| Argentina | 9.4 | 11.8 | 14.5 | 13.0 | 10.8 | -17% |
| Australia | 13.1 | 13.7 | 12.7 | 12.0 | 10.6 | - 11% |
| South Africa | 10.5 | 10.8 | 9.5 | 9.7 | 10,4 | 7% |
| Chile | 10.1 | 9.5 | 12.9 | 11.9 | 10.3 | -13% |
| Germany | 9.0 | 7.5 | 10.3 | 8.2 | 8.4 | -2% |
| China | 13.2 | 11.6 | 9.3 | 7.8 | 6.6 | - 16% |
| **Portugal** | **6.0** | **6.7** | **6.1** | **6.5** | **6.4** | **-2%** |
| … | | | | | | |
| **World Total** | **270** | **248** | **294** | **258** | **260** | **1%** |

Table 6.3: Evolution of wine production in Portugal in volume (hl), per region. (source of data: IVV 2021)

| *hl* | **2020/21** | **%** | **2019/20** | **%** | **2018/19** | **%** | **2017/18** | **%** | **2016/17** | **%** |
|---|---|---|---|---|---|---|---|---|---|---|
| *Minho* | 848 311 | 13 | 816 396 | 13 | 759 757 | 13 | 967 067 | 14 | 736 430 | 12 |
| *T. Montes* | 94 425 | 1 | 118 014 | 2 | 50 670 | 1 | 85 430 | 1 | 76 549 | 1 |
| *Douro* | 1 264 349 | 20 | 1 692 188 | 26 | 1 259 683 | 21 | 1 448 874 | 22 | 1 337 201 | 22 |
| *Beira Atlântico* | 174 391 | 3 | 159 063 | 2 | 177 782 | 3 | 260 668 | 4 | 195 534 | 3 |
| *Terras do Dão* | 189 197 | 3 | 257 481 | 4 | 178 409 | 3 | 312 462 | 5 | 237 186 | 4 |
| *Terras da Beira* | 219 298 | 3 | 255 658 | 4 | 162 032 | 3 | 190 394 | 3 | 255 818 | 4 |
| *Terras de Cister* | 37 744 | 1 | 59 417 | 1 | 37 307 | 1 | 54 052 | 1 | 69 560 | 1 |
| *Tejo* | 644 153 | 10 | 615 736 | 9 | 635 514 | 10 | 648 441 | 10 | 551 300 | 9 |
| *Lisboa* | 1 253 303 | 20 | 987 009 | 15 | 1 170 068 | 19 | 1 225 840 | 18 | 998 804 | 17 |
| *P. Setúbal* | 475 135 | 7 | 503 579 | 8 | 472 197 | 8 | 525 049 | 8 | 463 035 | 8 |
| *Alentejo* | 1 159 067 | 18 | 996 290 | 15 | 1 092 617 | 18 | 954 910 | 14 | 1 050 439 | 17 |
| *Algarve* | 13 043 | 0,2 | 13 926 | 0,2 | 17 042 | 0,3 | 15 777 | 0,2 | 10 419 | 0,2 |
| ***Sub-total Continente*** | **6 372 416** | 99 | **6 474 757** | 99 | **6 013 078** | 99 | **6 661 245** | 99 | **5 982 274** | **99** |
| *Madeira* | 37 264 | 1 | 38 559 | 1 | 34 880 | 1 | 42 773 | 1 | 33 849 | 1 |
| *Açores* | 8 350 | 0,1 | 13 246 | 0,2 | 13 285 | 0,2 | 5 034 | 0,1 | 5 845 | 0,1 |
| ***Sub-total Ilhas*** | **45 614** | 1 | **51 805** | 1 | **48 165** | 1 | **42 908** | 1 | **39 694** | 1 |
| ***Total Geral*** | **6 418 030** | 1 | **6 526 562** | 100 | **6 061 243** | 100 | **6 736 772** | 100 | **6 021 968** | **100** |

**Annex C**: Wine consumption in the biggest wine consuming countries in the world

Table 6.4: Wine consumption in the biggest wine consuming countries in the world (source of data: OIV's State of the world viticultural sector in 2020 report)

| *mhl* | **2016** | **2017** | **2018** | **2019** | **2020** | **2019/2020 % var** | **2020 % world** |
|---|---|---|---|---|---|---|---|
| USA | 31.3 | 31.5 | 32.4 | 33.0 | 33.0 | 0,0% | 14% |
| France | 28.3 | 28.6 | 26.0 | 24.7 | 24.7 | 0,0% | 11% |
| Italy | 22.4 | 22.6 | 22.4 | 22.8 | 24.5 | 7,5% | 10% |
| Germany | 20.2 | 19.7 | 20.0 | 19.8 | 19.8 | 0,2% | 8% |
| UK | 12.9 | 13.1 | 12.9 | 13.0 | 13.3 | 2,2% | 6% |
| China | 19.2 | 19.3 | 17.6 | 15.0 | 12.4 | -17,4% | 5% |
| Russia | 10.1 | 10.4 | 9.9 | 10.0 | 10.3 | -3,0% | 4% |
| Spain | 9.9 | 10.5 | 10.9 | 10.3 | 9.6 | -6.8% | 4% |
| Argentina | 9.4 | 8.9 | 8.4 | 8.9 | 9.4 | 6.5% | 4% |
| Australia | 5.4 | 5.9 | 6.0 | 5.9 | 5.7 | - 3.7% | 2% |
| **Portugal** | **4.7** | **5.2** | **5.1** | **4.6** | **4.6** | **-0.6%** | **2%** |
| … | | | | | | | |
| World Total | 244 | 246 | 244 | 241 | 234 | -2,8% | 100% |

**Annex D:** Vineyard surface area of major vine-growing countries in the world

Table 6.5: Vineyard surface area of major vine-growing countries in the world (source of data: OIV's State of the world viticultural sector in 2020 report)

| *kha* | **2016** | **2017** | **2018** | **2019** | **2020** | **2019/2020 % var** | **2020 % world** |
|---|---|---|---|---|---|---|---|
| Spain | 975 | 968 | 972 | 966 | 961 | - 0,6% | 13,1% |
| France | 786 | 788 | 792 | 794 | 797 | 0,4% | 10,9% |
| China | 770 | 760 | 779 | 781 | 785 | 0,6% | 10,7% |
| Italy | 693 | 699 | 701 | 713 | 719 | 0,8% | 9,8% |
| Turkey | 468 | 448 | 448 | 436 | 431 | -1,1% | 5,6% |
| USA | 439 | 434 | 408 | 407 | 405 | - 0,4% | 5,5% |
| Argentina | 224 | 222 | 218 | 215 | 215 | - 0,2% | 2,9% |
| Chile | 209 | 207 | 208 | 210 | 207 | -1,2% | 2,8% |
| **Portugal** | **195** | **194** | **192** | **195** | **194** | **- 0,2%** | **2.7%** |
| Romania | 191 | 191 | 191 | 191 | 190 | - 0,4% | 2,6% |
| … | | | | | | | |
| World Total | 7379 | 7326 | 7333 | 7342 | 7331 | -0,2% | 100,0% |

**Annex E:** Distribution channels of Portuguese wine, from the winery to the consumer

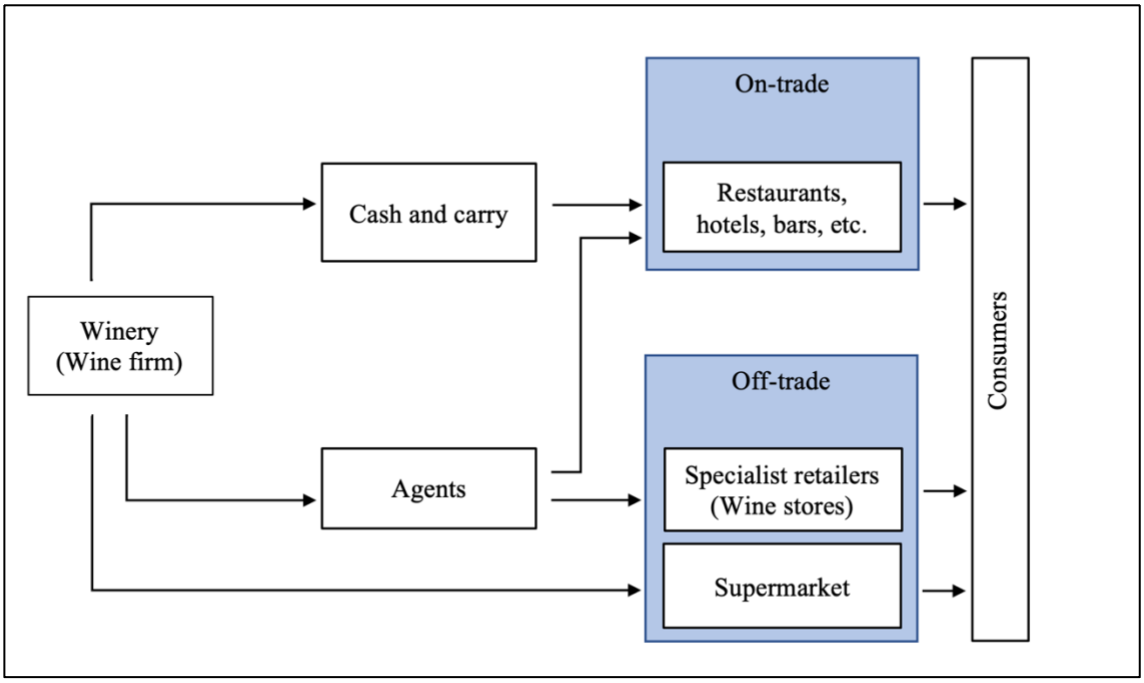


Figure 6.1: Distribution channel scheme of the Portuguese wine sector

**Annex F:** Evolution of Portuguese wine exports

Table 6.6: Evolution of Portuguese wine exports in volume (hl), per destination (source of data: IVV 2021)

| *hl* | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| *France* | 379 600 | 385 057 | 425 993 | 419 932 | 407 660 |
| *USA* | 187 504 | 201 639 | 207 547 | 227 037 | 257 458 |
| *UK* | 200 461 | 218 032 | 217 130 | 216 518 | 275 434 |
| *Brazil* | 116 676 | 171 131 | 180 012 | 199 911 | 252 810 |
| *Germany* | 224 129 | 251 349 | 257 168 | 234 551 | 136 936 |
| *Canada* | 105 455 | 112 422 | 126 648 | 129 321 | 190 399 |
| *Belgium* | 139 589 | 139 454 | 149 565 | 136 882 | 139 176 |
| *Netherlands* | 147 012 | 136 400 | 119 120 | 130 385 | 140 001 |
| *Angola* | 168 940 | 266 405 | 227 513 | 268 367 | 112 130 |
| *Switzerland* | 96 172 | 97 046 | 99 881 | 101 723 | 124 845 |
| *Denmark* | 38 794 | 33 763 | 35 358 | 37 630 | 219 043 |
| *Poland* | 98 422 | 94 539 | 105 290 | 99 485 | 113 918 |
| *Sweden* | 68 003 | 66 537 | 78 467 | 89 110 | 36 787 |
| *China* | 72 854 | 97 531 | 79 798 | 64 353 | 64 350 |
| *Spain* | 230 123 | 221 890 | 152 990 | 54 342 | 53 665 |
| *Luxemburg* | 46 837 | 47 072 | 49 675 | 47 010 | 40 642 |
| *Norway* | 34 519 | 32 940 | 36 776 | 37 075 | 51 254 |
| *N/A* | 2 885 | 3 974 | 3 173 | 3 668 | 47 403 |
| *Finland* | 13 826 | 16 930 | 17 889 | 30 190 | 37 239 |
| *Japan* | 17 029 | 16 980 | 18 354 | 19 537 | 21 614 |
| *Italy* | 18 146 | 17 702 | 19 554 | 18 818 | 17 273 |
| *Russia* | 45 418 | 20 735 | 20 215 | 28 853 | 12 897 |
| *Macau* | 18 817 | 20 020 | 17 910 | 18 221 | 81 538 |
| *Guine Bissau* | 72 942 | 83 748 | 75 584 | 91 772 | 16 253 |
| *Australia* | 8 690 | 9 702 | 11 371 | 14 672 | 13 339 |
| *Other Destinations* | 226 662 | 218 572 | 218 992 | 252 029 | 255 207 |
| ***Total*** | **2 779 505** | **2 981 569** | **2 951 973** | **2 971 392** | **3 119 270** |

Table 6.7: Evolution of Portuguese wine exports in euros (k€), per destination (source of data: IVV 2021)

| k€ | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| *France* | 109 881 | 109 386 | 114 463 | 114 330 | 110 593 |
| *USA* | 74 808 | 78 981 | 80 846 | 89 509 | 92 245 |
| *UK* | 73 966 | 79 262 | 75 475 | 77 715 | 90 340 |
| *Brazil* | 28 895 | 44 211 | 51 459 | 55 007 | 67 903 |
| *Germany* | 43 586 | 46 407 | 49 409 | 49 105 | 49 809 |
| *Canada* | 40 611 | 44 194 | 46 611 | 47 518 | 47 583 |
| *Belgiuk* | 45 372 | 46 070 | 49 745 | 46 643 | 46 970 |
| *Netherlands* | 50 663 | 46 426 | 42 276 | 45 962 | 46 805 |
| *Angola* | 32 754 | 45 691 | 39 566 | 36 838 | 34 310 |
| *Switzerland* | 28 845 | 29 131 | 30 464 | 32 235 | 28 494 |
| *Denmark* | 18 472 | 18 208 | 20 429 | 22 763 | 26 141 |
| *Poland* | 19 657 | 20 386 | 23 248 | 22 129 | 25 136 |
| *Sweden* | 16 726 | 15 976 | 19 244 | 20 624 | 20 514 |
| *China* | 17 569 | 21 766 | 22 042 | 19 946 | 15 363 |
| *Spain* | 19 585 | 23 465 | 21 137 | 15 184 | 14 873 |
| *Luxemburg* | 9 917 | 10 577 | 10 992 | 10 633 | 13 033 |
| *Norway* | 9 027 | 9 201 | 9 850 | 10 618 | 11 402 |
| *N/A.* | 5 018 | 6 750 | 7 193 | 8 389 | 10 455 |
| *Finland* | 4 320 | 4 927 | 4 899 | 7 198 | 8 166 |
| *Japan* | 6 285 | 6 222 | 6 979 | 7 019 | 6 974 |
| *Italy* | 5 982 | 5 915 | 6 705 | 6 634 | 6 092 |
| *Russia* | 3 767 | 4 448 | 4 412 | 6 204 | 4 849 |
| *Macau* | 6 102 | 6 110 | 5 669 | 6 136 | 4 766 |
| *Guine Bissau* | 4 367 | 4 451 | 5 235 | 5 990 | 4 561 |
| *Australia* | 2 871 | 2 996 | 3 576 | 4 074 | 4 407 |
| *Other Destinations* | 44 928 | 46 884 | 48 417 | 53 087 | 54 233 |
| ***Total*** | **723 974** | **778 041** | **800 342** | **821 489** | **846 016** |

**Annex G:** Evolution of Portuguese wine imports

Table 6.8: Evolution of Portuguese wine imports in volume (hl), per destination (source of data: IVV 2021)

| *hl* | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|
| *Spain* | 1 713 636 | 2 044 976 | 1 888 572 | 2 744 727 |
| *France* | 12 290 | 22 058 | 11 214 | 16 542 |
| *Italy* | 67 785 | 68 108 | 61 519 | 81 364 |
| *Germany* | 6 238 | 6 208 | 6 018 | 7 591 |
| *Finland* | 1 | 3 394 | 1 519 | 58 642 |
| *UK* | 577 | 430 | 1 094 | 1 280 |
| *Netherlands* | 874 | 552 | 1 162 | 441 |
| *Denmark* | 156 | 151 | 95 | 47 |
| *New Zealand* | 383 | 285 | 400 | 450 |
| *USA* | 20 | 11 | 453 | 33 |
| *Switzerland* | 24 | 44 | 17 | 43 |
| *Poland* | - | - | - | 1 658 |
| *Sweden* | 72 | - | - | 4 206 |
| *Argentina* | 99 | 293 | 279 | 442 |
| *Others* | 2 296 | 9 311 | 4 861 | 2 093 |
| ***Total*** | **1 804 450** | **2 155 821** | **1 977 201** | **2 919 558** |

Table 6.9: Evolution of Portuguese wine imports in euros (k€), per destination (source of data: IVV 2021)

| *k€* | **2016** | **2017** | **2018** | **2019** |
|---|---|---|---|---|
| *Spain* | 77 339 | 100 780 | 118 402 | 127 888 |
| *France* | 16 302 | 17 668 | 18 810 | 20 638 |
| *Italy* | 11 042 | 11 652 | 10 684 | 12 832 |
| *Germany* | 2 047 | 2 669 | 2 419 | 2 007 |
| *Finland* | 9 | 107 | 126 | 1 800 |
| *UK* | 652 | 788 | 1 043 | 838 |
| *Netherlands* | 880 | 1 049 | 600 | 577 |
| *Denmark* | 252 | 412 | 253 | 435 |
| *New Zealand* | 286 | 215 | 273 | 320 |
| *USA* | 148 | 98 | 237 | 304 |
| *Switzerland* | 137 | 230 | 181 | 265 |
| *Poland* | - | - | - | 206 |
| *Sweden* | 48 | - | - | 196 |
| *Argentina* | 68 | 133 | 187 | 195 |
| *Others* | 982 | 1 405 | 1 511 | 816 |
| ***Total*** | **110 191** | **137 206** | **154 727** | **169 317** |

**Annex H**: Madeira Wine sales in 2019 and 2020

Table 6.10: Madeira Wine sales in volume and value per country (source of data: IVBAM 2021)

| ***Country*** | | **Volume (liters)** | | | **Value (euros)** | | |
|---|---|---|---|---|---|---|---|
| | | **2019** | **2020** | **Var(%)** | **2019** | **2020** | **Var(%)** |
| *Germany* | | 286 823.30 | 268 097.80 | -7% | 1 138 648.21 | 1 114 342.39 | -2 % |
| *Belgium* | | 138 318.25 | 143 024.50 | 3 % | 712 400.97 | 601 889.32 | -16 % |
| *Denmark* | | 37 692.25 | 34 828.75 | -8 % | 249 359.79 | 222 487.87 | -11 % |
| *France* | | 895 267.00 | 914 187.25 | 2 % | 2 806 039.80 | 3 016 487.14 | 7 % |
| *Netherlands* | | 58 797.00 | 37 968.10 | -35 % | 303 673.85 | 231 526.43 | -24 % |
| *UK* | | 253 303.85 | 231 998.51 | -8 % | 1 542 342.67 | 1 450 603.44 | -6 % |
| *Sweden* | | 61 745.01 | 62 708.00 | 2 % | 324 555.83 | 436 846.45 | 35 % |
| *Other E.U. countries* | | 89 883.00 | 61 895.55 | -31 % | 624 782.21 | 450 979.84 | -28 % |
| *Portugal* | *Azores* | 45.00 | 0.00 | -100 % | 216.00 | 0.00 | -100 % |
| | *Mainland* | 113 786.09 | 81 495.57 | -28 % | 1 032 154.44 | 545 433.85 | - 47 % |
| | *Madeira* | 486 513.35 | 182 768.58 | -62 % | 3 650 676.07 | 1 620 244.56 | -56 % |
| *Canada* | | 35 151.60 | 33 589.85 | -4 % | 324 071.51 | 270 299.50 | -17 % |
| *USA* | | 207 783.50 | 143 714.25 | -31 % | 2 976 066.98 | 1 745 195.11 | -41 % |
| *Japan* | | 262 529.25 | 186 174.75 | -29 % | 1 478 394.74 | 1 151 497.70 | -22 % |
| *Switzerland* | | 76 034.00 | 92 375.50 | 21 % | 288 456.69 | 347 578.35 | 20 % |
| *Other Countries* | | 159 264.30 | 148 855.77 | -7 % | 1 214 599.45 | 1 431 264.48 | 18 % |
| ***Total*** | | **3 162 936.75** | **40 571.25** | **-17 %** | **18 666 439.21** | **14 636 686.53** | **-22 %** |

**Annex I**: Madeiran still wine sales, in volume and value, per country

Table 6.11: Madeiran still wine sales, with DO and IG, in volume and value per country (source of data: IVBAM 2021)

| *Country* | | Volume (liters) | | | Value (euros) | | |
|---|---|---|---|---|---|---|---|
| | | **2019** | **2020** | **Var(%)** | **2019** | **2020** | **Var(%)** |
| *Germany* | | 22.50 | 382.50 | 16000 % | 375.00 | 4 800.00 | 1180 % |
| *Denmark* | | 58.50 | 0.00 | -100 % | 748.80 | 0.00 | -100 % |
| *Spain* | | 18.00 | 135.00 | 650 % | 250.80 | 2 364.00 | 843 % |
| *Netherlands* | | 0.00 | 193.50 | 100 % | 0.00 | 2 694.00 | 100 % |
| *Ireland* | | 0.00 | 4.50 | 100 % | 0.00 | 56.40 | 100 % |
| *UK* | | 1 687.50 | 2 340.00 | 39 % | 5611.52 | 9 387.65 | 67 % |
| *Sweden* | | 0.00 | 1 206.00 | 100 % | 0.00 | 16 022.40 | 100 % |
| *Portugal* | *Azores* | 0.00 | 0.00 | - | 0.00 | 0.00 | - |
| | *Mainland* | 8 126.00 | 2 566.50 | -68 % | 105 712.25 | 23 579.82 | - 78 % |
| | *Madeira* | 85 944.90 | 28 071.00 | -67 % | 659 730.45 | 220 269.91 | -67 % |
| *Canada* | | 171.00 | 128.25 | -25 % | 1 158.00 | 616.20 | -47 % |
| *China* | | 0.00 | 243.00 | 100 % | 0.00 | 660.00 | 100 % |
| *USA* | | 4 410.00 | 5 013.00 | 14 % | 25 068.00 | 22 530.00 | -10 % |
| *Japan* | | 63.00 | 0.00 | -100 % | 789.60 | 0.00 | -100 % |
| *Singapore* | | 0.00 | 288.00 | 100 % | 0.00 | 3 750.00 | 100% |
| *Tawain* | | 315.00 | 0.00 | -100 % | 4 395.00 | 0.00 | -100 % |
| ***Total*** | | **100 816.40** | **40 571.25** | **-60 %** | **803 839.42** | **306 740.38** | **-62 %** |

**Annex J**: Production of Madeiran still wine in volume

Table 6.12: Production of Madeiran still wine in volume (source of data: IVBAM 2021)

| ***Designation*** | Volume (liters) | | | | |
|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** |
| *DO "Madeirense"* | 119 491 | 103 463 | 152 177 | 130 293 | 132 817 |
| *IG "Terras Madeirenses"* | 5 970 | 16 222 | 13 594 | 14 455 | 14 309 |
| ***Total*** | **125 461** | **119 685** | **165 771** | **144 748** | **147 126** |

**Annex K**: Prices from Ilha's competition

Table 7.1: Price analysis from Ilha's direct competition

| Tipo | Ano | Distribuidor | Horeca Restauração | Horeca Garrafeira |
|---|---|---|---|---|
| Terras do Avó Verdelho | 2016 | NS | 11€ | 14,5€ |
| Quinta do Barbusano | 2017 | NS | 6,5€ | 11,5€ |
| O Verdelho do Pico | 2017 | 11€ | 15,5€ | 21,5€ |
| Esporão Verdelho | 2017 | NS | 6,5€ | 10,5€ |
| Maria Teresa Laureano | 2017 | 4,55€ | 6,75€ | 9,5€ |
| Vulcânico rosé | 2017 | 6€ | 7,85€ | 12,90€ |
| Vulcânico Tinto | 2017 | 7,5€ | 11,5€ | 17,5€ |

**Annex L**: Ilha's price chart, HORECA channel

Table 7.2: Ilha's price chart in the Horeca channel

| MARCA | ORIGEM | CASTAS | COR | COLHEITA | ÁLCOOL | CAPACIDADE | GARRAFAS /CAIXA | TIPO CAIXA | DISPONIBILIDADE | PREÇO (€) - Sell Out | PREÇO (€) - P.V.P. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ilha - DOP MADEIRENSE - | Ilha da Madeira | Tinta Negra | Tinto | 2017 | 12% | 750 ML | 6 | Cartão | OK | 14,40 € | 19,90 € |
| | | | | | | 1500 ML | - | Cartão | OK | 31,90 € | 39,90 € |
| | | Tinta Negra | Blanc de Noirs | 2017 | 12% | 750 ML | 6 | Cartão | OK | 14,40 € | 19,90 € |
| | | | | | | 1500 ML | - | Cartão | OK | 31,90 € | 39,90 € |
| | | Tinta Negra | Rosé | 2017 | 11,50% | 750 ML | 6 | Cartão | OK | 14,40 € | 19,90 € |
| | | | | | | 1500 ML | - | Cartão | OK | 31,90 € | 39,90 € |
| | | - | TRILOGIA | 2017 | - | 750 ML | 3 | Cartão | OK | 46,50 € | 64,90 € |

**Annex M**: Ilha's business plan

Table 7.5: Ilha's price chart in the Horeca channel

| País | Região | Produtor | Marca | Anos | Ilha Tinto | Ilha Blanc de Noirs | Ilha Rosé | Ilha Verdelho | Total | Valor |
|---|---|---|---|---|---|---|---|---|---|---|
| Portugal | Ilha da Madeira | dsw | Ilha - DOP MADEIRENSE - | 2017 | 3 450 | 3 650 | 3 950 | 0 | 11 050 | 0 € |
| | | | | 2018 | 6 975 | 5 680 | 3 600 | 2 400 | 18 655 | 0 € |
| | | | | 2019 | 9 000 | 7 700 | 4 200 | 5 000 | 25 900 | 0 € |
| | | | | 2020 | 10 000 | 9 000 | 4 800 | 6 200 | 30 000 | 0 € |
| | | | | 2021 | 11 000 | 10 000 | 5 400 | 7 600 | 34 000 | 0 € |

**Annex N**: Interview script

1. What is, in your opinion, the biggest challenge for the Madeiran still wine brands?
2. What opportunities do you see in the future for the Madeiran still wine brands?
3. If we analyze the case of the Ilha wines, we can observe that image and innovation played a big role in the success of the brand. Do you think the future of the Madeiran still wine depends/needs that type of innovation and experimentation?
4. In what aspects are Madeiran wine producers flawed? And in what aspects are they right?
5. What are the critical success factors for a Madeiran wine brand?
6. Is there room for growth for the Madeiran still wines?
7. Do you think there is a revolution yet to come in the Madeiran still wine scene, just like it happened in the XVIII century with the Madeira wine?
8. Do you think Madeiran still wine can reach an equivalent level of notoriety as Madeira wine, in a distant future?
9. Can you imagine a future in which the region of Madeira matches the Douro and Alentejo region, in terms of its wines' quality and notoriety?
10. Do you think that justifies their lack of visibility in the national and international panorama?
11. Is there a technological revolution in our horizon that can change the wine industry?
12. In your vision, what solution would make the Madeiran still wine gain more notoriety and visibility in the eyes of the consumer?
13. Madeirans consume their own wine? Why? If you justify with the price, why is that big brands can sell at a high price with great share of success?
14. Is there a good wine culture in Madeira? Do people drink in quantity or quality?
15. Why do you think the wines from Azores are highly rated on a national and international level, unlike the ones from Madeira?
16. Are there differences between the Madeiran wine consumer and the mainland Portuguese/international wine consumer? If so, which ones are those differences?
17. Do you think the regular Madeiran can understand the richness of the Madeiran terroir, or do they just despise it without knowing?
18. Do you think it is possible for the regular consumer not to compare wines from mainland Portugal and the wines from Madeira? Just like one does not compare Bourgogne and Bordeaux

19. Portugal is the country that consumes more wine per capita. Regarding the standard of living of the Portuguese, we can conclude that they consume in a optic of quantity instead of quality. Do you think the Portuguese people need “education” and formation about wine?
20. The price is sometimes an indicator of quality in wine. What would for you, in general, a minimum and maximum price you would pay for a quality wine.
21. What influence do you think specialty magazines (Grandes Escolhas, Revista de Vinhos, Decanter, International Wine Challenge, Wine Spectator etc.) have in the success of a brand? And the perception of the consumer? Does the consumer buy awards?
22. In what way did the COVID-19 pandemic change the wine sector? (Especially in the regional market)

**Annex O**: Survey questions and results

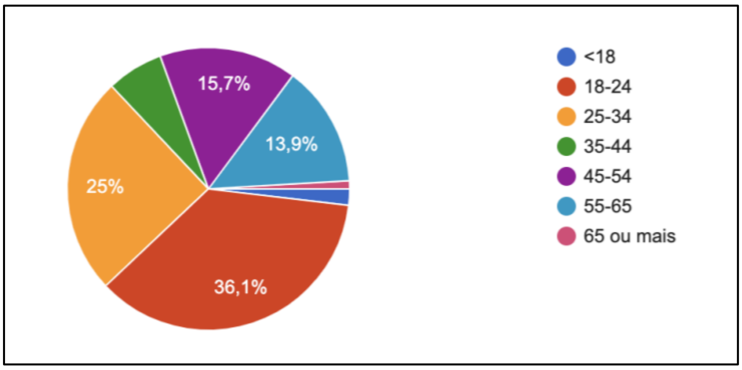


Figure 9.1: Age of the respondents

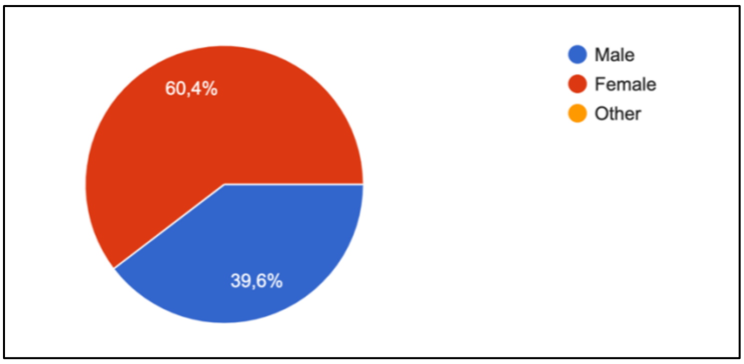


Figure 9.2: Gender of the respondents

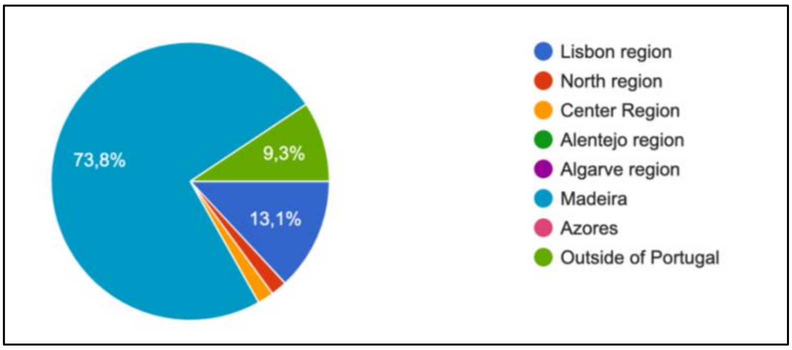


Figure 9.3: Place of birth of the respondents

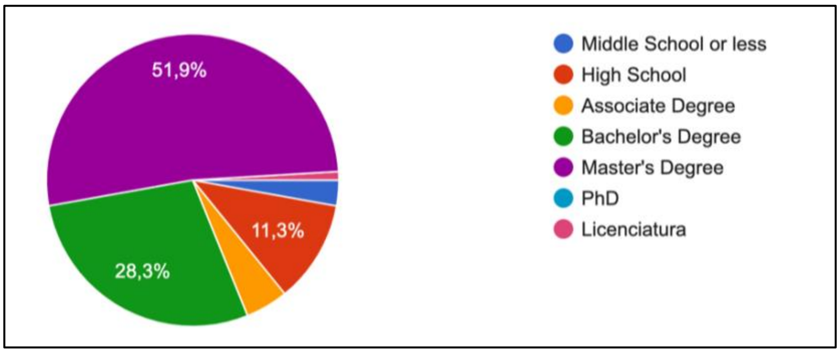


Figure 9.4: Level of Education of the respondents

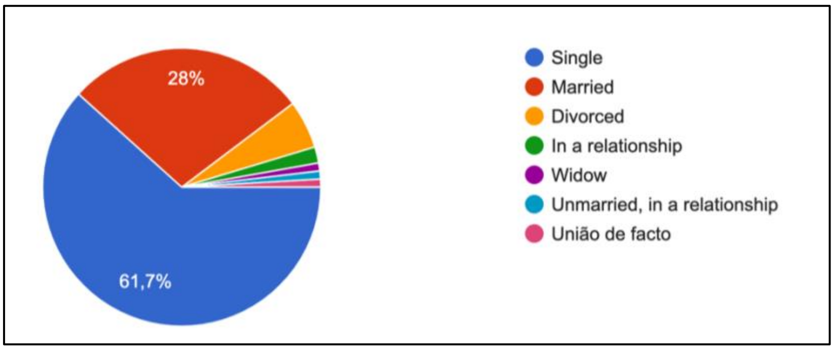


Figure 9.5: Marital status of the respondents

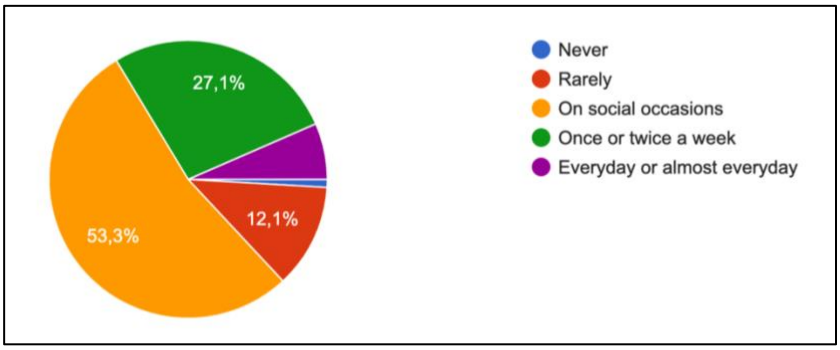


Figure 9.6: “How often do you drink wine”

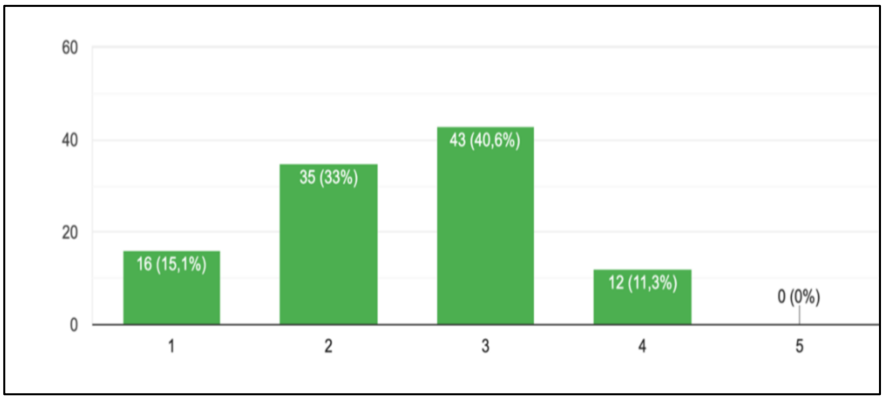


Figure 9.7: “How would you rate your knowledge of wine?
(1 – Very low; 5- Very high)

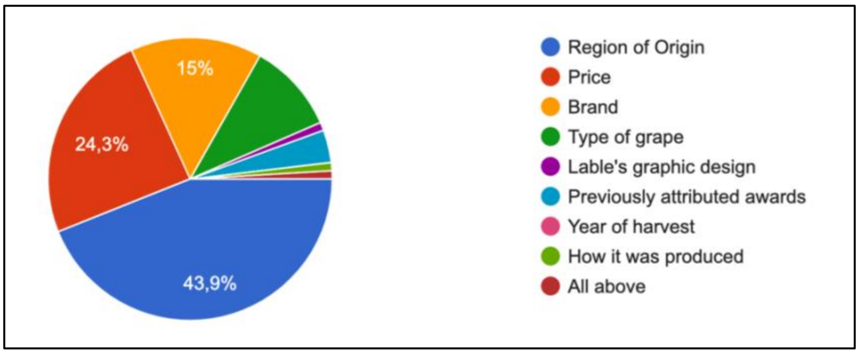


Figure 9.8: “Choose the factor that most influences your decision when buying a bottle of wine”

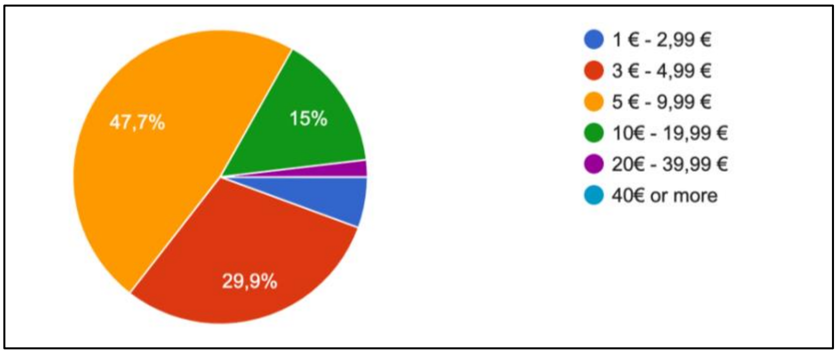


Figure 9.9: “When you buy a bottle wine, what is your average price range?”

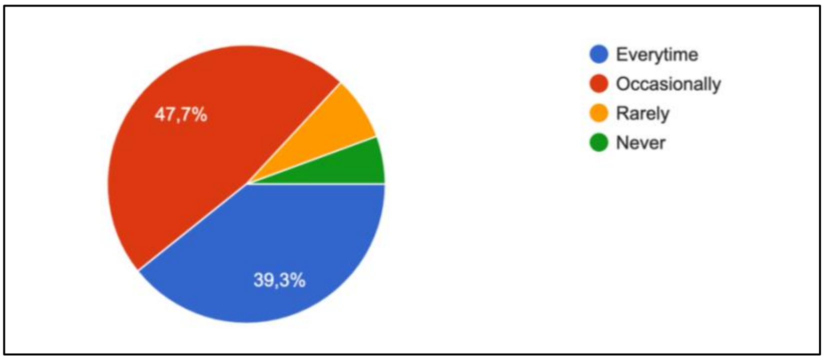


Figure 9.10: “Do you take advantage of the big discounts on wines in the supermarkets?”

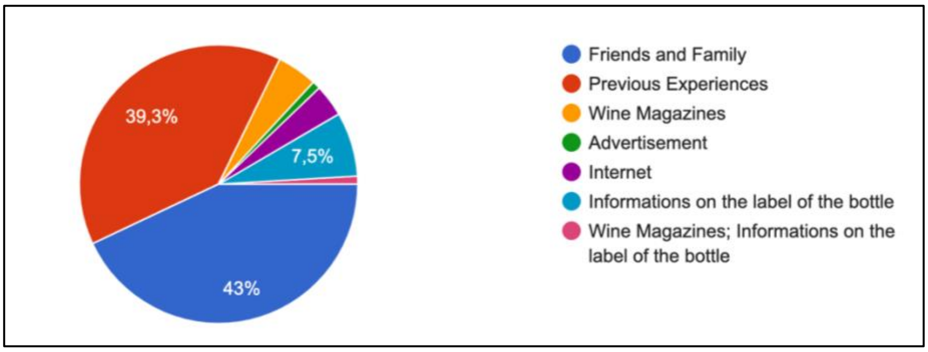


Figure 9.11: “From where/who do you base your decision of purchasing a wine bottle?”

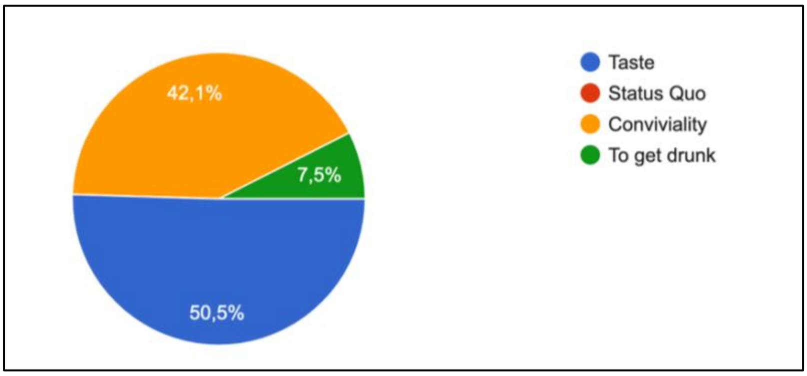


Figure 9.12: “Choose the main reason why you drink wine”

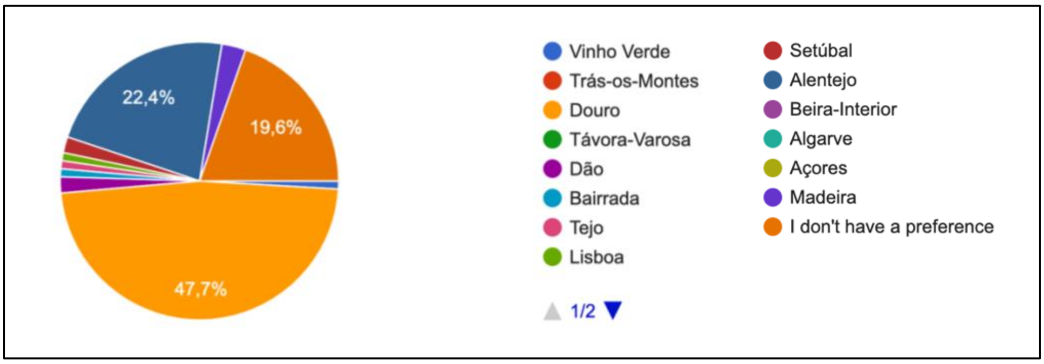


Figure 9.13: "From which Portuguese region do you usually buy your wine?"

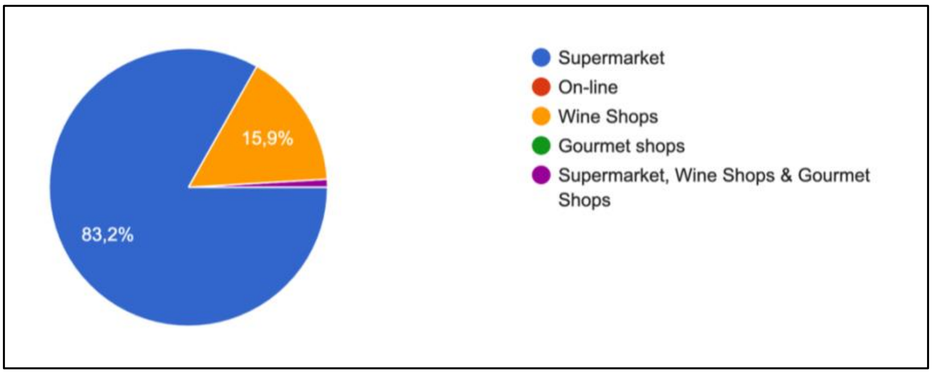


Figure 9.14: "In which place do you usually buy your wine?"

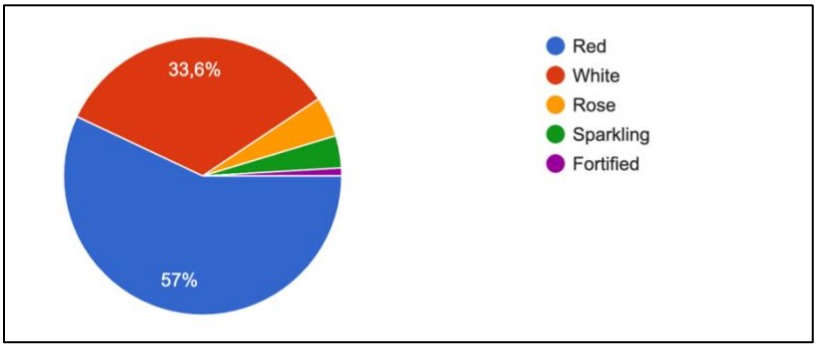


Figure 9.15: "What is your favorite type of wine?"

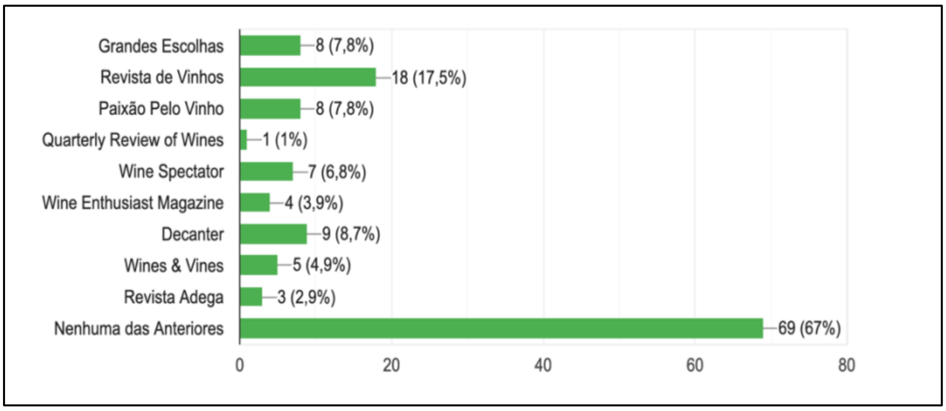


Figure 9.16: “From the following list, choose the wine magazines you know/read”

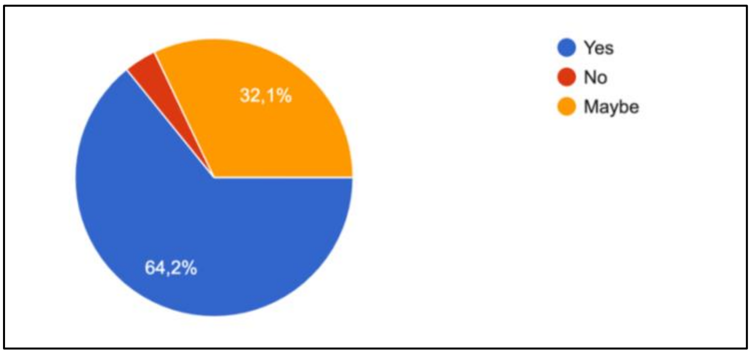


Figure 9.17: “Would you be more inclined to buy a wine if you read a positive article about it in a Wine magazine?”

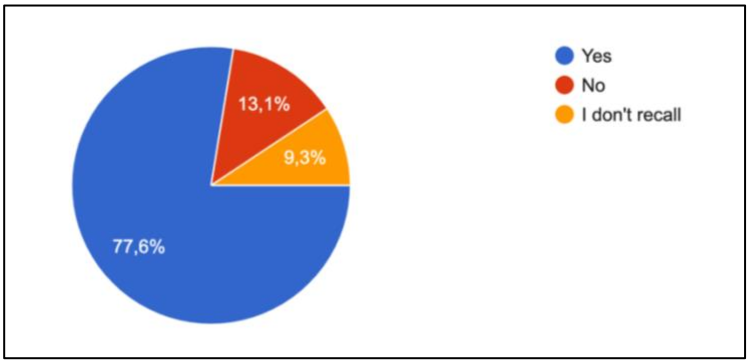


Figure 9.18: “Have you ever tasted still wine from Madeira?”

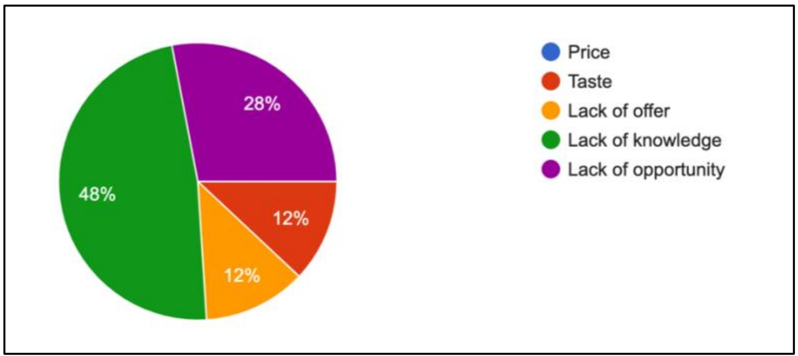


Figure 9.19: “If you answered “No” to the previous question, name the main reason why you have never tasted a still wine from Madeira”

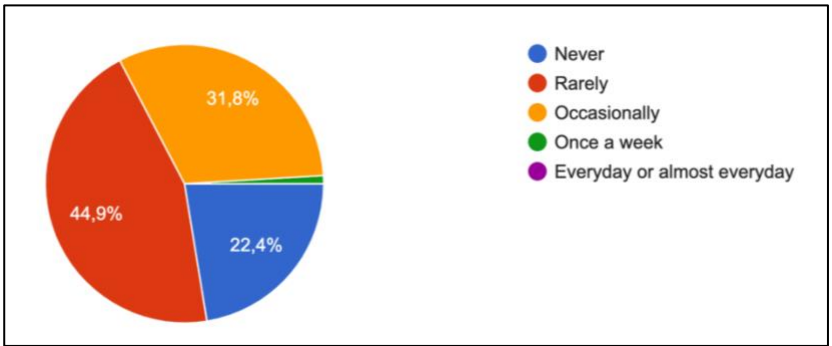


Figure 9.20: “How often do you drink still wine from Madeira?”

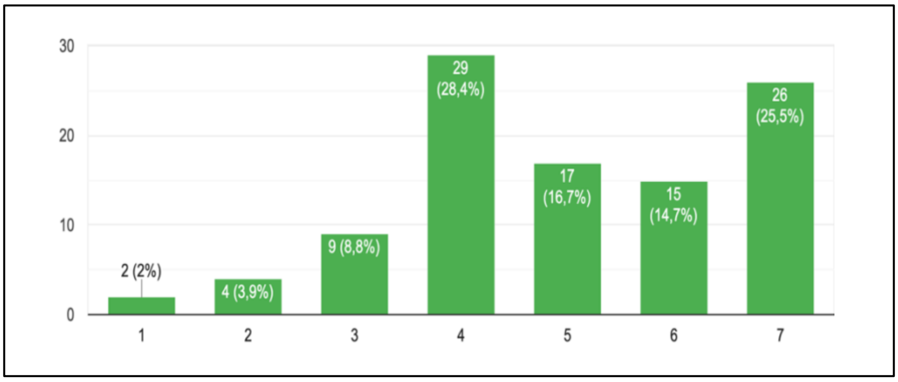


Figure 9.21: “I consider still wines from Madeira inferior to wines from other regions of Portugal”

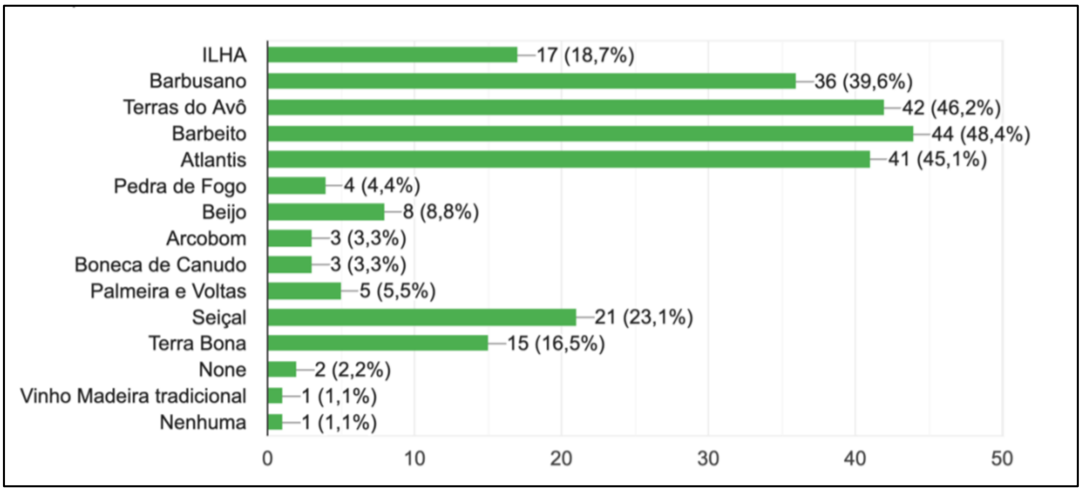


Figure 9.22: "From the following list of still wines from Madeira, choose the brands you know"

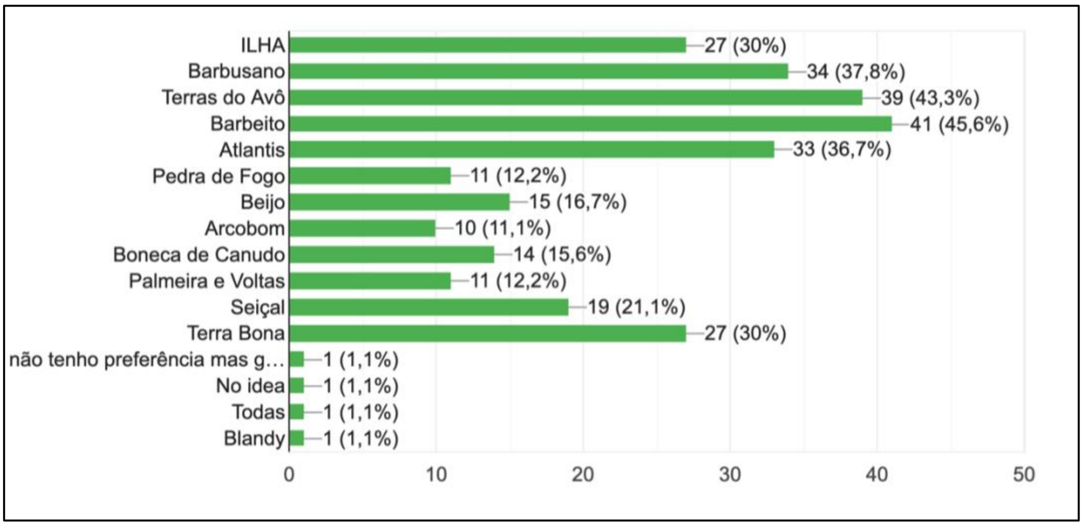


Figure 9.23: "From the following list of still wines from Madeira, choose the brands you would be willing to buy"


Figure 9.24: "In case you know any of the previously mentioned brands, indicate from where/who you got know them"

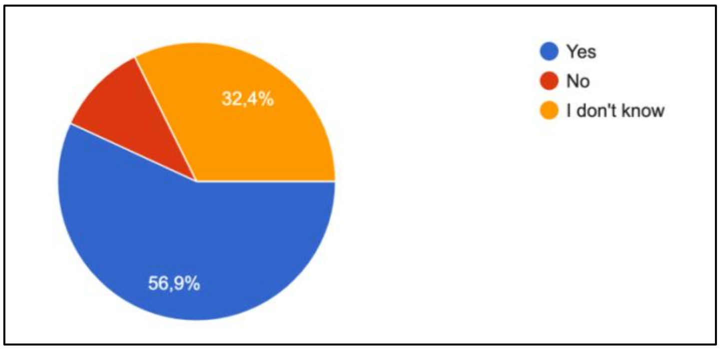


Figure 9.25: “Do you think the still wine made in Madeira can gain high levels of notoriety in the long-term future, like the Madeira wine?

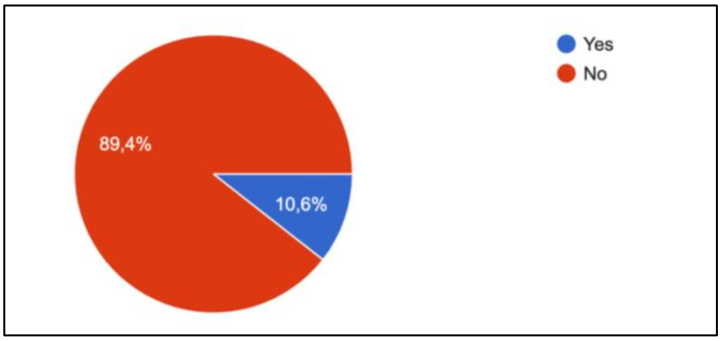


Figure 9.26: “Have you ever tasted Ilha wines before?”

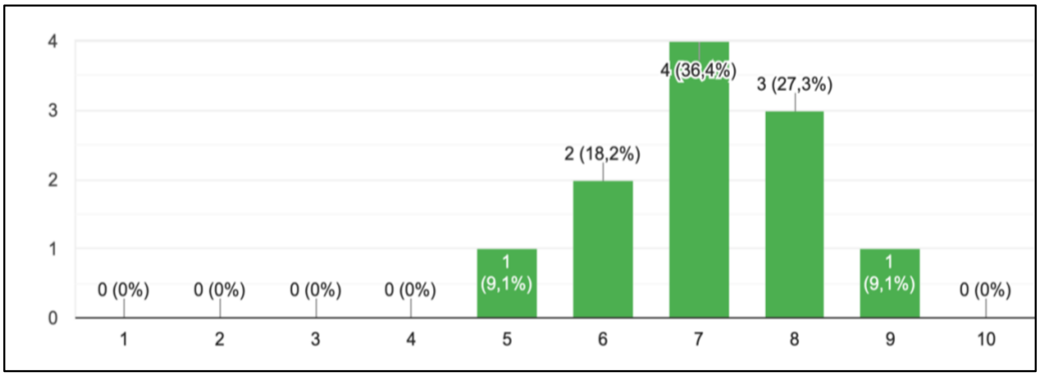


Figure 9.27: “If you answered “Yes” to the previous question, how would you rate Ilha wines, from 1 to 10?

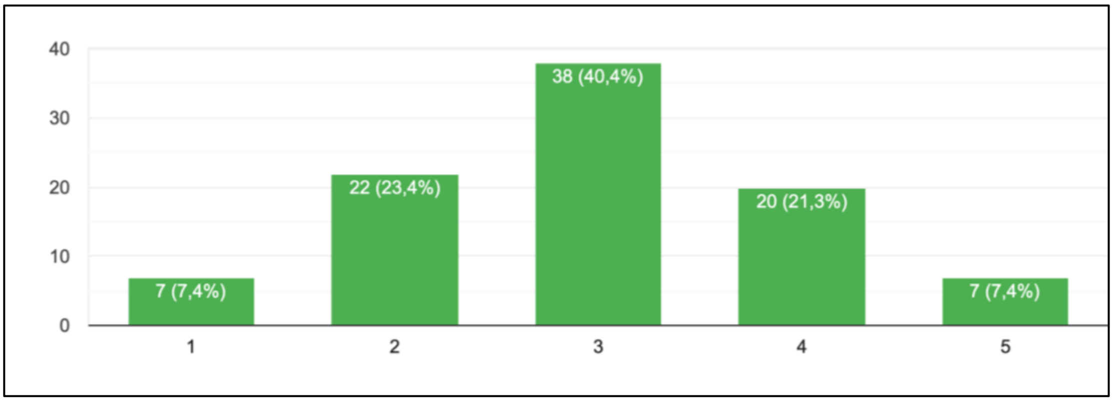


Figure 9.28: “I would be willing to pay an extra amount of money for a while from Madeira (like Ilha)?”