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universu@utalca.cl

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Zamora, Jorge; Bravo, Mercedes
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ABSTRACT

As world wine output grows at 1.35%, wine consumption just grows at 0.26 % per year anticipating a surplus of output with negative results in the long-run for both winegrowers and for consumers. Thus, an alternative for emerging exporters, like Chile, is to identify and to target productive efforts towards reaching refined segments and niches of the market, instead of selling generic produce to the market at large. Naturally, their wines should be differentiated in a memorable way. Paradoxically, those countries which are large wine exporters seem to be also larger importers of wine.

The content of this paper explores the case of Chile as an emerging country, particularly from the New World in the world wine trade, assessing the effect of globalization in the Chilean exporting process. Output and consumption as well as wine trade are analyzed, with special reference to the European and French markets. This is complemented with identification of the source of investments, Chilean trade policies, production and processing technology in this industry. Conclusions state the need for a wider vision in the strategic development of the sector, stating research and collaboration needs between winegrowers, consumers and local communities; locals should be involved in wine tourism exalting terroir. Research needs are identified.

Key words:

Wine and globalization - Wine routes - Wine and tourism - Chile.

RESUMEN

A medida que la producción de vino crece al 1,35%, el consumo sólo aumenta al 0,26% anual, se anticipa que ocurrirá en el largo plazo un excedente que generará resultados negativos tanto para los productores de vino como para los consumidores. Luego una alternativa para países exportadores emergentes, como Chile, es identificar y focalizar los esfuerzos productivos para alcanzar segmentos y nichos muy refinados del mercado - en vez de producir para el mercado en general. Obviamente, dicha diferenciación debería ser de una forma memorable. Paradójicamente, los países que son grandes exportadores de vino, son a la vez grandes importadores de esta bebida. El contenido de este trabajo explora el caso de Chile como país emergente del "Nuevo Mundo" en el comercio internacional del vino, incluyendo el efecto de la globalización en el proceso exportador chileno. Se analiza la oferta y el consumo mundial con especial referencia al mercado europeo y al francés; se complementa con la identificación de la procedencia de las inversiones sectoriales, las políticas chilenas de comercio exterior y la tecnología de producción y procesamiento. Se concluye que es indispensable una visión estratégica más amplia para el desarrollo del sector, tal que permita la colaboración entre productores, consumidores y comunidades locales; en estas últimas se desarrollaría turismo del vino destacando su denominación de origen. Además se identifican las necesidades de investigación.

Palabras clave:

Vino y globalización - Rutas del vino - Vino y turismo - Chile.

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WINE, PRODUCT DIFFERENTIATION AND TOURISM: EXPLORING THE CASE OF CHILE AND THE MAULE REGION¹

Jorge Zamora (*)
Mercedes Bravo (**)

INTRODUCTION

This paper explores initially the wine world trade and Chilean contribution with special reference to vineyard size and variety composition wine-growing trends, origin and nature of new investment, actual market shifts for Chilean wine trade. Next it is discussed new challenges facing this industry, such as the actual price policy applied, falls in the rate of exchange. A special mention is made to wine routes development and their contribution to the creation of wine culture as an alternative to improve Chilean wine chances of success. Finally, conclusions are drawn and research needs are identified.

The world wine market is changing both from supply and from the demand sides. Recent trade changes have been led by new trends in consumption, as well as shifts in technology and source of supply. Thus, from the consumer side there is a significant drop in the low quality or table wine drinking which is being replaced by wines of improved quality and of higher prices, a special

(*) Associate professor in Marketing and Market Research, University of Talca, Chile.

(**) Research assistant and MBA © University of Talca.

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Correos electrónicos: *jzamora@utalca.cl*
mbravo@utalca.cl

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role has played the "appellation d'origine contrôlée". Additionally, low quality vineyard has been replaced by classic grapes varieties, by a higher wine quality as well as a significant improvement in the infrastructure and in the actual wine processing.

New World countries are more likely to get into crisis in the short run, due to a forthcoming supply surplus. Thus, Chilean wine producers should closer monitor competitors market performance of close competitors such as Australia, South Africa, USA, New Zealand, Argentina, Hungary and Bulgaria. Major producers and consumer countries such as France, Spain, Italy and Germany are already taking steps towards these new challenges.

WORLD WINE MARKET

Currently wine market has followed general trends of the agri-food systems moving towards internationalization. Although the exchanges are growing in value, the economic relevance of the sector appears static due to a stable consumption. One of the main problems is the weak balance between wine production and wine consumption.

Vineyards Size. In 2001 there were 7.9 million hec. in production. This surface size has not been reached smoothly. Until 1980 there was a sustained growth, and since then there was a drastic drop of 2.3 million hec. in a period of ten years, recovering quickly during 2000-2001.

Projections for the year 2005, suggest the world-wide surface will be reduced, whereas certain vineyards of the New World will keep growing constantly. Western Europe countries will have an important reduction, whereas in the rest of the world some important increases in the surface appeared, as it is the case of South Africa, New Zealand, Canada, the United States, among others.

World Output. The main world producing countries are Italy, France and Spain until period 1981-1985. It began to decrease sharply until lapsed in 1991-1995, remaining with a decreasing tendency in the following years, with an average of 250 million hec. Yet, in 1999 a new cycle seemed to have began increasing production again, which was soon halted again. The world-wide wine production increased (See Table 1).

WORLD CONSUMPTION

The main wine consuming countries are France, Italy and Germany. Also, when comparing the consumption per capita between the different countries, can be seen that those that have a greater wine consumption are Luxembourg (63.5 lt), France (57.0 lt) and Italy (54.7 lt). Frothy wines represent just 20% of wine consumption and constitute the category with lower growth and smaller value. Still wines (80%) would have to show an increase of 10% in next the 5

years, whereas the frothy wines could show one slight recovery, of around 3% by the year 2006.

When comparing the consumption across continents, the growth of the in America and Northern Europe, as well as, in a smaller degree, in Australia, is off set by a new reduction of the drinking in the traditionally producing countries of Western Europe and South America.

The consumption of wine more expensive than 10 euros the bottle would have to increase by 42% between 2001 and 2006; however, this category just represents now only 3.7% of the total bottled trade. The category of more than 5 euros is equivalent at the moment to a 12.9% of the world-wide consumption and increases a 7% annually. Towards year 2006 it is anticipated that 88% of the growth of the wine consumption will be made up of to wine in bottles costing more than 5 euros. (See Table 2).

INTERNATIONAL TRADE

The world-wide wine market has been estimated by the O.I.V. in 68 million hectolitres, allowing for re-exporting and the exports from wine producing countries. The five main producers from the U.E are also main wine traders, representing in period 1996-2000 around 71% of the world-wide interchanges, against 15% of the countries from the Southern Hemisphere and the U.S.A. France, Italy and Spain are the main world exporting wine countries. Nevertheless, is worth to emphasize that Australia and South Africa, are set to increase their exports considerably.

With regard to imports, a paradox occurs when identifying main importers countries. They are Germany, England and France. Germans seem to have reached the maximum level some six years ago and now are gradually drinking less wine. The British, on the other hand are still increasing wine drinking at a rate of 6.1% per year. The whole set of main importers countries are drinking somewhat more wine at a rate of 2.2%, although in the last year observed there was a reduction of 1.3%, which should began to worry to the world wine industry (See Table 3). France, the largest wine exporting country, also imports large amount of wine.

CHILEAN WINE MARKET BACKGROUND

Chile has vineyard of 108 thousand hectares just 1.4% of world. They are located between regions IV and VIII in the Central Valley. This industry involves a US\$ 650 million business to December of 2003. The wine exports have been one of the most dynamic sub-sectors within the Chilean agricultural exports and remains a main item.

In the last 12 years Chile has reached notoriety in world-wide the wine industry and has been recognized, along with Australia, South Africa, New

Zealand and Argentina, as one of the emerging country in the market of fine wine export. In this activity had a key role to play in Free Trade Agreement signed with Union European and the United States in 2003. As a result, wine is one of the Chilean exports that are expected to increase its presence in the European and North American markets.

Apart from a dry Mediterranean weather with dry summers cold and rainy winters and cold nights, another natural conditions for Chilean wine industry is the sanitation and quality of cepage. Incidentally, due to protection policies, good weather conditions and natural isolation, Chile, has become a filoxera free country. The original vine were "país" variety a low quality one, brought in by the Spanish conquerors in the XVI century. That was improved with noble French vine varieties were planted by newly rich silver miners between 1860 to 1880. Since then this cepage have survived from extinction, as they have been kept well and alive, while elsewhere these varieties have been almost suppressed by widespread of this disease.

Chilean vineyards is growing at 3.5% for the last two decades. Additionally, there are some 52,000 hec. of table grapes vineyards and 10,000 hec of vine for making "pisco", a local aromatic spirit made out of distilled wine. (See Table 4).

More than three quarters (78%) of Chilean vineyards for wine-making are made up of fine French varieties, with a potential for wine production of exportable quality. Foreign investments are directly managed or they are in joint venture. This is an exemplary case of what foreign capital and technology, as well as market networking can do for today's globalization process. That link is still much stronger. In many cases, investor groups are also well-established brand names in importing countries, while Chilean wine investment began to spread to neighbouring countries.

Chilean main varieties are for red wine. They are Cabernet Sauvignon (35.7%) which trebled in six years; and país (14%). The second one has remained static over decades. A significant rise occurred for Merlot, growing at 50% per year reaching 12,887 hec. in the year 2001. Pinot Noir grew even faster at 67.5% per year. Others have seen an explosive growth, like Carmenère growing 16 times in five years, to reach 5,407 hec. in 2001, the same occurred with Syrah and Cabernet Franc. An opposing trend occurred with cepage for white wine, which did not grow or actually have decreased. (See Table 5). Thus, farmers' aim is clear: to elaborate red wines of high quality for exports. The performance is that Chilean vineyard size almost double in six years.

As far as the storage system, at national level there is storage capacity of approximately 1,426 million litres (SAG, 2003), which is made up of different quality: cement storage (47%), stainless steel (33%), wood (15%), barrels (1%) and others (4%). These wine storage containers are of large capacity as 47% are larger than 10 million litres, 44% between 10 to 1 million litres.

Chilean wine is produced in very different conditions from one region to

another, the degree of specialization for agricultural activities, the actual cepage and size of vineyards, as well as wine making techniques applied. In Chile there is a wide range of wine qualities. A significant effort to inform consumers about quality has been the application of "appellation du origin" system. However, there still much to be done on linking wine production to the "terroir", the local environment and to local communities.

Paradoxically, in spite of this significant growth in both quantity and quality, Chilean wine consumption in Chile, has been drastically reduced from 59,0 lt. per capita in 1972 to 13.1 lt. in 1997, while slightly recovering to 14.6 lt. per capita in 2001. Thus Chilean although they are producing a high quality wine, they are drinking just one quarter than thirty years ago, and just 20% less than a decade ago. (See Table 6).

Chilean Wine Exports. In the last decade, Chilean exports have experienced a remarkable growth from 0.4% to 4.5% of wine world trade in 14 years. At the beginning of the nineties exports grew to rates that exceeding 30% per year, to maintain a growth from 10% to 20%. (See Table 7). However, in the last months there has been increasing difficulties to market production. There has been a reduction in prices paid to the producer, together with a structural fall in the dollar exchange rate to the Chilean peso. This last effect began to be relevant soon after the signature of the two trade agreements, with the European Union and with the U.S.A.

By the year 2002, the destination of the Chilean wine exports has shifted. During the 80's years, more of 80% of the exported wine was directed to the market Latin American, just a very small percentage was sold in Europe (2%). This has changed, as just over one half of Chilean wine exports goes to European market (53%), an important part (28%) also gets to North American countries (mainly USA and Canada), and 11% gets to the Far East (China and Japan), but only a small amounts now reaches Latin American countries. (See Table 9). This major changes can only be explained by the Chilean trade policies and trade agreements reached with both the European Union and the U.S.A., as well as some other thirty bilateral trade agreements, strong investment policies in this industry, and significant improvements in technology and infrastructure.

Nevertheless, some 43% of Chilean wine exports are sold in-bulk while the rest is sold bottled (See Table 8). Average export prices depends mainly on the type of wine and the degree of elaboration and value added; thus bottled wine gets six than the wine sold in-bulk. In 2003, average export value in US\$ per lt was 1.7, but for bottled wine 5.6, champagne 2.8, and in-bulk 0.44. However, the trend is to increase wine exports as bottled, at the expense of in-bulk exports.

Three main buyers of bottled Chilean wine by 57% and they are the United Kingdom (25,8%) and the U.S.A (25%) and Denmark (5.9%). Exports of wine in bulk, on the other hand are not that concentrated in few countries; important buyers are Germany (22.4%), China (19.1), Denmark (13.6%), United Kingdom (9.8%) and France (9.6%).

Nowadays, the main Chilean wine exporters are the vines Concha and Toro, San Pedro, Santa Rita, Santa Carolina and Caliterra, exporting wines of high quality and low costs. All of them collect grapes and mostos from various regions, disregarding regional denomination system. Viña San Pedro, for example, has a 3,000 hec. in Lontué, vineyard Concha y Toro, the largest one has important vineyards in various regions of Chile, has introduced intensive automatization, robotics in the process, as well as mechanical harvesting operations. Nevertheless, its own vineyards are not enough for its processing capacity; thus every year the company buys a huge amount of both grapes and mosto from farmers in various locations in the country, but processing and selling them in the domestic and overseas markets only under Concha y Toro brand names. Naturally, these large exporters usually are at odds with quality control systems, like "Appellation d'origine contrôlée". The quality of their produce varies substantially from year to the next due to enormous span of weathers, soil composition, cepage mixtures and farming practices at their vineyards. Thus usually their exporting prices of their bottled wine are not high, and also they sell important amount of their wine in-bulk. This industrial agribusiness has certain features of coffee tree old "plantations" of cotton or sugar cane

Competing with the largest exporter is another group self-called "boutique wine-growers" grouped in the association self-called Wine of Chile, which integrates the whole process from farming and grape production to wine-making in one single location. This system, they claim, ensures a better control over the whole process, starting with soil quality, uniform weather conditions, homogeneous and high quality product, farming practices, selected cepage, standardized processing, storage, bottling and transport, conditions, all of which contributes towards and improved quality of the final output. They are strong supporters of the "Appellation d'origine" system and they aim to sell most of their wine under viñas own names. Leaders in Wine of Chile in the Maule Region are: Viña Miguel Torres, Viña Balduzzi, and Viña Casa Donoso. Naturally, they are getting higher prices, but they still lack of enough output and bargaining power for consolidating their trading position.

Chilean wine exports enter into world trade as a cheap wine during the eighties and beginning of the nineties. However, that policy now has turned into its major problem. How to increase prices and they have already positioned Chilean wine in the lower end of the price scale.

CHILEAN WINES COMPETITIVENESS

Comparative advantages for quality wine production in Chile seems to have remain for a long time. They are special climate and soil, sanitary and genetic patrimony, availability of manual labour and the like. Most of these factors have been in existent since long time ago in Chilean wine-growing activity. Yet,

the growth in Chilean wine exports did not happen until mid 1990's. Country competitive advantages, however are the dynamic factors explaining this take off: quality management of resources of production, sizeable domestic demand, dynamic sectorial organizations and quality and inexpensive supplies industries, plus supportive and public authorities.

Liberalization policies, new technology in production and management, suitable infrastructure and investments linked to consume market, are also a part of the Chilean model. That seems to be the main source of competitive advantages supporting this Chilean new trade drive for wine exports. Unlike other exporting countries, the specially United States and France, the domestic market in Chile has not represent a significant source of competitiveness, as this has been substantially and consistently reduced.

Additionally, there were a few negative factors also influencing performance of the Chilean wine industry. For example, the lack of a strongly organized industry and the lack of systematic support from public institutions. That is represents a weakness for the national wine-growing industry in relation to its main competitors. In addition, input supply industries do not represent any relevant source of competitive advantage for the sector, as most of them had to be imported (cork, labels).

As anticipated, the Chilean price policy applied to enter foreign markets has been based until now on a non-sustainable good relation price-quality, selling high quality wine at very low price. Also, this drive was supported by an exceptional growth in Chilean gross domestic product from the early nineties.

Summarising, Chilean export drive in wine is a peculiar case of success as in ten years its share of the world market has grown ten times in a decade, up to reaching a 4.5%. Official bodies suggest that that there still a good scope for keeping up that positive drive, although Chilean should have face up to new challenges. Low production cost are not longer sustainable. Wages, rate of foreign exchange to the Chilean peso, cost of inputs are all increasing. Therefore, low prices and high quality simultaneously cannot be kept in the long run. The average value for the wine exported should be increased, both for cost and market reasons. The image of Chilean wine has been damaged by earlier policies and need urgent re-shaping, if ever the Chilean wine is going to get a premium price (See Table 10).

Securing Overseas Markets. In order to secure export markets, the Chilean government has developed an aggressive trade agreements policy. Most well known are the one signed with the European Union and with the U.S.A. and quite recently with South Korea, all of them in 2003. Other 30 agreements have been signed. Under negotiations are with Japan, India and China.

Chile has improved its image and negotiating positioning abroad. Also these agreements are providing a greater security and a reduced risk for Chilean export business, because of the setting up of official fair conflict resolution procedures. As objective arbitration of conflict does not allow to impose

unilateral directives. A small country tries to get equal terms in trade competition.

Organization For Wine Trading. One of the policies for supporting the entry of Chilean wine into international markets was the setting up of Wines of Chile organization. This is an attempt to get a more coherent commercial strategy. Wines of Chile was officially launched in April of year 2002. Its objective is to put in practice a strategy of international development and to develop an unified vision towards overseas trade, to construct brand labels that generates loyalty in the international consumers and to become the organization representing the interests of all the Chilean wine growers at international level.

Thus producers expect that commercial cooperation between wine-growers will establish a suitable wine image, while supporting an improved positioning in the mind of the consumer, increasing prices, and providing a product of superior quality with a set of unique differentiating attributes.

Investments For Wine Exports. Disregarding their size, Chilean wine-making companies have carried out great investments in technology and in new plantations, taking advantage of the natural conditions of the country that allow to grow vines with their "terroir". A strong investment commitment, near US\$1000 million will change the shape of this industry, in the next few years. These resources will be invested in more and better wine-processing infrastructure for both processing and storing wine. Already are being built a number of new cellars, vineyards, and warehouses using latest generation technology involving mechanization, informatics, automation, robotics, etc. Also a part of overseas investment are being made in improving the access to retail chains. That is the case of Concha y Toro buying shares of a USA large supermarket concern.

Foreign Investments. The great potential of the Chilean wine-growing industry has not pass unnoticed for foreign investors who, individually, or associated at Chilean capitals, are aiming towards excellence wines.

Miguel Torres from Spain was one of pioneers, in 1979. This continued until Odfjell Vineyards S.A. from Norway buying an existing vineyard and building processing facilities.

France also has provided capital for the Chilean wine industry. Most notable are the Société Domaines Barons de Rothschild (Lafite), in Viña the Basoues, Les Vignobles, Domain Orientale in Viña Casa Donoso, Villard Fine Wines, G.E. Massenez in Chateau the Boldos, Viña Aquitania, Viña William Fevre, Casa Lapostolle, Viña de Larose. Famous is Pernod-Ricard, consolidating investment of Baron Phillippe de Rothschild and Viña Concha and Toro to produce Almaviva, a premium wine in new installations built with an investment of around US\$ 4 million.

North American investments from the USA and Canada has also arrived in Chile. American interests came from Kendall Jackson of California (Vine of the Haze), Seagram of Chile with Cuvée Mumm, Caliterra in Viña Errázuriz and R.

Mondavi, Mildara Blass in Viña Santa Carolina, among others. From Canada arrived Canandaigua Brands buying Franciscan State to control Viña Veramonte, and Magnotta Winery.

Chilean Wineries Investing Abroad. An important feature of globalization is the flow of capital to and from a dynamic industry. Successful Chilean wine corporations are now investing abroad, expanding their wine varieties and using opportunities to expand output at even lower costs. Argentina, a neighbouring country is receiving Chilean investors in wine. That is the case of Viña Concha and Toro, who is controlling Viña Patagonia in Mendoza, gaining a storage capacity of 2.4 million litres, that already has been extended in 2 million litres and 150 hectares of vineyard. Viña Santa Rita, acquired in Luján of with 730 hec. Viña San Pedro purchased an estate of 200 hectares, in the South of the province of Mendoza.

WINE TOURISM

The concept of “terroir” is a complement of the “Appellation d’origine” system, supporting a wine culture. Both are essential component of the wine quality, as much actual wine chemical attributes, as has been probed in the French’s practice, with wine tourism. Thus, wine produced in places where consumers have gained memorable experiences at vineyards and wineries, it is expected that commitment to brand names and images be consolidated, creating such a levels of loyalty that purchasing would remain although price may have been substantially risen. This is an attempt to link producers with consumers in the context of globalization.

This view is particularly relevant for Chilean, as this wine has began to be noticed in foreign market as a cheaper one. Therefore, the setting up of significant rural tourism services based upon wine-making is the current paradigm for this emerging wine exporter.

In Chile, in the last five years has began to appear a few wine routes as an attempt to diversify production and to support wine sales. They have been set up by “boutique wineries”, plus one of the large corporation (San Pedro), whose vineyards are mainly concentrated on one side of the main motorway to Santiago. The Chilean government has initially supported these initiatives. Now are operating, for example, Ruta Casablanca, Ruta Cachapoal, Ruta Colchagua, Ruta Curico and Ruta Maule. They are run by small group of local wine producers. The emphasis is on routing their various winery members, wine tasting and in hard selling the various vintage wine. Local tourism attractions have been gradually added to the route.

However, managers have obtained disappointed outcomes, which have worried members. There has been great controversy about the component of these wine routes, the degree of involvement of non-wine tourist attractions and of the local community. Also there are disagreements as to how to manage

and how to assess the outcome of these projects. Members of participating groups feel that they have not take off, due to the poor wine sale levels and or low number of visitor achieved during their first years of operation. However, this winegrowers are quite happy in investing huge amounts in infrastructure, equipment, vineyards or in processing technology, disregarding any major investment in consumer loyalty. Here, there is a case for both researching and for transferring successful experiences across the world.

PROPOSING HYPOTHESIS

From these background information a few hypothesis may be stated.

HYPOTHESIS A: LONG TERM EFFECT OF AGRICULTURAL SUBSIDIES POLICIES IN THE INVESTMENT GLOBALISATION CONTEXT. A long term effect of the EU Agricultural Policy subsidies for uprooting European vineyards ended invested in developing countries like Chile, which in due course has contributed towards an increase flow of quality wine imports into the EU. This, in turn, contributes to deepen profitability problems for local EU wine producers. If this hypothesis is proved, then agricultural policies should be re-shaped in order to cater for self-inflicted unwanted long term effects.

Hypothesis B: Country Of Origin Or Supplies From Competitors. The fact that France, the largest wine producing and consuming country in the world and that holds a significant wine surplus, also has to resort to import wine. This fact calls for a deeper understanding of the re-shaping in the post-modern wine trade and of domestic markets.

Hypothesis C: Special Nature Of Wine Route Performance Indicators. Successful wine routes should place more emphasis on current local tourism and on developing brand loyalty, rather than in short term win selling to visitors. Wine routes cannot be outlined as self-contained and self-supporting initiatives. Wine tourism project should be designed as another tourism offer, and thus should cater for all services and activities required by tourists, from the decision to travel to that destination up to arranging all supporting services for the return back home. Wine and wine selling although they always should place an important component of wine routes, per se are not enough to develop the "terroir". Both local culture and local community always should place an essential part of the brand image which should reinforce the building of brand loyalty.

Hypothesis D: Assessment Span For Wine Routes. The outcome of Wine Tourism should be regarded as investments in consumer loyalty and therefore they have to be assessed only in the long run, as the most valuable effect, liking "terroir" to brand product image, building trust and commitment towards building brand loyalty. That can occur only in the long run, after a relationship is established with the brand, the location, the organisation, the contact staff at the counter and visit service. Thus the wine route is just an input which should be memorable to contribute towards the strategy for building consumer loyalty.

CONCLUSIONS AND SUGGESTIONS

Although the Chilean wine industry is rather old, exports took off just during the last decade. Naturally, comparative advantages for the production and exporting been always ready available for the wine industry. However, the actual take off needed additional contributions from strong investments in technology, increasing business co-operation, access to overseas markets, as well as a liberalisation in trade and investment policies. Improved technology has become an essential component of the wine business. Thus it is required continuous innovations to remain competitive.

Wine producers of the New World, like Chile, should be able to enchant and almost bewitch consumers with novel, quality consistent products with their own identity. The development of new products and services linked to wine brand names is vital. The main performers in the world-wide wine trade are changing considerably. New export leaders in wine exports are more organized and aggressive than the former ones. Global companies and new long-term concerns are arising. International trade is now associated to integration into the commercial chains.

Public agricultural policies to prevent surplus, should take care of the eventual reversal effect, in the long-term. Re-invested subsidies they may turn into funding wine investments in developing countries, which in turn may return as imports into a surplus market.

Wine tourism should be re-designed to provide opportunities for involving local communities and to insert this project as part of theme or special interest tourism. Wine growers aiming at creating consumer loyalty should regard wine tourism and "terroir" development as investment in customers fidelity, rather than as a hard selling activity.

As much as globalisation is the new context for the post-modern wine trade, researchers should also network and collaborate across the world to be able to understand current market trends and industry issues and to anticipate future trends both in production and in consumption.

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www.sag.cl	Agriculture and Livestock Service, SAG. (Servicio Agrícola y Ganadero)
www.chilevid.cl	Chilean Association of Fine Wine Producers for Exporting. (Asociación de Productores de Vinos Finos de Exportación).
www.direcon.cl	Directorate for International Economic Relationships, Secretary of State for Foreign Affairs, Chilean Government. (Dirección General de Relaciones Económicas Internacionales).
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www.chilewineroute.cl	Maule Valley Wine Route. (Ruta del Vino del Valle del Maule).
www.fundacionchile.cl	Chile Foundation. (Fundación Chile).
www.viñasdechile.cl	Association of Chilean Wine Exporters. (Asociación de Embotelladores de Vino Chileno).
www.vitivinicultura.cl	(Virtual service for specialized information about wine trade).

**Table 1: Wine World Production: The Ten Largest Producers
(in million hectolitres)**

Country	2001	2006*	2006/ 2001	Percentage of World Production 2006
Italy	52.293	50.250	3.9%	18.8%
France	46.546	49.500	6.3%	18.5%
Spain 3	1.610	36.000	13.9%	13.4%
United States	18.890	21.000	11.16%	7.8%
Argentina	15.835	13.000	-17.9%	4.9%
Australia	10.765	12.950	20.3%	4.8%
Germany	8.891	10.750	20.9%	4.0%
Portugal	6.693	6.900	3.0%	2.6%
Rumania	5.500	5.600	1.8%	2.1%
South Africa	5.304	5.400	1.8%	2.0%
Total	258.667	267.996	3.6%	789%

Projection based upon industry current rate of growth

Source: Vinexpo-IWSR/GDR 2003

**Table 2: World Wine Consumption: Year 2000.
(in litres per habitant)**

Country	Litres per cápita	Country	Litros per cápita
Luxembourg	63,5	United Kingdom	15,5
France	57,0	Chec Republic	14,2
Italy	54,7	Eslovaquia	13,6
Portugal	50,2	Cyprus	13,5
Swiss	41,3	Sueden	12,6
Argentina	38,6	New Zealand	10,1
Spain	36,4	Irland	10,0
Uruguay	32,3	South Africa	8,9
Austria	31,8	USA	7,7
Hungary	30,2	Canada	7,0
Denmark	29,3	Finland	6,7
Greece	25,2	Japan	2,5
Germany	23,7	Tunez	2,3
Rumania	22,7	Brazil	1,8
Australia	20,4	Marroco	1,1
Holland	18,8	China	0,2
Chile	14,9	Peru	0,1

Source: W.I.O.

**Table 3: World Wine Importers
(in thousand Hec.)**

Importer		Years					
		1996	1997	1998	1999	2000	2001
1	Germany	11.616	12.053	12.008	12.068	12.024	11.300
2	England	7.461	8.022	8.859	8.764	9.361	10.200
3	France	5.306	5.826	5.591	5.515	5.583	5.200
4	U.S.A.	3.593	4.212	4.153	4.286	4.615	4.900
5	Russia	4.046	2.911	2.911	3.768	w.i.	w.i.
6	Belgium	2.279	2.281	2.279	2.279	2.210	2.700
7	Swiss	2.165	2.780	2.890	2.890	3.388	3.000
8	Holland	1.852	1.853	1.885	1.895	1.817	1.900
9	Canada	1.698	1.784	1.929	2.074	2.194	2.400
10	Denmark	1.525	1.679	1.745	1.745	1.677	1.800
11	Sweden	1.144	1.060	1.121	1.121	w.i.	S.I.
12	Japan	1.074	1.452	3.214	3.214	w.i.	1.750
13	Italy	170	1.153	1.072	1.072	w.i.	S.I.
	Other	10.348	10.857	13.124	12.466	13.529	14.260
	Totals	52.578	59.058	62.781	62.306	60.166	59.410

Source: I.W.O.

w.i.: without information

**Table 4: Evolution Of Chilean Vineyard Size
(in Hectares)**

Year	Vineyard for wine-making	Tablegrapes	Grapes for pisco	Total
1985	67.132	34.841	5.875	107.848
1986	67.050	36.723	5.980	109.753
1987	66.924	39.261	6.050	112.235
1988	66.770	44.700	6.204	117.674
1989	66.120	46.160	6.206	118.486
1990	65.202	48.218	6.206	119.626
1991	64.850	47.900	7.840	120.590
1992	63.106	49.840	7.744	120.690
1993	53.093	49.333	9.084	111.513
1994	55.146	49.305	9.202	113.653
1995	54.393	49.803	9.385	113.581
1996	56.003	50.434	9.725	116.163
1997	63.550	49.641	10.009	123.200
1998	75.388	50.200	10.187	135.775
1999	85.357	50.826	10.379	146.562
2000	103.876	50.818	10.076	164.770
2001	106.971	51.669	9.800	168.440

Source: SAG

**Table 5: Evolution Of Chilean Vineyard Cepage For Wine-Making
(in Hectares)**

Varieties	1996	1997	1998	1999	2000	2001
Cabernet Sauvignon	13.094	15.995	21.094	26.172	35.967	38.227
Merlot	3.234	5.411	8.414	10.261	12.824	12.887
Chardonnay	4.503	5.563	6.705	6.907	7.672	7.567
Sauvignon Blanc	6.172	6.576	6.756	6.564	6.790	6.673
Carmenère		330	1.167	2.306	4.719	5.407
Syrah	19	201	568	1.019	2.039	2.197
Semillón	2.616	2.427	2.425	2.355	1.892	1.860
Pinot Noir	287	411	589	839	1.613	1.450
Cabernet Franc	17	64	138	316	689	823
Riesling	317	338	348	286	286	286
Chenin Blanc	93	98	104	95	76	49
País	15.280	15.241	15.442	15.457	15.179	15.070
Others	10.371	10.895	11.638	12.780	14.130	14.475
Total	56.003	63.55	75.388	85.357	103.876	106.971

Source: I.W.O.

**Table 6: Chilean Wine
Consumption. 1992.2001.
(in litres per capita)**

Year	Wine consumption
1992	18.0
1993	13.0
1994	18.0
1995	15.0
1996	15.8
1997	13.1
1998	18.3
1999	19.0
2000	14,9
2001	14,6

Source: SAG

**Table 7: Chilean Wine Exports: 1988-2001.
(in thousand Hec.)**

Year	Wine n in exports (000 Hec)	Per cent of Wine World Trade
1988	185	0.38
1989	286	0.61
1990	431	0.96
1991	647	1.48
1992	740	1.63
1993	866	1.82
1994	1.079	2.07
1995	1.254	2.32
1996	1.841	3.74
1997	2.163	3.57
1998	2.298	3.42
1999	2.299	3.53
2000	2.673	4.01
2001	3.100	4.47

Source: O.I.V. – SAG – CHILEVID

**Table 8: Main Importers of Chilean Wine:
Bottled and in-Bulk In 2003. (in thousand lts and US\$)**

Country	Bottled wine		In-bulk wine	
	litres	US\$ Fob	litres	US\$ Fob
United kingdom	42.428	96.472	11.897	7.947
United States	41.168	100.076	634	365
Denmark	9.709	29.135	16.619	6.732
Canada	9.199	27.561	16.153	5.931
Germany	8.624	23.265	27.352	9.312
Ireland	8.552	26.255	216	101
Sweden	4.357	11.834	24	13
Holland	7.243	19.158	1.564	921
Japan	5.712	18.196	3.593	1.918
Brazil	6.185	13.503	0	0
France	1.792	7.678	11.662	5.041
Finland	3.402	9.566	933	545
Belgium	3.480	10.651	1.885	1.460
Mexico	3.888	10.190	1.368	690
China	362	1.193	23.297	9.250
Swiss	2.176	7.533	1.778	1.573
Norway	1.714	4.893	1.289	841
Colombia	1.794	4.624	139	76
Russian	1.686	4.308	1.414	570
Peru	1.096	2.589	144	68
Total	164.567	428.680	121.961	53.354

Source: Wine of Chile (Figures until October, 2003).

**Table 9: Evolution of Chilean Wine Destinations
(in % based upon exported)**

Market	1980	1985	1990	1995	2000	2001	2002(*)
Latin America	88%	70%	37%	23%	11%	9.7%	7.1%
U.S.A., Canada and Mexico	10%	27%	44%	39%	33%	28.6%	28.4%
Europe	2%	3%	17%	31%	48%	52.2%	52.8%
Far East	w.i.	w.i.	w.i.	3%	6%	9.2%	11.3%
Other	0%	0%	2%	4%	1%	0.3%	0.4%
Total	100%	100%	100%	100%	100%	100%	100%

Source: CHILEVID

w.i.: without information. (*): Year 2002 just covers January to August.

Table 10: Main Strength and Weakness Of Chilean Wine in International Markets

Strength	Weakness
No pollution	Poor logistic
Clean industry and environment	Poor or lack of country and firms image
Country politically stable	International influence
Absence of multicultural tension	Weak public and private organization
Good quality	

Source: Adapted from Spawton contribution to Wine Marketing Seminar, Catholic University of Chile, 10.05.2001.