Sparkling Wines: the Prosecco

FOOD FOR THE FUTURE

1ST SEPTEMBER 2015 – UNIVERSITY OF SYDNEY

Mara Thiene - University of Padua
Outline

1. The Prosecco wine and the area of production
2. The collective brands
3. The market
4. Marketing research: who drinks Prosecco?
The Prosecco Wine Region

The first Wine Route in Italy (1966)
The first Italian Sparkling Wine District (2003)

(Source: C.I.R.V.E., 2015; Conegliano Valdobbiadene- Prosecco Superiore, 2015)
The Production Area

Gentle hills with clayey soils, rich in limestone, of alluvial-glacial origin.

Dry, warm, well-ventilated climate.

It produces wines rich in structure with fruity aromas.

(Source: C.I.R.V.E., 2015; Conegliano Valdobbiadene Prosecco Superiore, 2015)
2010 list of potential UNESCO World Heritage Sites

(Source: C.I.R.V.E., 2015)
The Oenology School of Conegliano (1876)

The Oenology School is the oldest in Italy established under the patronage of Antonio Carpenè (1838-1902). He refined the Italian Method (Martinotti/Charmat) for making sparkling Prosecco.

(Source: C.I.R.V.E., 2015)
The Collective Brands

The most common certifications for quality wines are CDO and CGDO.

1. **Prosecco CDO (Controlled Denomination of Origin):**
The “basic” Prosecco produced in a large area encompassing more than 600 municipalities.

2. **Prosecco CGDO (Controlled and Guaranteed Denomination of Origin):**
The wine produced in the historical area encompassing only 15 municipalities.

3. **Prosecco Superior Cartizze** (106.7 hectares, the “Grand Cru” of denomination)

Wine producers must comply with specific Production Regulation: wines are produced in areas with specific climate & soil characteristics.

(Source: C.I.R.V.E., 2015; Conegliano Valdobbiadene-Prosecco Superiore, 2015)
The Production Regulations

Production rules:
1. Production area and established yields (13.5 tons/he CGDO, 12.0 tons/he Cartizze)
2. Grape varieties (85% Glera, 15% Verdiso, Pinot, Chardonnay)
3. Wine processing (manual harvesting, gentle pressing, settling and vinification)
4. Bottling and transformation into sparkling wine
5. Control (performed at every step of the production process)
6. Labelling and Marketing

(Source: C.I.R.V.E., 2015; Conegliano Valdobbiadene-Prosecco Superiore, 2015)
The Tutelary Consortium of Conegliano Valdobbiadene (1962)

Role:
1. Protect the brand
2. Improve and guarantee the quality
3. Promote knowledge and marketing

(Source: C.I.R.V.E., 2015; Conegliano Valdobbiadene- Prosecco Superiore, 2015)
The Prosecco Wine Market

**Conegliano Valdobbiadene CGDO / Prosecco CDO**

*bottle – 0.75 litre, 2011-2014*

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 (*)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bottles</td>
<td>%</td>
<td>Bottles</td>
<td>%</td>
</tr>
<tr>
<td>Sparkling CGDO</td>
<td>61,203,000</td>
<td>24.5%</td>
<td>61,715,521</td>
<td>23.4%</td>
</tr>
<tr>
<td>Rive CGDO</td>
<td>1,058,267</td>
<td>0.4%</td>
<td>1,033,866</td>
<td>0.4%</td>
</tr>
<tr>
<td>Superiore di Cartizze CGDO</td>
<td>1,445,000</td>
<td>0.6%</td>
<td>1,073,365</td>
<td>0.4%</td>
</tr>
<tr>
<td>Semi-sparkling CGDO</td>
<td>5,811,000</td>
<td>2.3%</td>
<td>4,804,667</td>
<td>1.8%</td>
</tr>
<tr>
<td>Still CGDO</td>
<td>227,000</td>
<td>0.09%</td>
<td>151,733</td>
<td>0.06%</td>
</tr>
<tr>
<td>Sparkling CDO</td>
<td>105,361,600</td>
<td>42.2%</td>
<td>117,845,600</td>
<td>44.8%</td>
</tr>
<tr>
<td>Semi-sparkling CDO</td>
<td>73,117,733</td>
<td>29.3%</td>
<td>76,215,733</td>
<td>29.0%</td>
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<tr>
<td>Still CDO</td>
<td>1,625,733</td>
<td>0.7%</td>
<td>398,933</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total Production</td>
<td>249,849,334</td>
<td>100.0%</td>
<td>263,239,419</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

(Source: C.I.R.V.E., 2015)

Growth % 2011-2014: +54.4%
The Prosecco Wine Market

Conegliano Valdobbiadene CGDO, sales bottle – 0,75 litre, 2003-2014

(Source: C.I.R.V.E., Conegliano Valdobbiadene DOCG, 2015.)
Export Markets

Prosecco CGDO, 2008 (bottle 0.75 litre)

-European countries-
- Germany: 37.5%
- Switzerland: 18.7%
- United Kingdom: 6.2%
- Austria: 5.7%
- Other European countries: 5.0%
- Benelux: 2.8%
- Total extra European countries: 0.7%

-Extra European countries-
- United States: 23.4%
- Canada: 9.6%
- Latin America: 6.2%
- Japan: 3.1%
- Others countries Asia-Africa: 2.1%
- Oceania: 1.5%
- Others countries: 0.9%

(Source: C.I.R.V.E., 2015)
## Export by Countries

**CGDO, Sales, 2011-14**

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>3,535,608</td>
<td>4,759,168</td>
<td>4,915,641</td>
<td>5,391,089</td>
</tr>
<tr>
<td>Germany</td>
<td>8,251,826</td>
<td>6,881,100</td>
<td>6,360,005</td>
<td>7,282,082</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4,529,394</td>
<td>5,921,698</td>
<td>6,478,939</td>
<td>6,611,871</td>
</tr>
<tr>
<td>Austria</td>
<td>2,027,344</td>
<td>1,588,289</td>
<td>1,353,029</td>
<td>1,857,794</td>
</tr>
<tr>
<td>Benelux</td>
<td>775,293</td>
<td>986,424</td>
<td>798,304</td>
<td>881,654</td>
</tr>
<tr>
<td>Scandinavia</td>
<td>433,677</td>
<td>374,054</td>
<td>608,855</td>
<td>709,857</td>
</tr>
<tr>
<td>Russia</td>
<td>408,022</td>
<td>833,260</td>
<td>568,516</td>
<td>498,174</td>
</tr>
<tr>
<td>Ex PECO 1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,061,924</td>
</tr>
<tr>
<td>Ex PECO 2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>211,026</td>
</tr>
<tr>
<td>Others European Union</td>
<td>1,419,454</td>
<td>1,328,241</td>
<td>1,954,204</td>
<td>2,029,448</td>
</tr>
<tr>
<td>Canada</td>
<td>765,194</td>
<td>1,361,651</td>
<td>1,291,908</td>
<td>1,093,412</td>
</tr>
<tr>
<td>United States</td>
<td>2,023,172</td>
<td>2,338,456</td>
<td>2,701,071</td>
<td>2,636,750</td>
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<tr>
<td>Brazil</td>
<td>382,521</td>
<td>399,628</td>
<td>135,820</td>
<td>143,528</td>
</tr>
<tr>
<td>Others Latin America</td>
<td>310,773</td>
<td>319,261</td>
<td>186,719</td>
<td>261,444</td>
</tr>
<tr>
<td>China &amp; Hong Kong</td>
<td>127,967</td>
<td>272,952</td>
<td>140,515</td>
<td>185,111</td>
</tr>
<tr>
<td>South-East Asia</td>
<td>-</td>
<td>97,910</td>
<td>101,251</td>
<td>189,807</td>
</tr>
<tr>
<td>Africa &amp; Others Asiatic</td>
<td>-</td>
<td>33,667</td>
<td>61,380</td>
<td>57,284</td>
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<tr>
<td>Japan</td>
<td>204,164</td>
<td>370,867</td>
<td>217,403</td>
<td>265,343</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>255,015</td>
<td>483,178</td>
<td>651,238</td>
<td>810,101</td>
</tr>
<tr>
<td>Others</td>
<td>205,392</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>25,654,816</td>
<td>28,349,804</td>
<td>28,524,798</td>
<td>32,177,699</td>
</tr>
</tbody>
</table>

*Ex PECO 1: Polonia, Repubblica Ceca, Repubblica Slovacca, Estonia, Lituania, Lettonia.*

*Ex PECO 2: Ungheria, Romania, Bulgaria, Slovenia, Croazia.*

(Source: C.I.R.V.E., 2015)
Market research is often interested in understanding consumer preferences and the sources of differences.

What are the determinants of wine choice? How much are consumers willing to pay for different types of Prosecco wine? Is purchase outlet a key determinant?

Such information is particularly relevant when developing market strategies for wine, especially when local production and certification of origin play an important role.
Attitudinal data are an important source of information, especially when the goal is to identify different groups of people with a similar preference structure.

Survey data often include responses to questions regarding the importance placed by the respondent on product attributes, but the information often does not enter the structure of econometric models of consumer’s behavior.

We develop a Latent Class Regression Model, which allows to:

1. simultaneously regress determinants of *Willingness to Pay* (*WTP*)
2. segregate wine consumers into groups with a similar probability of sharing a profile.
Marginal Willingness to Pay estimates (€) of 5 class model

(Thiene et al., 2013, modified)
Estimated Probabilities of being more knowledgeable, older, visiting a wine shop often, considering important/very important other variables.

(Thiene et al., 2013, modified)
Distributions of individual-specific marginal Willingness to Pay

Individual WTP for CGDO at restaurant

Individual WTP for CDO at restaurant

(Thiene et al., 2013, modified)
Thanks!