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Executive Summary

Southcorp is a major international wine producer of high quality wines for the global market, with a pre-eminent position in Australia's main wine growing regions. Southcorp sells more than 20 million cases of wine a year, with more than half coming from the company's four core premium brands of Penfolds, Rosemount, Lindemans, and Wynns Coonawarra Estate. These core premium brands are the key growth drivers for the business, representing 80% of total wine revenues. Being that our core brands are the driving force in our company and already have established success, we have decided to provide more products that would take the form of brand extensions and line extensions, to ultimately achieve global domination in the wine market. We will continue to produce high-quality wines in addition to our new products. Last year, Southcorp's wine sales revenue for 2002 totaled \$840 million, of which \$800 million of it was derived from the sale of wine outside of Australia. Because outside markets contribute significantly to the success of our company, we plan to implement new strategies and improve our existing ones in order to achieve our goals. Southcorp already has strong presence in the key markets of the United Kingdom and the United States, and we plan to expand this primarily to the European markets, with a special emphasis on Spain. We plan to target new market segments and break the traditional views of wine and wine drinkers.

2 – Situation Analysis

1 - Macroenvironment Situation

Demographics

The majority of the wine drinkers in the world are typically determined by two factors: age and life-cycle. Most of the wine drinkers are known to be over the age of 40 and relatively affluent, or so at least this is what the common person perceives to be true. Though this is the case most of the time, and as noted in the executive summary, Southcorp would like to change this perception. As a result, measure will be taken to incorporate a new segment market into the realm of wine drinkers. Our target market focuses on individuals who are between the ages of 20-30 and who are students and/or young adults or couples. People between the ages of 20-30 make up 25% of alcohol spending and consumption.

They fall in the category of either Generation X or Echo Boomers. According to studies, Generation X'ers are known to buy many products at lower prices, which is determined by their financial pressures. They seek a better quality of life and prize experience, and it is estimated that by the year 2010, they will be the primary market, representing \$125 billion in annual purchasing power.

The Echo Boomers make up 72 million of the world's population, of which they still have yet to form their buying preferences and behaviors, which leaves us with a potential virgin market, only aiding our process to change wine views.

Economic Forces

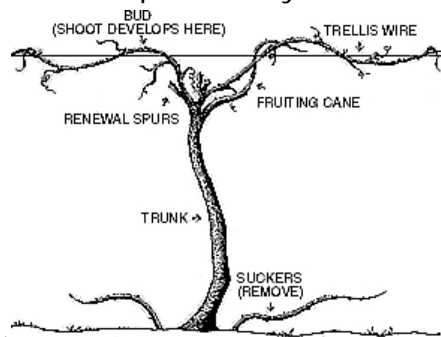
Some of the factors that affect consumer purchasing power and spending patterns are changes in income which in turn drive shifts in spending. The turn of the 21st century marked many new occurrences, some good and bad, but the major events have placed some dents in the global economy. Currently, the world is in a global "slump," with not really one country thriving at their potential. This has put minor bumps in the road of trade, which we depend on heavily. Exchange rates have taken the hit of this slump. However, we are focusing our marketing efforts on the United States and Spain, which are both faring fairly well compared to the rest of the world.

Income distribution has been a factor that we have taken great consideration to as it determines the success of our products. Those who tend to buy wine are either at the top of the upper-class, a group which tends to not be heavily affected by current economic events, and the middle-class to working class, who are more careful about spending but who are still able and willing to afford the little luxuries of life.

In Spain, though there is an alarmingly high unemployment rate, the Spanish economy is really the only one that is growing at a healthy rate. With this growth comes more spending, and as income increases, spending power increases as well.

Natural Forces

Dealing with the natural environment water and climate issues is one of Southcorp's priorities. This is critical for Southcorp since it determines the company's sustainability. When growing grapes it is important that they receive plenty of sunlight. It is also crucial that the soil has the best drainage and moisture retention. Grapes are also susceptible to many diseases and insects, and Southcorp must deal with this issue by controlling pests by spraying pesticides. If a natural disaster were to hit Australia, it would damage many vineyards and Southcorp would have to deal with a shortage in grapes that would drive up the prices of wine. Below is a picture of a vine to understand why it is significant for Southcorp to worry



about the grapes natural environment

Figure 1: Parts of the grape plant

Because Southcorp is a company that grows grapes and produces wine, we really don't pose a major threat to our environment. Our raw materials are depended heavily upon our weather conditions. Water, soil, and grapes are our

driving forces. Southcorp introduced a new water delivery system in order to deliver water more efficiently so as not to waste this resource, and in turn it has resulted in an improved grape quality. We do encourage recycling to promote a healthier environment.

Technological Forces

With the crowning of the 21st century behind us, Southcorp looks forward and is constantly watching current technological trends in an effort to create and improve new products and to seek any possible market opportunities. We have already installed precise monitoring devices that monitor and deliver water efficiently, and we are looking into investing in more state-of-the-art equipment to further aid us in our quest for the perfect grape. We have also placed monitoring devices to compare environmental conditions to help predict outbreaks. We are looking into producing grapes in a greenhouse so Southcorp can monitor climate, water, air, and pests more effectively. Currently, there is controversial debate about the genetic modification of the grape, which would produce grapes at a faster rate and at a larger size. This topic has not been researched enough for our company to invest in such a risky expenditure; however, it is currently being researched in the United States.

Political Forces

Alcohol has always been a controversy in our modern age. There are regions of the world in which alcohol is not permitted, while, in others it is a daily part of life. There are many laws and government regulations that impede our local and global sales. The laws require that wines that label varieties of grapes must contain at least 85% of that variety. If Southcorp continues to export wine to the United States the wine labels must also contain the alcohol content. The United States also requires that the volume of alcohol be included on wine labels. For table wine, the U.S. requirement is a minimum alcohol level of 7 percent, a maximum of 14 percent.

This is an example on how a wine label should read in order to be exported:



Southcorp must also deal with taxes when exporting to other countries; exportation taxes can be as high as four hundred million dollars a year. Since Southcorp must pay for exportation taxes they must charge a sales tax along with the state tax that can drive up the cost of purchasing wine. As you can see below sales tax on wine has increased in the last twenty years.

History of Sales Tax on Wine

Pre August	1984	0% + State Tax
August	1984	10% + State Tax
August	1986	20% + State Tax
August	1993	31% + State Tax
October	1993	22% + State Tax
July	1994	24% + State Tax
July	1995	26% + State Tax
August	1997	41% (no State Tax)
July	2000	46% equivalent (29% WET + 10% GST)

Southcorp must also consider the cost of exporting wine to other countries. For shipments to the U.S there is a minimum of a full case. The reason is the cost of shipping one bottle is the same as shipping seven bottles. Southcorp must get

all there labels approved prior to shipping so no less than six bottles of any individual wine would be shipped. Since we would like to target a market that is middle to low income we would only consider exporting a minimum of four dozen and no more than two varieties of wine each time. This would lower cost of goods sold allowing Southcorp to slightly lowering the cost of purchasing wine. Below is a chart of costs that Southcorp must consider when shipping to Europe and the US.

Destination	Ireland & Europe	USA
1 Dozen	180.00	265.00
2 Dozen	350.00	520.00
3 Dozen	475.00	765.00
4 Dozen	600.00	1000.00
5 Dozen	750.00	+250 per case after
6 Dozen+	Very low rates	As above

2 – Market Situation

Australia currently ranks #8 in world-wide production with European nations such as France, Italy, and Spain ranked as the top three. Our emphasized country, Spain, has a per capita consumption (liters) of about 40, ranking it 6th in overall consumption.

Southcorp has a strong presence in the UK and US which are ranked as top 3 as global importers of wine (UK 20%/ USA 14%). “The rapid growth and international success is enjoyed by the industry indicates that it is internationally competitive” (www.awbc.com.au). Australia is beginning to lead the world in the wine industry, and this can be partly attributed to its viticulture and oenological practices, along with the commitment to innovation and technological advances. Australian wine is emerging as a leader and has posed a threat to the “traditional” wines of Europe, with its fresh, crisp fruit flavors. These tastes can be attributed to innovation and technological advances which reduce the level of oxygen contact, and therefore producing the distinct Australian wine.

According to the Winemakers' Federation of Australia and Winegrape Growers' Council of Australia (WFWGC), they expect grape production to increase to 1337 (kt), a 72% change, and wine production to reach 1003 (million liters), a 71% increase with wine value increasing by 95%. What impedes the growth of industry are weather factors such as water availability, or restrictions on land ownership.

3 – Competitive Situation

Competition

Southcorp has a large array of local and global competitors. Foster's, a local competitor, serves to be Southcorp's greatest Australian contender, while California based company, E&J Gallo and English born Allied Domecq top the list as strong global competitors. In this competitive review, we will examine each of these three competitors and their position in the wine market.

Foster's Group, previously Foster's Brewing Group, was seen primarily as a leader in malt beverages. However, in 2000, Foster's acquired Beringer Wine Estates, and dropped the "brewing" part of the name to just "group." Since the acquisition, wine now accounts for 35% of total sales and has brought to the company the prestigious title of "Leading global premium wine company." Their vision entails their products "inspiring global environment," and their mission is to "work together, respecting each other, our heritage, diversity, skills and knowledge to: build premium quality brands by delivering service excellence to consumers and customers."

Foster's generates about \$5 billion in total annual sales with wine contributing to \$1.5 billion of total sales. Because one of their goals it to be a leading global investment, they distribute to over 145 countries in Australia, Asia, the Pacific, Europe, the Americas, and Middle East. However, their largest sales come from the Pacific/Australian areas of the globe. What distinguishes this company is their special emphasis on technical excellence. Foster's aims their company towards superior brand marketing, operating efficiencies, and employee development, by trying to maintain a concise focus on brand equity, margin management, and capital efficiency.

The transition from Foster's Brewing Group to Foster's Group brought about a significant amount of changes. Not only did they acquire a subsidiary, completely different from any of their other products, but a new image had to be invented. They accomplished the first step when they changed their name; the second step was re-identifying their company. In doing so they chose three different shaped glasses which are "intended to make an instant visual reference to the group's breadth of activities." The image of the glasses is intended to deter the consumer's vision from focusing on the product to enjoyment. The colors and shapes represent the diversity of the business along with the vibrancy and enjoyment that is attained only through consumption. The company has held fast to their ever popular campaign slogans of, "Foster's...Australian for beer "or" Foster's...it's Australian." These and other award winning advertising and promotional programs have been the driving force for their success, in addition to the pavement the company's personality, which is characterized by Australian heritage, climate, landscape, people, and attitudes. These elements conjure up a care-free, laid back, friendly approach to life, which have all played a critical role in its success.

One of their most successful promotional efforts is through the most watched sporting event in the world...Formula One. The event consists of 17 races, and each race attracts 600 million viewers per race. The race itself is international, fun, and glamorous. This partnership creates a large promotional tray for the company to expand its name and global image.

Global Banding is just one of the many ways Foster's builds its company. It spreads its brand message through promotional programs, sponsorship, and public relations. These efforts add to their brand equity. Its strength rests upon its global consistency in packaging, identified by their logo in blue and gold with an oversized, red F in the middle, and advertising. These are some of the great measures taken to ensure that Foster's remains consistent around the world, guaranteeing a high quality product.

E&J Gallo is the world's largest wine company who produces more than one million cases of wine a week under various labels. The company was founded by two

brothers in 1933 and to this day is still family owned and operated. It is estimated that 25% of U.S. wine production is made by Gallo.

Its 2001 sales totaled \$1,700 million, which was a 5.6% increase from 2000. What has made this company a leader in the industry is its status as a private, family-owned company, which conveys the image of a wholesome, quality product.

Gallo was once known for selling low-moderate priced wines; however, they have successfully changed that image by expanding their company. In doing so, they began producing high quality wine without the Gallo name label on it. This brand extension was successfully labeled "Turning Leaf" and "Gossamer Bay." The company chose this route in order to increase its market share and build its reputation as a quality producer of wine. In doing so it attracted a separate market and did not confuse or detract the regular customers looking for low-moderate priced wine and it attracted a new, upper class market that did not associate the low-priced wine with Gossamer or Turning Leaf.

There goal is to become the most innovative global marketer and distributor of wines, in order to attract, retain, and develop a high-performing, diverse organization, while improving product quality and product offerings as defined by the consumer, and expand and strengthen their distribution network.

To address issues in their environment they pride themselves on maintaining the physical wonders of the Sonoma area, and continue preserving and improving the local environment. The natural approach not only allows for the growth of healthy grapes, but they do not disturb the ecological system of their area. This has given E&J Gallo the reputation of environmentally friendly, making them a much liked company. Instead of using pesticides or any herbicides, they promote the use of "natural insect predators," which are used to control the level of harmful insects.

Allied Domecq is one of Southcorp's top competitors and is a leading English company. Their goal is to become a market-led company by introducing their new approach, "valuable ideas that create enjoyable experiences." Allied Domecq is the producer of such well known brands as Ballantine's, Beefeater, Kahlua, Sauza, Courvoisier Cognac, to name a few. They also produce wines and spirits

that contribute to 33% of all sales and 53% of profits. It maintains its operations in more than 48 countries with the wine sector making up the largest of the four. Their interests in wine began in February of 2001 with the acquisition of New Zealand's leading winemaker, Montana. By January of 2002, Allied Domecq formed a new Wine Division, which has served to be a competitive nemesis to Southcorp.

Its growth strategy consists of expanding existing business operations and acquisitions, which was accomplished with the acquisition of Montana. There has also been strong emphasis on long-term developments in Latin America, Eastern Europe, and the Pacific Rim.

Their main goal is to increase sales coverage and capitalize on their strength of leading brands. For this year alone, sales have reached \$8,300 million which is a 23.2% growth from last year, and net income has totaled \$963 million. This 23% increase in growth can be attributed to their introduction of videoconferencing systems which have been implemented throughout all levels of the organization. Because AD is a leading global company, they have offices and divisions located all over the world. This spread and general expansion has brought the company increased costs because of traveling and the necessity to reach all divisions. To reduce costs they implemented the system, which has significantly reduced costs by approximately \$118,500 and has saved 2700 hours in travel time. Also, more people can participate in these meetings with no incremental costs. More benefits include the 500% increase in the education of distribution channels.

4- Target Buyer

Our target buyer is between the ages of 20-35. Their buying behavior is influenced by social factors, for instance, the social group that they belong to. We are targeting the less affluent consumer belonging to either the middle class or working class, which comprise 32%-38% of the population.

5- Product Situation

International sales now account for approximately 45% of total revenue and Southcorp now sells more bottled wine outside Australia.

Figures Expressed in Billions of U.S. Dollars

Year	Sales	Sale Growth	EBITDA	% of Sales
2001	1.403	-4.6%	.167	11.9%
2002	1.124	19.9%	.167	14.9%

Expenses from ordinary activities, excluding borrowing costs

	2002	2001
Cost of good sold	1,165,367	1,685,587
Administration expenses	92,345	153,667
Selling, marketing and distribution expenses	453,334	416,205
Written down value of net assets, transaction & restructure cost of controlled entities and businesses divested	554,445	905,940
Other expenses from ordinary activities	111,290	109,956
Total expense for ordinary activities, excluding borrowing costs	2,376,781	3,271,055

6 – Distribution Situation

Currently, a large number of Southcorp wines are distributed to the UK and North America. The distribution channels of Southcorp will include our current one Direct Marketing Channel, in addition to utilizing the Vertical Marketing System channel that allows for our wine products to be used by the average college student and couples. Through out time, wines have been targeted towards the higher-social class, instead of the working-class that may enjoy the great taste of wine. Southcorp wines come from four vineyard regions that harvest their grapes to follow a special fermentation process.

Southcorp company revenue sales in the year 2002 were 840 million and company volume was 30%. We would like to increase its sales to the United States by more than 30% of the companies' volume. Southcorp would only sell to whole sellers to control cost of goods sold. The wholesalers would include retailers such as Gelson's Market or Whole Foods Market.

The costs to distribute wine products through wholesale price are as follows: (for a dozen wine bottles that comes in a case is \$265.00, any quantity over a dozen is \$520, and over 4 dozen is \$250.00 per case or \$1000.00). Southcorp growth potential is highly because of the variety of core premium wine products offered, in addition to our brand extension of wine bags, liter bottles, and wine cook books.

2. Company Analysis

1 – Strengths

Southcorp is Australia's largest winemaker and global exporter.

They attained this title with the 2001 acquisition of Rosemount Wines Estates. Its key brands are Penfolds, Wynns, Rosemount, and Lyndemans, names that are all associated with the founders of Australian wine. Among these four brands, Penfolds and Rosemount, are the strongest in global demand. Southcorp is responsible for almost 30% of wine production in Australia, and ranks number 8 in world wide production. Last year alone saw wine revenues total \$313 million, which was a %45 leap in net profit. Lastly, its red wine maturation facility at Nuriootpa, South Australia, is the largest of its kind in the world.

Environment

Australia, due to its location in the world, provides one of the best environments to cultivate grapes.

Quality Speaks

Southcorp's wines have routinely succeeded at international shows, demonstrating the quality of the wine. Wine connoisseur magazine, "The Wine Spectator," regularly votes Southcorp branded wines to its annual Top 100 list. In addition, Rosemount Estate was crowned "New World Winery of the Year," by the prestigious "Wine Enthusiast" magazine of the U.S. Penfolds is a top twenty brand in the United Kingdom and Lindemans is the largest-selling Australian white wine in the U.S. market.

Did someone say, Variety?

Southcorp produces many wines at many levels of price and expectations. Their prices range from \$9-\$250 depending on the wine.

2 – Weaknesses

Dependency on Seasonal Conditions

The wine industry depends heavily on the quality and quantity of grapes produced which is determined heavily by weather conditions. Any slight variation in the

temperature could greatly affect the production rate. Shortages or abundances in the water supply also play a heavy role in the health of the grapes. Lastly, the maintenance and constant revisal of the plants for any plagues or diseases that could affect the outcome is very important.

Recent Release was a Flop

Southcorp's recent release, Penfolds Magill Estate Shiraz, was not a big hit.

Sole Income is Wine

Southcorp has a water heater division that has provided a large portion of the company's revenues in the past, however, steps are being taken to sell its division which would increase its reliance on wine. As a result, Southcorp will no longer be diversified and income will only be coming from one source.

Reliance on Export Market

Because Southcorp is a leader in the global market, there is a solid dependency on exchange rates which are easily affected by the happenings of the global economy.

3 – Opportunities

A Growing Wine Industry

The Australian wine industry continues to grow as exports reached \$2 billion for the first time this last year. Overseas sales have doubled within four years and has consolidated Australia's place as the fourth biggest wine exporter. This has also lead to market expansion, making the demand for wine increase, especially in domestic popularity.

Emphasis on Technology

There is a special emphasis placed on the technological work that goes into winemaking that gives Australian wine its distinct tastes. There is going to be more investment in state-of-the-art equipment as well as improvement in what is already there. There will also be more emphasis on viticulture and winemaking in

Australian universities, something that is supposed to help promote the production of better quality wines.

High Spending for Target Market

The target market is the largest spending sector of the population in both our target locations, contributing to 20% of all consumer spending.

Brand Name Recognition

Southcorp's wines are widely known in Australia, New Zealand, the United Kingdom, and the United States. Southcorp has a large market share in the UK and US, comprising over 45% of export sales.

4 – Threats

Competition

Southcorp is faced by existing and emerging competitors alike. The top four are both local and global forces, such as Foster's and BRL Hardy, and global contenders such as E&J Gallo and Allied Domecq. (Competitive figures are explained more in depth on page (7-10)).

Environmental Problems

Southcorp must face the possibility of devastating seasonal conditions each year. In this industry, it is always possible to have a devastating weather system that could affect the output of grapes produced, as well as the quality.

Social Pressures

There are many concerns regarding the consumption of alcohol. There is always the threat of a growing concern for alcoholism. Bad press and media exposure could potentially damage the consumption of all alcoholic sectors.

International Regulations

Europe is proposing efforts to raise trade barriers to foreign wines. Europe composed \$487 million of the wine market, wants to win back market share lost

to new-world wines. This could result in tariffs, quotas, and heavy restrictions that could ultimately hurt Southcorp's profitability in the European market.

Economic Slowdown

Currently, there is an economic slowdown that is affecting all of the world's markets. If this continues or worsens, it could ultimately affect Southcorp and the countries it trades with. Also, because of the exporting market's impact on profitability, there is a heavy dependence on exchange rates, which is ultimately determined by the economic status of a country.

3. Issue Analysis

1- Critical Success Factors

Southcorp's critical success factors are the following:

- Providing high-quality wines at reasonable prices
- Focusing on consumers willing to buy a less expensive bottle: (a) college students, (b) young couples, (c) American & European young adults all within an age range from 20-35
- Offering an experience that provides affordability, quality, and builds social status

In order for our product to be successful we must target consumers who are not willing to buy an expensive bottle, but are willing to buy a less expensive one that assures them of quality. For instance, college students who enjoy being in company of friends and having a good time, might not be so inclined to spend \$30-\$50 on a bottle of wine but would however, be willing to purchase wine that is affordable to their pockets and convenient to carry. Another target, young couples that have experienced a transition from being single to married/involved, need a form of adventure in their busy lifestyles. "Wine for 2," will allow affordability, quality, and social status along with a bit of added romance in their lives. Single adults between the ages of 20-35 years old also need a form of escape from work, school, and life in general. They want to feel free and energetic and a wine litter bottle is perfect for those gatherings with co-workers, friends and family. The cooking book is great for learning new tips on healthy living and cooking.

2- Alternatives

To establish a successful wine business, Southcorp plans to implement methods of strategy differentiation.

Product Development

Market our wine a "picnic for 2" packet. This would include having a wine bottle, specialty bag, 2 specialty glasses, a corkscrew, crackers, and cheese. This would include business discussions with specialty food companies that would be willing to place their product in our "basket," for a profit. This product would be sold at

specialty stores at a price that corresponds with the wine. The expensive wines would have a higher value and thus raise the price of the bag. However, the basket will also offer lower priced bottles, allowing the less affluent consumer to buy the product. Consumers will feel they are receiving quality and affordability in a fruitful bag of goodies. The wine bags will be inspected for quality, brand loyalty, and price. We will place our products at specialty stores (i.e. Whole Foods) in public displays for the public to see and purchase, and European stores like El Corte Ingles (Spain) or La Rinascente (Italy).

Market Penetration

We plan to introduce our product to the middle and lower income consumers. Our goal is to incorporate wine into everyday cooking and life. We will accomplish this by focusing on advertising via the food network channels, cooking magazines, as well as, at wine conventions, award shows, and wine magazines. We will also promote a wine-cooking book that will have recipes to meals using our products at wine tasting days at major shopping centers. The book will sell at a reasonable price.

Americans and Europeans are looking for ways to eating and feeling healthy. Our product will introduce individuals to a new way of life where cooking can be enjoyable and healthy when you have over 100 easy recipes to follow. Moreover, incorporating wine into a cooking book will be a further step to increase our brand name recognition, while having something new and exciting in the convenience of your own home.

Global Marketing

Heavy marketing will target younger consumers in other countries where wine is already a part of culture. European countries, such as Spain, where wine is a very popular drink among the youth will be advertised with a youthful flavor (see Brand Extension)

Brand Extension

For the purpose of not harming consumer attitudes or sales from our traditional customers, we will establish a brand extension, which will carry a different name. We don't want to confuse the image of our already established "sophisticated"

market which is made up by affluent, middle-aged individuals, with a hipper, younger image that could make them feel that our product is “too young” for their tastes. Instead of buying wine in clumsy bottles or big boxes, wine will be introduced in a 2-liter bottle. This erases the need for smaller boxes and introduces a larger bottle to accommodate many drinkers.

Young adults will feel they are part of a new generation of younger wine consumers. In many countries, the youth drinks beer because of its low price, but with wine in a liter bottle not only can they submerge themselves in a “hip trend” in pop culture, they would be able to afford it, which would in turn make them feel part of a higher class.

3 – Evaluation of the Alternatives

Product Development

Creates a new genre for the company and also expands their relationships to other branches of the industry. It calls to attention the consumer who wants to buy the basket as presents, or surprise elements at a special occasion. It does not discriminate by income level because there are varieties of choices in regards to wine selection. However, it might be difficult to find other companies that would be willing to place their wine or cheese in our bags. Companies might not want to associate their product with our wine, or there might be disputes on price.

Associate companies need to be aware that our product is high in quality, taste, and availability. A modification to the product will enhance sales and further bring in more profits.

Market Penetration

Allows for the company name and the products to get exposed to many viewers via the marketing on the television and the magazine adds. The exposure at the shopping center is a great way to sell the book or to promote any of the other products. However, in the United States, having a wine tasting at a large center could generate negative exposure due to alcohol laws and restrictions. There would have to be thorough investigation to assure ourselves that we will be no negative repercussions.

However, a day at a shopping center will not only expose our product, but also allow for consumers to view the wine bags as a new way of fun. Wine bags and cook books are to be directed more towards college students and young adults that have reached the legal age of drinking in the U.S. In parts of Europe and South America, the drinking age is between 16-19 years of age, which would allow for easier access to their market.

Global Marketing

Selling our product abroad allows for greater sales because Europe is a large market for wine drinkers. European countries are known for loose drinking laws and heavy drinking customs. However, because the target would be Europe, the European Union could impose stricter laws in regards to alcohol within the next few years, which could at that point, hurt our campaign depending on the gravity of the restrictions.

Due to strict alcohol laws in the United States, the youth would be advised of the dangers of alcohol abuse.

4- Recommendations

In order to focus on our target market, we have decided to promote our product primarily to lower-income, college students, and young adults/couples. These individuals want to experience adventure, fun, and acceptance into the social world. They need a form of escape from their daily pressures to feel motivated, happier and younger.

Southcorp has a prestige for being a top producer in Australia and the U.S. and with that in our favor we believe that wine needs to be introduced to other segments such as the younger adult generation. Incorporating "Wine for 2" is more affordable to the pockets of many lower-class individuals. A cooking book is the combination of change and practically where young adults can eat and feel healthy with foods and wines they really enjoy.

4. Marketing Goals and Objectives

1 – Company Definition

Current mission statement, *“Achieve sustainable growth in earnings and improved returns on funds invested... In doing so, we can provide surety of supply, optimize the operations of our vast vineyard holdings, improve the sourcing of fruit and ensure the most efficient deployment of winemaking capabilities. This, in turn, will ensure capital is most effectively deployed.”*

We have revised the current one to fit our specific needs for our brand extensions: *“Southcorp will offer the world’s highest quality wines at a fair and reasonable price to young American and European consumers. In doing so, individuals will engage in a fun and exciting wine drinking experience.”* At Southcorp, our main goal is to provide young generations the ultimate experience of tasting quality wines at an affordable price to their pockets, but that accommodate to their casual lifestyles.

2- Market Definition

Southcorp is the largest producer, exporter, and winemaker of Australia and is ranked number 8 in world wide production. As a contender in the global market, Southcorp wants to expand to more countries and dominate the wine market by being one of the top four global producers. In doing so, the company plans to segment new consumer markets, based on geographic location, demographics, income, cultural factors, and age and life-cycle. The new target market would consist of:

- young adults (ages 20-30)
- young European adults (20-30)

3- Technological Changes

IT Systems

To improve the management of the company, Southcorp has contracted the help of Mainpac, Australia’s premier asset maintenance and management systems designer. IT was designed in Australia and for Australian conditions, which was a major factor in the decision. With this system, they have been able to meet both short and long term goals. B This has allowed for savings across the organization

that have taken the form of doing more with labor forces than reducing the staff, due to more preventative maintenance. They can increase their percentage of planned maintenance which results in an increase in uptime equipment and a reduction in overtime.

Internet

The internet has been taken advantage of by Southcorp in the sense that it has developed an innovative website that has allowed the world to see and experience the company. Via the internet, Southcorp expands its company’s name and all its attributes and current events.

Equipment

Southcorp has invested and continues to invest, large amounts in the implementation and maintenance of state-of-the-art equipment. This equipment allows for the focus on hygiene and minimum oxygen contact, which has been a factor in its rise as leader in world-quality wine production.

4 – Financial Objectives

Southcorp plans to increase its revenue, net income, profit margin, and decrease any extraneous costs. Currently, the sales growth is 14.4% and

Southcorp expects to increase its revenue to the projected amount by the year 2005, which is only 2 fiscal years away. This will be executed through an increase in quantities sold, not an increase in price. As we increase revenue, net income will increase as well

(in millions \$)	Current	Projected
Revenue	1,590	3,500
Net Income	176	350
Profit Margin	11.1	13

5. Marketing Strategies

1- Strategies Defined

The strategies that we plan to use are Market Penetration, Global Marketing, and Product Development

2 – Market Segments and Target Analysis

Southcorp plans to segment new consumer markets based on age, income, location, and cultural factors. .

Age

Age is the biggest determinant in our marketing strategy. Wine has typically been marketed to older, affluent people, conveying the message that it represents sophistication, sagaciousness, success, and possibly romance. However, in our attempt to break that view, we will target a newer generation—a younger crowd that has yet to form an opinion about our product. We realize that young adults are typically the sector that either represents the lower-income level or the unemployed of the market, and that is why we must turn our attention to the price of our product...

Income

Wine has always been infamous for the association of quality and price. But it is this precise observation that we want to break. We realize that our “new” target market lacks economic power and that is why we have separated them from our traditional market. Our products will adjust to their spending power not by diminishing quality, but by introducing innovative products specifically targeted to their income level.

Geographic Location

We have decided to divide our market based on a geographic segment due to the different laws and regulations that each country has. The market will be divided by countries: United States and “Rest.” The United States has the heaviest amount of restrictions imposed on alcoholic beverages compared to any other country in the world. In order to respect their rules, our marketing approach must be different. The legal drinking age in the United States is 21, while in other parts of the world it is between 16-19. (Refer to pages 4-6).

Cultural Factors

Southcorp plans on marketing to the European nations, and we realize that there are many cultural differences that must be taken into consideration. Spain and other European countries incorporate wine into their diet and is a daily routine for most. Because we want to focus primarily on Spain, where wine is already a popular drink among the youth, most of our information pertains to that country. Spain's predominant age range is between 15-64, which comprises 64% of the total population while 17% is made up of those over 64. The alcoholic drinks market grew by 4% last year, with wine estimated to grow by 3% more this year. Spain has many specialty drinks that include wine, one in particular that is known as the "national drink" of Spain, is a mix between wine and Coca-cola, commonly known as "Calimocho," or "Tinto de Verano," which is a combination of pink wine with seltzer water. As mentioned above, wine is a popular drink among the youth, and is consumed regularly due Spain's loose drinking laws and infamous nightlife.

2 – Recommended Target Market

We will target students and young adults between the ages of 20-35, primarily in the U.S. and Spain. College students have \$30 billion in spending power, and 20% is spent between a combination of tobacco and alcohol. People between the ages of 20-30 are prominently living the most exciting years of their lives where they have social, political and emotional freedom to make choices and have fun. They usually live at dorms with roommates, have their own apartment or live at their parents' house. The majority of students enjoy going out with their friends to nightclubs, cafes, shopping centers, and bars.

3 – Positioning

Currently, Penfolds holds a strong position as a luxurious, high-quality, high-priced wine that is consumed by older, affluent, and successful individuals. We already offer the best quality and we deliver it at the same time, and this is what differentiates us from the rest of our competitors. By incorporating Penfolds into our wine bag collection we hope to ensure the same quality and brand name, only with a trendy bag that can be used for many purposes and that will attract the attention of our younger consumer markets. With the bag, not only are consumers drinking wine, they are making a statement: wine can be enjoyed everywhere and anywhere...all thanks to the convenient bag. With our liter bottle,

we plan on re-inventing our image to that of a new, vibrant, young, fun, yet classy wine. Our wine products are the only ones in the market that will be targeted to the younger generations of society and that will be based on hip trends, convenience, and class all for young adults.

Product Differentiation

Our wine liter bottles will be convenient to carry and affordable, something that has yet to be introduced to the market. While our wine bags will be hip and trendy, but also durable and reliable. There will be constant inspection for quality to ensure that our products are not defective or have any problems when distributed, i.e., (zippers/pockets/etc.).

Image Differentiation

Our liter bottle will have the name "Aussie's" as its label, which will be in bright colors, (red/blue/gold). These colors are intense and catch attention quickly, and through our advertising they will communicate our personality.

6. Marketing Mix

1 – Product Mix

We want to develop our wines into a brand extension by offering: a picnic wine

bag, Birthday wine bag, Party for 2 bag, Wine liter “Aussie’s”, and Wine Cook

Book, with Penfolds in each product, our most popular wine, made with multi-

regional blends and American oak

maturations made from selected fruits;

The new products would include the following :(items a-f). Southcorp utilizes the product bundle pricing strategy for selling their wines, wine bags and liter

bottles. Wine bags, Liter bottles, and the Wine Cook Book are not yet offered, but we have extended the product’s brand equity in doing so.

Product	Price List
a) Average Bottle	\$5-\$180
b) Picnic Wine Bag	\$49.99
c) Birthday Wine Bag	\$29.99
d) Party for 2 Wine Bag	\$79.99
e) Wine Liter Bottle	\$5.99
f) Wine Cook Book	\$20.99

2 – Price Mix

- a) Depends on brand and year
- b) Small Penfolds bottle, cheese, crackers, specialty wine bag, corkscrew
- c) Regular size Penfolds, coffee cake, cork-screw, specialty bag
- d) Regular Penfolds specialty bag, cork-screw, crackers, cheese, 2 wine glasses
- f) Includes 150 food/wine recipes

Currently, Southcorp uses competition-based pricing to be parity with competitors pricing of wines, but for extending our product we will use value based pricing that accommodates to the working class needs. Therefore, Southcorp prices are lower than other competitor’s prices like Fosters Group, BRL Harding, E&J Gallo, and Allied Domecq. Southcorp lower prices will bring in more revenue and net income for the company.

3 – Place Mix

Southcorp distributes its wine products through a direct marketing channel. It is a franchiser that sales its products directly to the consumer. It utilizes direct marketing channels to sell their wine products throughout Europe and the U.S. For purposes of our marketing plan, we would like to use the distribution channel of the Vertical Marketing System (VMS), where our products can be sold to wholesalers and then to retailers. Southcorp will also begin to purchase additional items such as cheese, wine bags, and crackers from our franchise " Picnic Ascot". In doing so, we have established a relationship with the wholesaler that will provide the company the necessary items to sell our wine products to the retailers.

The wine bags & cooking books will be distributed in specialty stores such as (Whole Foods, Trader Joes, and Gelsons, (El Corte Ingles (SP), La Rinascente (IT), Carrefour (FR/SP)). A catalog list will be generated for special occasions such as Thanksgiving, Christmas, Valentine's Day, Easter, Mothers Day, and 4th of July. Catalogs will be available to clients when they purchase a bag.

Southcorp already makes its own products but will utilize a method of purchasing additional items such as cheese, wine bags, and crackers from our franchise, "Picnic Ascot". In doing so, we have established a relationship with the wholesaler that will provide the company the necessary items to sell our wine products to the retailers.

The wine litter bottle will be distributed to specialty stores, supermarkets i.e. (Vons, Albertson's, Ralph's, Food For Less), European supermarkets (El Corte Ingles (SP), La Rinascente (IT), Carrefour (FR/SP), and liquor/ convenience stores (7-11/Caprabo (SP)). The bottles will come in lightweight, easy to carry, sizable stature. The litter bottles will be shipped to the Southern and Northern sections of the U.S., also to Europe. All products will be transported via airborne, train, and ship.

4 – Promotion Mix

Southcorp Limited pays a two percent advertising fee to the retailer for advertising our wine products. The general motto of Southcorp, "To provide quality wines at an affordable and convenient price". The company has also estimated a one

percent retailer-advertising fee for local and global promotions. Although Southcorp is not depending on the franchise for additional funding, retailers will provide space for public displays of wine bags and liter bottles. Southcorp distributes its wine products through a contractual VMS (vertical marketing system). It is a franchiser that sales its products directly to the consumer. It utilizes direct marketing channels to sell their wine products throughout Europe and the U.S. The two channels that wine products must go through is the manufacturer to the consumer.

Wine Bags The wine bags will be promoted via advertising – Martha Stewart magazines, Home Decorations, Home Shopping Channel, award shows, wine conventions, Women’s Television Channel, wine magazines in the US and Europe.

Cooking Book The cooking book will be promoted via the Food Network Channel, Women Magazines (Latina, Modelle, Modern Women) Men Magazines (Home Depot, Home Improvement, etc.). We will hold a Wine Tasting Day at a shopping Center (Sherman Oaks Galleria, Northridge Fashion Center). An annual “Wine Tasting Day” will be held in Malibu at “Gladstones” promoting our brands of different wines

Wine Liter The wine liter will be promoted at Spanish University Campuses, popular night clubs, and bars. In addition the “Aussie’s Wine Liter bottle” promoted at the beginning of the school year between Spring 03’ to Fall 03’

Southcorp utilizes the opportunity of holding a “Wine Tasting Day” and “Wine Cook Book Fair” at award shows, wine convections, and globally at EL Corte Ingles at the beginning of the fiscal year in June ‘03, by promoting the Wine Bag Collection in June at wine convections and award shows. In addition the “Aussie’s Wine Liter bottle” promoted at the beginning of the school year between Spring 03’ to Fall 03’.Some events already planned are:

- In-store samples at Gelson’s and Whole Markets
- Buy one, get one free coupons for “Aussie’s liter bottle” at college nightclubs and bars
- Student discounts at local and global wine conventions for cook books and wine bags

Southcorp will utilize the allowance pricing for their wine products for promotional purposes. For instance, quantity discount: Buy a dozen wine liter bottles for \$71.88 (1 box), if you buy more than a dozen bottles it will be \$59.88 per box. It allows for the working class consumer to buy wine products from retailers at an affordable price. Southcorp's main goal is for consumers to enjoy their wine in a happy and casual environment in company of friends and family.

7. Controls and Monitoring

Southcorp has decided at the beginning of the fiscal year, (June 2003) the marketing department will market the Wine Tasting Days and Cooking Books locally at award shows or wine conventions and globally in El Corte Ingles.

Most consumers usually have picnics during the spring and summer time. Southcorp will market their wine bag collection starting June 2003, which will include their latest wine. The company felt June 2003 would be the best time since it's right before the summer. The company's sales department and marketing department will be in charge of this activity. The wine bag collection will be marketed locally at award shows, wine conventions, and globally in El Corte Ingles.

Young adults or college students from the U.S. spend most of their weekend at popular nightclubs or bars. Southcorp has decided in the U.S to promote the "Aussie's" wine liter at all major nightclubs and bars, which are affiliated with college nightlife. In foreign countries Southcorp has decided to promote the "Aussie's" wine liters at college campuses, nightclubs, bars, and concerts. In both, the USA and foreign countries the "Aussie's" wine liter will be promoted during the school year, (spring and fall of 2003). The promotional efforts will be mainly carried out by the "Aussie Chicks," and the "Aussie Mates," which is Southcorp's version of the "Marlboro Girls," or the "Foster's Girls," which are groups of young women and men who would promote at these fun events. The team would be "Team Aussie," as it would be made up by attractive, young women ("Aussie Chicks"), and handsome, young men ("Aussie Mates") and they would visit all "hip" college oriented locations.

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