SAMPLE

TO: Prof. Hussain
FROM: GROUP __ (Names of group members)
DATE: October 09, 2003
RE: Final Project Proposal for Group Project

INTRODUCTION

Our group has chosen Chilean Wine exports for our research project. In our initial investigation into the U.S. wine market we were amazed at the breadth of information and issues associated with this industry and quickly realized that it wouldn't be possible to cover everything in the time allotted.

In order to make the final report relevant we will narrow our focus to the small and medium sized wineries in Chile that produce lower and medium priced brands and our research will focus on a few relevant areas, as outlined below. Our goal for the project will be to provide a strategic promotional plan for the Consul General that will enable him to use his limited resources most productively in gaining recognition for these small wineries. Additionally we hope to provide marketing recommendations to the Consul General that he can pass on to the wineries to use in their U.S. sales and marketing programs.

ENVIRONMENTAL CONTEXT OF THE PROBLEM

Of all the South American countries, Chile is the leader in economic progress. Wine is one of the major agricultural products of Chile and the wine industry is a very important source of export revenue. From January to July 2002, exports to the United States totaled 31,538,497 liters valued at $75,021,038, representing a 10% increase over the same period in 2001. Chile sells approximately 16 percent of its wine exports to the United States. According to a study conducted by the Chilean Ministry of Economy, the next decade will show strong growth for the wine industry and will become one of the most important sources for income for Chile by 2010.

Chile is known around the world for its high-quality, low-priced wines; however, Chilean wine producers have begun entering foreign markets for higher-priced wines as well. The leading Chilean wine exporters include Vina Concha y Tora, Vina Santa Rita, and Vina San Pedro. As mentioned in the introduction, our group will focus on the high-quality, low-priced wine market. Most U.S. consumers are aware of European wines mainly because of the length of
time they have been in the marketplace. In 2001 France and Italy represented 59% of all bottled wine imports. Other countries, however, are also making inroads into the U.S. The third largest importer was Australia with 14% of the US import market, followed by Chile with 10%. Smaller countries are also present, including Argentina and South Africa with a combined total of just less than 3%.4

Even with growing volumes of exports, little promotion or marketing is done in the United States for Chilean wines. This is especially true for the small and medium size wineries. The larger wineries have their own channels of distribution and in many cases have joint ventures with major U.S. wineries; therefore our group will focus on the small and medium size wineries. Chilean wineries do not try to compete with the European market because they are so entrenched in the U.S. psyche. However, they do consider countries such as Australia direct competition. So for the purposes of our marketing research project in we will limit our competitive analysis on how Australia promotes their wine in the U.S. as well as a comparative analysis of the promotions by U.S. Wine groups.

We feel although we have not yet qualified it, that the small and medium size importers do not sell directly to the retail or consumer markets. Instead they sell their products to an intermediate distributor. In our research we will identify this distributor network, but we also feel it is important to know the trends in the Consumer wine market. By identifying these trends we can suggest ways in which the wineries can package their offerings to the distributors, using key promotional elements designed around the needs of the consumer market.

As an example of this, the Wine Market Council feels that the younger generation, with little wine education and who usually turn to beer, represents its next "generation wine consumer". These consumers are known as the marginal wine consumer group and represent more than 20 million potential wine drinkers. Consumer studies have indicated that "this target audience is ready to integrate wine into their lives, but wine must be brought to mind every day in casual situations that invite more frequent consumption".5 By researching these types of consumer issues we hope to be able to point out in our report these trends that will affect all wine sales in the future.

PROBLEM DEFINITION
Management Decision Problem:
Marketing Research Problems:

- What types of wine promotion are effective for the high-quality, low-priced wine market?
- What types of effective third-party promotions, given limited resources, can the Consulate of Chile use to effectively promote Chilean Wine in the U.S.?

Approach to the Problem

Research Component Questions:

Goal: Identify the export group and the competitive characteristics of their wine

Q: Who are the small and medium sized Chilean wineries?
Q: What types of wine do these wineries export viz; type, price range, etc.?
Q: What types of promotional activities have been used in the past for Chilean wines?

Goal: Identify the target wholesale market and their buying behavior for planning of Chilean wine promotions

Q: 1) Who are the current wholesale distributors of Chilean wine in the US?
   2) What selection criteria did they use in deciding to purchase the Chilean wine?
Q: 1) Who are the wholesale distributors not currently buying Chilean wines in the US?
   2) What are their selection criteria for purchasing wine?

Goal: Identify consumer trends that can be used in future promotional campaign strategies

Q: What target market buys the most wine in the U.S.?
Q: What types of wine are most popular in the U.S.? Why?
Q: What role does price play in selecting a wine?

(Hypothesis: Wine price plays a large role for the general public.)
Q: What consumer issues will affect the way wine is sold in the future?

(Hypothesis: Wine is complicated and the general public won’t buy wine because they don’t want to appear uneducated.)

**Goal: Identify current promotions offered by the competition**

Q: How do the Australian Consulate and Australian Foreign Trade Office and Associations promote their country’s wine?
Q: What promotions/advertising campaigns do the U.S. wineries conduct for the target market of high-quality low priced wines?

**Goal: Identify Government issues that will affect future promotions**

Q: What California liquor laws dictate what types of promotion and what types of distribution are acceptable?
Q: Will the Free Trade Agreement that is to be signed between the U.S. and Chile provide for lower duties and thus lower prices on imports?

**Secondary Research:**

Before conducting any primary research the following avenues of information will be reviewed and information pertaining to our research questions will be culled and analyzed. We think that a majority of our questions can be answered completely by secondary research. However the information will also be used to develop our survey for our Primary Research.

1. [http://www.chileinfo.com/wine/wine02.html](http://www.chileinfo.com/wine/wine02.html) - PROCHILE Website (Chilean Trade Commission)
3. [www.usembassy.cl](http://www.usembassy.cl) - U.S. Embassy in Chile
4. [www.chile-usa.org](http://www.chile-usa.org) - Embassy of Chile in Washington D.C.
5. [www.santiagotimes.cl](http://www.santiagotimes.cl) – Santiago Times (Major newspaper in Chile)
7. [www.chilnet.cl](http://www.chilnet.cl) – Chilean Yellow pages
8. [http://fpc.state.gov/6123pf.htm](http://fpc.state.gov/6123pf.htm) – U.S. Department of State (Info on U.S. – Chile Free Trade Agreement
9. [http://www.vinasdechile.cl](http://www.vinasdechile.cl) – Vinas de Chile (Association representing 90% of wine exporters)
10. [www.americanwineries.org](http://www.americanwineries.org) – American Vintners Assoc. (code of advertising standards)
11. www.wineinstitute.org – California wine issues, great links to lots of information
12. www.library.unisa.edu.au/vl/winevl/wine.htm - University of South Australia
grape growers, wine producers, importers, wholesalers, and other affiliated businesses and
organizations.
15. www.wswa.org/public/ - Wine and Spirits Wholesalers of America, Inc. (Information on
liquor laws)
17. www.vintners.com – great stats, etc.

Primary Research:

Our primary research will focus on the Wine Distributors. We will develop a survey that
will be sent out via e-mail and/or conducted by phone. The purpose of the survey will be to
clarify the buying patterns of the distributors.

Group Member Responsibilities:

Member A – Chilean exporters and U.S. Distributors
Member B – Competitive promotions
Member C – Consumer Trends
Member D – Government issues

References (only those used in this proposal):

1) http://www.vinasdechile.com Vinas de Chile Website (Chilean Wine Association)
2) http://www.winebusiness.com Wine Business Communications, Inc.; article dated September
   6, 2002
3) http://www.chileinfo.com/wine/wine02.html - PROCHILE Website
   report.
5) www.winebusiness.com "Young Marginal Wine Drinkers Form Target for Researchers Eager
   to Expand Wine Audience