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## ANALYSIS OF PROMOTIONAL ACTIVITIES OF MEDIUM AND LARGE WINE PRODUCERS IN CROATIA

### Abstract:

The potential for diversification in segment of wine promotion is greatly wide. But it is important to empathize that supply market achieves almost perfect offer effect and competition, bought form domestic and foreign producers is great, so promotion efforts are one of the most important

activities that producers have to make in order to make their market share satisfactory. Since wine is product that is described with large number of classification, suppliers have a wide range of promotional options. However, due to the great competition it is important to make every effort to gain as much of the buyers focus as possible.

### Keywords:

wine, marketing, promotion, export, import

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## About winemaking in Croatia

In Croatian economy branch of agriculture production is considered to be one of the strategic sectors. This is primarily viewed within its share in GDP, number of employees, consumption and production and a fact that it holds the potential of multiplier effect on the entire economy. Although the potential of this market branch is unimpeachable, having analyzed the impact on the GDP in terms of output between 2003 and 2013, the smallest contribution was provided by the entertainment and other services (3.6%) and agriculture, forestry and fishing (1.7%) [1].

Statistical data released by the Croatian bureau of statistics shows that within the agricultural production showed that the total utilized agricultural area in 2015, amounted to 1.537.629 hectare, with the category of land and gardens represented by 54.7%, permanent grassland (meadows and pastures) to 40.2%, orchards 2.0%, vineyards 1.7%, from 1.2% olive groves, vegetable gardens by 0.1% and nurseries, willow basket weavers and Christmas trees with 0.1%. [2]. The value of agricultural production in 2015 in the Republic of Croatia amounted to 17 billion and 383 million Croatia kuna (2 billion and 317 million EUROS) and compared to the previous year there was a decrease of 0.2%. [2]. According to the statistics available from the Agency for Payments in Agriculture, Fisheries and Rural Development (Paying Agency) which was created based on an analysis of the national system of identification of land parcels, and records the use of agricultural land in the Republic of Croatia (ARKOD) in 2015 a total of 1.094.793,30 hectares of agricultural land was cultivated. Viticulture makes 1.7% of total share of land that was cultivated in 2015 [3]. There is some differences between statistical data release by the

Croatian bureau of statistics and paying agency. Since Paying agency is creating data based on an analysis of the national system of identification of land parcels, and records the use of agricultural land in the Republic of Croatia (ARKOD) it is considered to be more reliable.

G-1. POLJOPRIVREDNA POVRŠINA PO KATEGORIJAMA KORIŠTENJA U 2015.  
AGRICULTURAL AREA, BY CATEGORIES OF UTILISATION, 2015

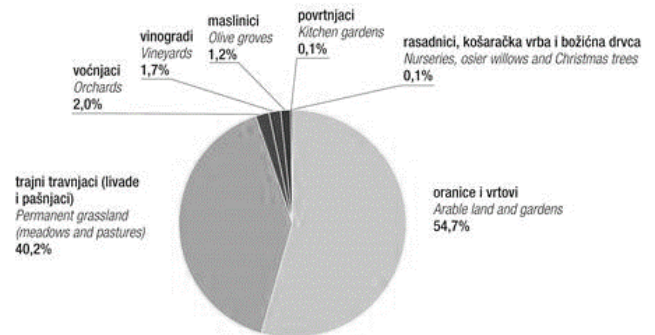


Figure 1: Total agriculture area divided by the categories of utilization in 2015 [1]

Croatian chamber of commerce (CCC) reported that total area of permanent vineyards in 2015 year amounted total of 20.881,75 hectare (cumulative of all sub-regions together) and production was a total of 98.857,66 tons of grapes from which it was obtained 646.129,34 hectoliters of wine [4].

| Production 2015. | Grape(t)  | Wine w/r (hl) | Wine b (hl) | Wine (hl)  |
|------------------|-----------|---------------|-------------|------------|
| Total            | 98.857,66 | 163.904,13    | 482.225,21  | 646.129,34 |

Figure 2: Grape and wine production in 2015 [4]

With the analysis of the available statistical data it can be concluded that Croatia grape yield per hectare was 4.7 tonnes and that from one kilogram of grapes it was gain 0.65 liters of wine. Although there is developed wine production in Croatia with a long tradition and legally regulated market the fact remains that the use of total agriculture surface for a production of wine is quite limited. As showed in Figure 3 in all 21 counties (županija) there is total of

41.175 economies who are engaged in viticulture but only 366 of them grow vines on surface (površina) more than 5 hectares [5].

| Županija               | Broj PG       | < 0,1 ha      | 0,1 - 0,5 ha  | 0,5 - 1 ha   | 1 - 5 ha     | 5 - 10 ha  | 10 - 50 ha | 50 - 100 ha | 100 - 200 ha | >= 200 ha | Površina (ha) |
|------------------------|---------------|---------------|---------------|--------------|--------------|------------|------------|-------------|--------------|-----------|---------------|
| Bjelovarsko-bilogorska | 906           | 549           | 304           | 27           | 21           | 5          | -          | -           | -            | -         | 172           |
| Brodsko-posavska       | 506           | 251           | 213           | 18           | 20           | -          | 3          | 1           | -            | -         | 255           |
| Dubrovačko-neretvanska | 3.426         | 692           | 1.411         | 628          | 679          | 5          | 11         | -           | -            | -         | 2.215         |
| Grad Zagreb            | 957           | 432           | 434           | 42           | 35           | 9          | 3          | 1           | -            | 1         | 766           |
| Istarska               | 2.673         | 260           | 1.569         | 397          | 352          | 60         | 33         | 1           | -            | 1         | 3.025         |
| Karlovačka             | 383           | 145           | 187           | 29           | 22           | -          | -          | -           | -            | -         | 113           |
| Koprivničko-križevačka | 3.881         | 1.980         | 1.852         | 23           | 21           | 3          | 2          | -           | -            | -         | 533           |
| Krapinsko-zagorska     | 5.474         | 2.704         | 2.680         | 60           | 28           | 1          | 1          | -           | -            | -         | 753           |
| Ličko-senjska          | 101           | 22            | 67            | 9            | 3            | -          | -          | -           | -            | -         | 29            |
| Međimurska             | 737           | 285           | 284           | 60           | 92           | 10         | 5          | -           | 1            | -         | 534           |
| Osječko-baranjska      | 739           | 228           | 235           | 79           | 148          | 32         | 12         | 1           | 1            | 3         | 2.490         |
| Požeško-slavonska      | 730           | 130           | 228           | 93           | 235          | 35         | 7          | 1           | -            | 1         | 1.409         |
| Primorsko-goranska     | 416           | 98            | 203           | 69           | 39           | 2          | 4          | 1           | -            | -         | 306           |
| Sisačko-moslavačka     | 702           | 336           | 305           | 27           | 26           | 6          | 2          | -           | -            | -         | 232           |
| Splitsko-dalmatinska   | 4.613         | 1.146         | 2.540         | 601          | 310          | 6          | 5          | 3           | 1            | 1         | 2.359         |
| Šibensko-kninska       | 2.042         | 454           | 1.371         | 158          | 54           | 1          | 4          | -           | -            | -         | 682           |
| Varaždinska            | 3.928         | 1.991         | 1.855         | 52           | 25           | 4          | 1          | -           | -            | -         | 569           |
| Virovitičko-podravska  | 1.131         | 471           | 610           | 23           | 21           | 2          | 2          | 1           | 1            | -         | 477           |
| Vukovarsko-srijemska   | 531           | 60            | 126           | 80           | 225          | 20         | 16         | 1           | 2            | 1         | 1.655         |
| Zadarska               | 2.654         | 430           | 1.823         | 193          | 187          | 11         | 8          | 2           | -            | -         | 1.343         |
| Zagrebačka             | 4.645         | 2.322         | 2.032         | 184          | 99           | 6          | 1          | 1           | -            | -         | 966           |
| <b>Ukupno</b>          | <b>41.175</b> | <b>14.986</b> | <b>20.329</b> | <b>2.852</b> | <b>2.642</b> | <b>218</b> | <b>120</b> | <b>14</b>   | <b>6</b>     | <b>8</b>  | <b>20.882</b> |

izvor: APPRRR

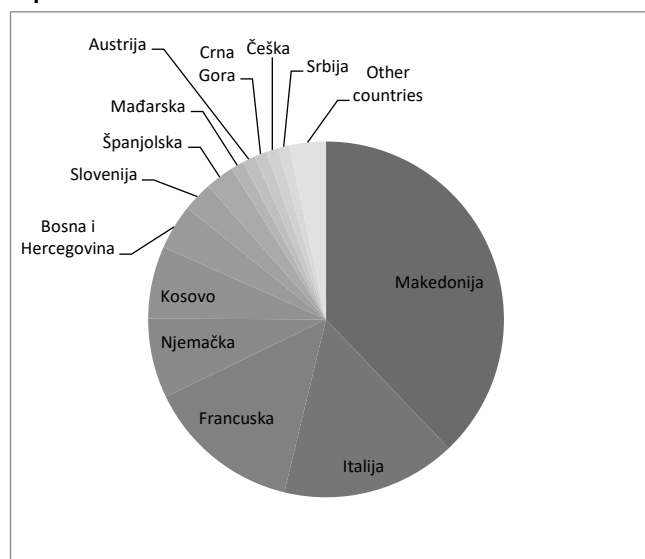
Figure 3: Number of farms by the size of the vineyard and the total area under vines ( 22.09.2015. ) [5]

We emphasize that a large number of economies that grow vines on less than 5 hectares of vineyards does not imply that all who grow grapes produce wine. Market of cultivating grapes is part of an organized system of association and cooperation between small businessmen and larger producers. This method of cooperation provides a larger wine producers the necessary raw material while the producers of greps meet their business ambitions. It is important to state that we do not want to explicitly specify that a large number of small wine producers is necessarily an indicator of poor market production index. The fact that smaller producers themselves bear the responsibility for marketing their products and must actively include sales system in there business plan, a wide selection of small producers may make a market advantage over foreign competition. A large number of wine producers with vineyards area less than 5 hectares open the possibility of branched market offer and

success on the market depends primarily on themselves.

The economic sector of wine production and sale operates within an open economy and the Croatian supply market allows competition between foreign and domestic suppliers. With vice versa logic Croatian wine makers can openly compete on foreign markets.

#### Export of wine



## Import of wine

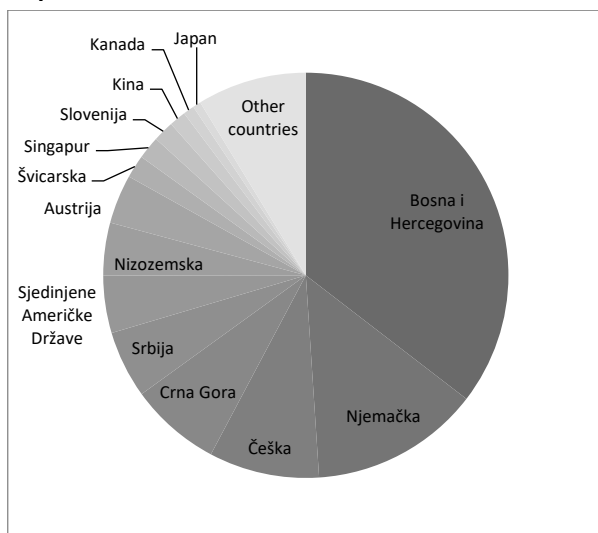


Figure 4: Export and import of wine in 2015 [4]

The external trade balance of wine made from fresh grapes in 2015 amounted to EUR -16,606,426. Imported a total of 28.920 tons of wine (29.006.754 Euro value) which makes the coverage of imports by exports 43%. [4]. According to those data, we assumed that there is widespread consumer segment for foreign wines.

## About the wine marketing

Marketing is a process that begins with the idea of a need and ends with a sense of satisfaction that users achieve when their desires are fulfilled. In order to achieve its goal marketing strategy relies on the principles of its foundation. The strategy is reflected in the concept that is known as the marketing mix, and it includes elements of the marketing strategy over which the company has control [6]. Traditionally divided into the marketing of natural products that are composed based of four portion (4p): promotion, distribution, pricing and product and marketing of services that has an additional 3P: process, physical environment and people. It is not unusual that the concept of marketing is identified

only by its segment of promotion and in colloquial speech often two terms are used interchangeably. But promotion is only the fourth instrument of marketing mix which indicates activities undertaken by the company to communicate out their products and activities with a goal to lead targeted customers to them [7].

The aim of this study was to analyze promotional activities of medium and large producers of wine so we will focus only on promotion part of the marketing mix. The promotion consists of advertising, personal selling, sales promotion, public relations and publicity, which collectively called promotional mix. Accordingly, promotion aim is consumer information, product differentiation, increasing demand, highlighting the value of products and the stabilization of sales [8].

## Wine as a product

Wine is an alcoholic beverage produced by fermentation of grapes. Legally defined wine belongs to agricultural food product, obtained by total or partial alcoholic fermentation of fresh grapes and grape must [9]. The possibility of dividing the wine is almost impossible to restrict. The Croatian law divides wine for example, in the narrow sense (still wines, sparkling wines, sparkling wines, sparkling wines), special wines (dessert, flavored, liqueur wines), the color (white pink, black) according to the sugar content (dry, semi-dry, semi-sweet, sweet), qualitative categories (table, quality, top). Manufacturers divides wine by sharing them by year of production, varieties, crucifixion or pairing (blend), the method of storage, the mode of production (conventional, ecological), vineyards, region, vineyard. Customers divide the wine according to their preferences such as the origin

(domestic or foreign), price class, experience. All of these divisions are only part of the possibilities for segmentation of this product and it should be emphasized that the above division intertwined with one another and can create new ways of differentiating wine. This product is an alcoholic beverage and excessive consumption leads to socially undesirable effects, however, although wine may carry a negative stigma benefits of its consumption overcome them. The consumption of the wine can influence the improvement of health, increasing experience of eating food, consumer helps in achieving cultural/social status etc. The wine is extremely complex and extremely demanding but also grateful product. The possibility of segmentation and diversification is almost countless and the potential that this product achieves in the market has the potential to achieve multiplicative effect. The development of the wine market economy can bring multiple benefits at all vertical levels: GDP, employment, development of local communities, export, import, tourism.

By looking on an total sum of the land units in the area of agriculture in Croatia most common grape variety is Graševina with 4.598,52 hectares (over 22% of total production), followed by the Istrian Malvasia 1.664,34 hectares (over 8%) and Plavac mali 1.650,44 ha (over 7%). The top three culture account for over 38% of the total utilization of agricultural land are under vineyards while other varieties does not exceed 1000 hectares (cumulative over the entire surface of the Republic of Croatia) [3]. Consumption of wine per capita in 2015 amounted to 24.5 liters [4]. The value of wine production represents 7.3% of the total agricultural production. According to the data available from Croatian chamber of commerce in 2015 import / export balance of the wine sector was negative.

Coverage of import by export accounts for only 43% giving a negative foreign trade balance the wine sector [4]. Although the Republic of Croatia geographically and climatically is located in an extremely favorable conditions for the production of grapes and wine, and there are several hundred years-old tradition of viticulture and wine market output still failed to achieve more exports than imports. The research that we conducted so far can give a partial answer to this problem in high costs of grape production in the domestic economy. According to the analysis of the Institute of social sciences Ivo Pilar from 2013 [10] the problems of first instance encountered by winegrowers and winemakers in the production and sale of grape and wine listed is the high price of putting wine on the market. The average price of table wine in the Republic of Croatia was 7.29 KN / l. This price is the result of data analysis of average prices in 2014 and 2015 are available from the Bureau of Statistics [2]. The average exchange rate of the euro against the Kuna in the year 2014/2015 was 7.638 Kuna for 1 EURO [11]. From this we conclude that the average price of table wine in the Republic of Croatia is the price of not less than 0.95 euros / kg while the most common import competitor offers its products at a price not less than 0.77 euro / kg.

## Wine promotion

As earlier mentioned, there is a great potential of wine market segmentation in the area of promotion and sale which opens bittersweet possibility of market action. Not only multiple products division is what makes this economic segment interesting but more such is the customer segmentation. Wine is a product that cannot be sold to persons under 18 years of age but this is almost only barrier that

describes the demand of this product. Even people who do not consume wine have at least once purchased it. It turned out that this product is extremely suitable as a gift giving accessorize. Research that we conducted 2016 on a sample of 114 respondents showed that 94.74% of respondents consume wine, while as many as 99.12% when buying gifts chose wine as part of the gift. Although the possibility of market segmentation is great we have to keep in mind that the offer on this market makes almost perfect competition effect. Due to the large amount of products offered, the possibility of gaining necessary attention of customers is extremely small. Promotional activities have to be focused, concise and targeted to qualify in order to obtain maximum performance. With the expansion of the economy and the emergence of increasingly strong competition and the arrival of new educated young winemakers, the need for promotion will be all the greater but most importantly winemakers themselves are aware of this [12]. Communication with the market has to be made through all available channels. There is no obstacle that would limit the interaction with the market and winemakers have possibility of promoting in mass media channels, using elements of guerilla marketing, direct promotion, internet promotion, public relations, personal selling, and socially responsible marketing.

## Research and metods

The study was conducted through a questionnaire. The objective of the analysis was to collect data of promotional activities of medium and large wine producers in Croatia and to that end we made a division of the 5 production and capacitive classis.

In order to better segment the target group we divided them to the producers:

- 100,000 liters - 250,000 liters
- 250,000 liters - 500,000 liters
- 500,000 liters - 800,000 liters
- 800,000 liters - 1,000,000 liters
- More than 1,000,000 liters

The questionnaire consisted of possible 15 questions. 9 basic questions pertained to all respondents while 6 additional questions posed in accordance with the answers to the basic questions. Respondents who do not meet the preliminary requirement of a minimum of 100,000 liters of annual production could not participate in the survey. The survey was made using Lime Survey online system for interviewing.

According to data that have been submitted by the Paying Agency for Agriculture, Fisheries and Rural Development to our earlier request it has shown that officially there are 68 manufacturers eligible for the survey. We sent four rounds of emails (with reminders) and for this survey we received 11 responses. We believe that the entire sample is too small (only 16% of the total market segment) to draw conclusions based of the overall market but usable as a guideline statistical trend. We used Microsoft Excel as a tool for computer processing of the survey and descriptive statistics as a method of data processing

## Results and discussion

According to data that have been submitted by the Paying Agency subjects were grouped in a total of five production classis:

| Classis                 | Number of producers | Producers that participate in survey |
|-------------------------|---------------------|--------------------------------------|
| 100.000 l - 250.000 l   | 38                  | 6                                    |
| 250.000 l - 500.000 l   | 10                  | 0                                    |
| 500.000 l - 800.000 l   | 6                   | 0                                    |
| 800.000 l - 1.000.000 l | 0                   | 1                                    |
| More than 1.000.000 l   | 14                  | 4                                    |
| <b>Total</b>            | <b>68</b>           | <b>11</b>                            |

Figure 5: Producers in production classes

To the question "Do you promote your products with paid advertisements on the Croatian market? (Newspaper ads, TV ads, radio ads, internet ads ...)" 6 manufacturers responded positively. Of these, by additional analysis of the respondents it turned out that the two subjects belong to class production from 100,000 to 250,000 liters and 4 belong to the class of more than 1,000,000 liters. All 6 respondents use the Internet website at the national level (Portals, specialized sites) and its own Internet site used only as a system of promotion and communication with the market.

Only two respondents promote their products with paid advertisements abroad using TV and radio ads, Internet ads and their site. Both subjects additional promotion carried out by specialized festivals and fairs. Foreign markets of Polish, Bosnia and Herzegovina and Serbia proved to be the place if additional promotion of those subjects.

A total of 5 respondents reported that in the last five years did research their market segment and used the services of an independent partner. Two

respondents who made segmentation study have made research themselves.



Figure 6: Participation in specialized fairs and festivals

All participants that were analyzed in this survey take part in specialized fairs. This proved to be most important way of promotion and communication with market. For much of this fact, we can connect with the answer to the question how do you make the analysis and prediction of future trends? On which total of 9 participant stated that they rests on the free assessment of future trends and 5 respondents monitor trends abroad and by using the benchmarking method seeks to predict future trends on market. As a self-trendsetters in the market considered to be five of business in survey. All of those that participate in specialized fairs for purpose of forecasting of future trends can get information benefit from participation in specialized fairs and festivals. Compound profession, markets and external stakeholders can only facilitate the process of gathering information and ultimately making decisions.

Usage of their website for all of the respondents serves as the system of promotion and communication with the market. Since this way of communication and presentation has become standard in the economy, not surprisingly, the interviewed group of business declared to use this



way of promotion. However, it is interesting that even 63.64% respondents do not use online tools for tracking their promotion on the Internet. It turned out that there is no interest for this kind of analysis, setting position on search engines, analysis of number of visitors.

As a last question we were interested in the way in which they make decisions what to promote. Given the earlier answers not surprising that 10 subjects reported using the method of free assumption. Two promote only new products, one respondent is promoting only the best-selling product. Rest promote only award-winning products. This question had the possibility of more answers so that the total number surpasses the number of surveyed companies. Through the preparation of studies it was shown that the system of decision making when deciding what promote not always one-sided.



Figure 7: Decision making for promotional efforts

## Conclusion

The wine offer market is extremely complex. Multiple segmentation and classification of wines and a wide range of competitors (domestic and foreign

production) reduces the time customers give for a single manufacturer when selecting a product. In order to maximize the short time attention of buyers, manufacturers need to position their products to enable more transparent and more adequately from competition. Promotional efforts, as a means of communication with the market should be presented as precisely as possible to the target group. The market is constantly changing, customers are becoming more educated, more informed and more selective. Consumers can chose form a large offer of products that almost alike and can almost equality satisfy their needs so that the producers are forced to find more advanced ways to highlight their products and attract the attention of the buyer.

The sample of survey is too small, and we are not able to draw conclusions that can be based on the market as a whole but it is big enough to get the statistical trend in the analysis of promotional activities of medium and large wine producers in Croatia. Through the answers from the questionnaire it can be concluded that all of participants use some kind of promotion and market analysis. Research has shown that participation in specialized trade fairs forms the basis of analysis and perception of competition. Also, specialized fairs are an opportunity to present and promote advantages in operations and products which makes the additional value of this kind of interaction with stakeholders.

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