



## **Sustaining the promise of terroir: the case of the Central Otago Wine Region**

*David Ballantyne*  
*University of Otago*  
*New Zealand*

[david.ballantyne@otago.ac.nz](mailto:david.ballantyne@otago.ac.nz)

**David Ballantyne** is an associate professor of marketing at the University of Otago in New Zealand and an International Fellow at the Centre for Relationship Marketing and Service Management, Hanken School of Economics in Helsinki. He is a co-author of *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together* (1991), the first text published internationally in this field. He is also a member of the review boards of eight international marketing journals.

### **Key words**

Brand meaning; customer value; knowledge renewal; collaboration; socio-technical terroir; reciprocal value; value-in-use.

### **Abstract**

The marketing promise of *terroir* is as a brand value signifier. This promise, I argue, is socially constructed. Here I make a distinction between the technical physiological and climatic characteristics of terroir on the one hand, and the socially constructed aspects of brand value on the other. Debate on the nature of terroir is resolved by taking a *systemic* view, recognising its *socio-technical* structure, and emphasising the beneficial *relationship* between sky, land and man. Historically, terroir has acted as a value marker for *old world* wine regions in achieving international competitive advantage. While the wine industry has tended to emphasise the technical nature of terroir, its socially constructed brand value component should not be overlooked. I argue that the *sustainability* of the value promise of terroir cannot be taken for granted, due to its socio-technical underpinnings and its dynamic and ever-changing social component.

## Sustaining the promise of terroir: the case of the Central Otago Wine Region

### 1. INTRODUCTION

Customers play a central role in focusing the business activity of any firm. In the marketing literature, this is expressed in various ways, as market orientation, customer orientation, or customer-centricity. However, according to Wikström (1996), Ramaswamy (2006), and (Ramirez, 1999), marketing contradicts its own aims whenever it treats customers as passive participants in bringing together the market offerings that organisations produce, communicate, and deliver.

This paper argues that customers and suppliers are active participants in co-creating a sense of the value of terroir attributed to any wine offering. The Central Otago Wine Region of New Zealand is the context of this investigation. My method of inquiry is literature based and is a reflective critical review. First, the generally accepted notion that *customer value* is a consequence of the firm's production and delivery process is discussed. Next, an alternative strategy is presented in which customer value is co-created between customers and suppliers. This leads to the idea that the promise of terroir is *social constructed*. The central question then becomes clear: In a complex world, how is the customer value promise, signified by terroir, to be sustained? Some conclusions and managerial implications complete the paper.

#### **The customer value dilemma: Whose value is that?**

There are two ways to view *customer value* (Flint, 2006). The first emphasises the value that a firm gains *from* its customers. The second emphasises how customers perceive the value that they gain from products and services they buy. The first notion can be called production-oriented. The second is customer-oriented. Each way gives a different understanding of the value creation process.

The first notion of value is derived by combining various firm-based resource inputs. This value notion emerged strongly 200 years ago as a consequence of the Industrial Revolution (Ramirez, 1999). It remains influential in economics and accounting thinking, and by extension, in traditional marketing. Porter's (1985) *value chain* concept fits this approach well, since it suggests firms create value through linking a "chain" of resource inputs in a particular order. However, the second notion is that value is a preferential judgment that only customers can make for themselves (Holbrook, 1994). For example, in the wine industry, supply chain parties may have a short-term transactional approach to buying and selling grapes, or alternatively, work together in a series of developmental steps to achieve customer solutions (Tuli et al., 2007).

*Reciprocal value* is the consequence of both of these value perspectives being recognised and coordinated (Ballantyne et al., 2011). While suppliers are making their value judgments, customers likewise are making theirs. The marketing blind spot is when customers make

these value judgments at various times and places, not just at point of purchase. For example, a customer's appreciation of wine value may begin as a consequence of browsing a wine display in a supermarket, discussion with a wine merchant, evaluation of a range of wine awards or discussion with other customers at cellar door sales. It might also begin socially with friends and colleagues. These planned and random communicative interactions between customers and their suppliers, or their agents, are the means to sharing and transforming opinions about wine and the relevance or not of where it comes from. These social episodes are critical to the appreciation of wine, quite apart from the experience of drinking it. Such evaluations and re-evaluations may occur over an extended period of time, across a range of interactions from paddock to palate.

The term 'interaction' (Håkansson et al., 2009, p. 27) indicates that developing customer value goes beyond point of sale transactions, to co-creating positive customer experiences prior to sale, providing additional service post sale, and becoming aware of customer post-purchase experience with the product (Pralhad and Ramaswamy, 2004). Or put another way, customer value is derived *in use* [<sup>1</sup>] (Lusch and Vargo, 2006; Vargo and Lusch, 2008). This "in use" factor may be a series of evaluations from presale service to the consumption experience and beyond in a multiplicity of social conversations.

The post-sale evaluations that customers make, intuitively or explicitly, allow them to compare their pre-purchase expectations with their post purchase experiences, and so make more acute judgments about the value they gain from any offering (Charters and Pettigrew, 2007). This means that value judgments by customers are always provisional. For example, even though judgments of *value-in-use*, such as tasting a wine, confirm or disconfirm provisional judgments, the next cycle of interactions begins with new provisional expectations. For a wine producer, or any supplier firm, it is necessary to think strategically about the various interventions that could bring about a positive alignment between producer or supplier promises on the one hand, and customer experiences on the other (Zeithaml et al. 1990). There are important implications here for branding of terroir.

### **Brands imply promises and signify communities**

The essential marketing purpose of a brand is to *identify* and to *differentiate* one product, firm or region from another. Any firm hopes that its target markets find its brands to be associated with positive experiences in the use of the product. In the case of wine, this often includes the reputation of the region or place of origin. However, in the use of branding terms, ambiguity exists because of the almost universal habit of using the one word "brand" in at least three different marketing contexts (Ballantyne and Aitken, 2007). First, there is "brand mark" which is an embedded name or identifier, such as *Felton Road/Central Otago Pinot Noir/Produce of New Zealand*. Second, there is the idea of "brand" referring to its claimed attributes and benefits, such as "Sustainable organic winegrowing accreditation and ISO 14001 registered".

The third and more open-ended way of using "brand" is as a symbolic framing device for values that suppliers, as well as customers and others, project onto the brand (Lindlof, 1988). From a marketing perspective, *terroir* belongs in this third category. Perceptions of value are constructed within social systems in which customers and suppliers have established positions and roles to play (Edvardsson et al. 2011). A wine brand carries implicit supplier promises and explicit obligations, but customers and other stakeholders can also attach or destabilise these or other values in forming their own understanding of "brand". This process is what

Gergen (1994) has called establishing social reality through a “multiplicity of voices”. The brand is what people say it is but it is ever changing. And while the process is real, brand value is always becoming, rather than fixed in being.

What is frustrating for suppliers is that any brand building strategy today is provisional, interactive and socially constructed. It starts with a planned brand identity projected by a supplier. If the offering is popular, a brand image evolves through a multiplicity of conversations until it becomes a shared, socially based reality. This loss of control by providers and suppliers does have a positive side - if the offering is experienced as quality, a supportive brand community builds up through multiple planned and unplanned conversations over time, through social interaction (Muniz and O’Guinn (2001) [<sup>2</sup>]). Brand communities may develop identifying rituals and behaviours, such as particular norms for wine appreciation, and a hierarchy between members that relates to maintaining preferential values and norms. It takes social interaction blended with product use to develop and sustain brand meaning. Also critical is *word-of-mouth* communication from within brand communities, and through social media networks.

If this customer value and branding perspective is accepted, claims for unique terroir are gathered up into the branding process. However they are subject to constant customer and community evaluation, as brand value is located in the collective minds customers and the wider community of opinion makers and stakeholders. Brand value becomes the configuration of a multiplicity of voices, conversations at different times and places, experiences and impressions.

Some scholars have emphasised that all marketing interaction occurs within *networks* of relationships that include supplier firms and their customers, suppliers, agents and any other stakeholders (see for example, Gummesson, 2008). This is a *systemic* way of marketing thinking that emphasises the interdependencies between various actors and agents. The crucial point is that if firms are systemically connected, then an absolute firm-level control over marketing image of its brands is not sustainable. The brand serves to signify the nature of the firm’s promises, and customers and other stakeholders’ project these or other values they see fit back into the brand. In this way the brand is socially constructed as a promise of value.

## 2. THE PROMISE OF TERROIR

The notion of *terroir* originated in France, and Burgundy in particular. After the barbarians sacked Rome in AD 455, disorder spread through the Roman Empire. One group of monks gathered together and formed the Benedictine Order, centred first near the village of Cluny. Another group of Benedictines later settled around Nuit St. George. By the 11<sup>th</sup> Century these Benedictine groups had developed influence and wealth, embracing 1,100 monasteries (de Smet, 2008). There were then two powerful and rival factions: one at Cluny and another at Nuit St. George. Later, the “Cluniac” branch split into two – one becoming the Cistercian Order. It was the Cistercian monks who mostly kept alive skills in winemaking through the ‘middle ages’ (de Smet, 2008).

Wine making traditions, discrete land boundaries and the selections of grape varieties evolved over time, as a result of trial and error and continuous improvement. From the perspective of the early monastic wine makers, the world and everything in it was a gift from God, so it followed that they worked to find the best combinations of land and grapes for wine, to give thanks to God (de Smet, 2008).

*The Monks of old were deeply attuned to the environment, the changes of the seasons, their immediate surroundings. Their viticulture was alert to different outcomes because they thought any difference was a message from God. (Meadows, 2008)*

These *holistic* wine making arrangements changed little until 1789 when the French State dissolved all monasteries. The State then became the custodian of all lands under viticulture. Later, by auction, these lands ended up in the hands of private owners.

From this historical picture, with its French origins, *terroir* correlates first with a particular *place*, and extending from that, *differences* between wines are due to differences in the physiology of place, the soil and grape types, and of course, climate and methods. The *uniqueness* in wine due to differences in these aspects of terroir is not in doubt (Charters, 2010). However wines true to a particular place and its unique terroir are not necessarily guaranteed to be of unique *value*. That is, the idea that terroir is related to technical aspects of viticulture and wine making is relatively new, from the 19<sup>th</sup> century. More recently, some authors have added a human actor as an integrator of resources (Moran, 1991). This late addition of a human factor is what I see as a necessary rebalancing of the notion of terroir, between technical and social aspects.

From the time of the Cistercian Monks, the *value* potential of place has been subject to trial and error adaptations, through human endeavour and persistence. The history of the evolution of what came to be known as terroir is, in my analysis, a social history, possibly part myth and stories. However, the trial and error adaptations over time in location and climate, grape clones and methods, are the result of human choices, backed by a service to God theology. In modern management terminology, this was a “continuous improvement” aspiration. Once the human (or social) element is enjoined with the technical aspects of terroir, the relationship between terroir and its familiar technical parts and the integrated whole can be seen as socially constructed. For these reasons it is changeable, and not necessarily sustainable.

### **3. THE CASE OF CENTRAL OTAGO**

Central Otago is a young wine Region in New Zealand’s south island, the southernmost wine region in the world, with characteristic hot, dry summers and snowy winters. There are 80 plus wineries, with differences in their geology, soils, and even climate within the vineyard properties themselves. Growing of vines for wine began in the 1970s but picked up pace only in the 1990s. Most vineyards are owner-operated and the average size is less than 20ha. From slow beginnings, pinot noir has been the main variety grown, and success with this variety accounts for the popularity of the region, both domestically and internationally. Most of the established wineries have full-time or part-time vintners but some achieve a premium quality product using local wine production companies.

Central Otago wine and the diversity of its wine brands has boomed over the last 20 years as new growers and wine makers decided to try their luck. The early pioneers recognised that they were too small to develop individual market clout, so developing a premium image for the region as a whole was a crucial first step. Pinot noir is notoriously difficult to grow and make into premium quality wine, but this has been achieved from the beginning through a network of collaborative relationships within the region that has facilitated the circulation and growth of viticulture and winery knowledge (Caple et al., 2010). In other words, they have

successfully developed regional awareness by working together in building their knowledge, even though they were competitors.

The need to protect knowledge from competitors has seldom existed in the emerging and developing Central Otago Wine Region. Knowledge has been shared across the region and modified *in use* at each winery, thus improving regional standards but maintaining the diversity (differentiation) of each winery's skills, methods and outputs (Caple et al. 2010). While it does seem counter-intuitive, explicit knowledge shared becomes *know-how* (skills and competencies) only when it is successfully put to use (Nonaka, 1991; Nonaka and Takeuchi, 1995). This knowledge sharing has allowed Central Otago Region to emerge rapidly over the last 10 years as the leading producer of Pinot Noir wines in New Zealand.

The global recession in 2008-2010 has impacted on international sales volumes for New Zealand wine products. There are 700 wineries and 4000 wines. Some wines are currently selling on the domestic market at below cost (Cooper, 2011). Premium grapes that had fetched NZ \$3,500-\$4,000 a tonne before the recession were now fetching \$2,500 per tonne in 2010 (van Kempen, 2010). Some small growers have failed and sold out to their winery customers. The situation in Central Otago has not followed the market downturn, although customers on winery subscriber lists have experienced some especially favorable price discounts on case lot purchases. Also some Central Otago growers have responded by introducing second and third tier labels at cheaper prices to protect their premium brand. Others have introduced ultra premium labels at ultra premium prices (van Kempen, 2010). Coinciding with the current recession, vintages in 2008 and 2009 were at record volume levels with high quality grapes, leading to some reappraisal of competitive strategies.

### **Central Otago terroir**

Central Otago has a higher proportion of premium wines with claims to distinctive terroir than any other major growing area in New Zealand. This is due in part to the intentions and determination of the early winegrowers and makers to succeed with pinot noir and to do so at a cooperative regional level, benchmarking themselves against the wines of Burgundy, adopting or adapting their methods of viticulture and winery practices.

An examination of the recent wine labels of Central Otago premium Pinot Noir confirm a strong regard for local terroir, but interestingly, with individual vineyards giving emphasis to different aspects of location, climate and skillfulness. Some examples follow:

*Carrick, a name closely identified with the Bannockburn Region, is represented by the Carrick Bend knot. The knot represents the bringing together of the Central Otago 'terroir' and our careful viticultural and winemaking practices. Carrick vineyards are situated on the north facing slopes of the Cairnmuir Terraces at Bannockburn. The vines are hand tended and crop yields are deliberately low. After 12 months in French oak barriques, the resulting wine demonstrates savoury fruit flavours underpinned by firm tannins and has the elegance and finesse which characterises classic Central Otago pinot noir.*

(Carrick, 2006)

*Hand picked in ideal condition ... this winemaking was very much in keeping with the traditional practices from the old world. The wine maker, Rudi Bauer, has combined these techniques with his own personal understanding, to create this wine.*

(Quartz Reef: Bendigo Vineyard, 2008)

*Time spent deep within Rippon's soils has allowed these mature vines to speak of their place with true clarity ... schist gravels, terminal moraine, clean air, crystal water, wildflowers, noble vines, hot days and cool nights. This family run property is cared for as a diverse and dynamic whole, fostering wines that speak to us in earnest of their dreamscape surrounds.... a genuine tension between finesse and compressed power.*  
(Rippon: Lake Wanaka Central Otago, 2007).

*Nestled under Mt. Difficulty along the Kawarau River in Bannockburn, this family owned vineyard endures an unforgiving terrain and a harsh climate. It is this struggle that produces a wine with an intensity of flavor and elegance characteristic of Central Otago.*  
(Black Quail Estate, 2008)

For the past 10 years the winemakers of Central Otago have organized a grand industry event each year for growers, wine makers, wine writers, buyers and enthusiasts called the *Central Otago Pinot Noir Celebration*. This event attracts hundreds of serious wine people from around the World, and combines the appreciation of Central Otago pinot noir wine with benchmark tastings of selected Grands Crus of Burgundy. Terroir has always been a topic for discussion at these events but at the *2011 Celebration*, some leading wine makers admitted to an important reversal of their earlier opinion when they said that terroir does not yet exist for Central Otago. Wine maker Rudi Bauer of *Quartz Reef* said: "Let's try to look at a sense of belonging. It's much closer to our hearts. We want to express ourselves" (Gibb, 2011). And Mat Dicey of Mt Difficulty put his view that: "Terroir is a future technology term" (Gibb, 2011). From a marketing perspective, these views are problematic, but nonetheless, part of an ongoing discourse through which local terroir is *socially constructed*, rather than the end of discussion on the matter. Each of these vigneron is an important opinion leader in the Region, and their perspectives cannot be ignored. However from a social constructivist perspective (Berger and Luckmann, 1967), Burgundy terroir remains located in Burgundy and Central Otago terroir is localised in Central Otago. If this is accepted, it follows that New World wine makers do not have to feel bound by a 500 year Burgundian learning curve. Nor do they need to cease use of the terroir term in seeking a sense of self-centric fulfillment. Nor does the concept of terroir need to be restricted to a purely technological meaning, thus ignoring the social context in which co-creation of brand value is occurring.

What follows is a sampling of current marketing practices in the Region, from the point of view of brand value attributed to the promise of terroir.

## Rebranding

Akarua Vineyards, in the Bannockburn sub-region with 50ha of vines, was one of the early developers in the Region. In 2009, in response to the difficult economic climate, the Skegg family as owners decided on a rebranding strategy, and appointed a new winemaker in Matt Connell, who is also current chair of COPAL, the regional industry group (Houlahan, 2011). The current vintage (2009) has a back label with this allegorical comment which I interpret as an affirmation of the (socially constructed) promise of terroir:

*The enduring vocation at Akarua is to radiate the unique beauty of this environment from within every bottle*

This statement of course is not a technical specification for terroir, but a poetic interpretation of the passionate appreciation of Akarua wine. In marketing terms, terroir as expressed here refers to a unique relationship between sky, land and man. As a statement of intent it is close to that of the Cistercian monks who kept alive skills in winemaking 500 years ago. The perceived value of the Akarua offering is the consequence of technical production but it also has a social meaning and appreciation.

### Geographical drift

Historically, all wine makers in the region have collaborated in sharing their know-how, to expand and protect the status of Central Otago as a wine region of international standard (Caple et al, 2010). However the boundaries of the Central Otago Wine Region in the past ten years have been expanding from the core sub-regions of Wanaka, Gibbston and Bannockburn, and extending southerly to *Alexandra/Clyde*, and easterly to *Bendigo* and *Tarras*. Are these boundary-spanning vineyards part of the unique Central Otago terroir?

*Grasshopper Rock* is one vineyard example of the southern geographical drift, yet there were grapes planted here in the mid 19<sup>th</sup> century and its 2008 Pinot Noir is a gold medal winner. Its label attributes its quality wines to unique terroir:

*At 45 degrees south, our Earnsclough Vineyard at Alexandra is one of the southernmost vineyards in the world. The gently north facing slope, predominantly loamy sand over schist, producing a wine of unique complexity.*  
(Grasshopper Rock: Earnsclough Vineyard, Alexandra, 2008)

The diversity of territory existing within the expanding boundaries of the Region makes difficult any claims to unique wine characteristics due to a terroir that emphasises only climate and physiological aspects. The technical aspects of terroir are not universal across the Region. This raises issues concerning the possible need to delineate and regulate sub-regions. Also there is a growing risk that newcomers to the Region may not want to participate in the collaborative, sharing ways of the past that have so far improved pinot noir wine quality and helped create a distinctive premium brand image.

### Grape redeployment by midnight tankers

There are wines designated *Central Otago* on the label made from grapes grown in the Central Otago Region but which bypass regional quality tests because they are processed by wine companies located in other regions. These wines participate in the brand image which has developed around Central Otago terroir, with none of the responsibilities.

The strategy of outsourcing premium grapes from other regions is illustrated by *Craggy Range* winery, which is it must be said, is a prestige brand with integrity. However its winery is located far away in the Hawkes Bay wine region in the North Island of New Zealand. A current label reads:

*Craggy Range is a family owned winery specialising in the production of expressive Single Vineyard wines. This vineyard is owned by Owen Calvert and his family and is located on a very gentle north east facing terrace on Felton Road in Bannockburn, Central Otago. Planted in the early 2000s with a selection of pinot noir clones, this*



*exceptional vineyard is finely tuned to capture what we call the essence of Central Otago.*

(Craggy Range: Single Vineyard Pinot Noir, Calvert Vineyard, 2008)

My point is not that Craggy Range is engaged in unethical practice. However, from the point of view of establishing and sustaining the promise of the Central Otago terroir, they are not culturally bound to any Central Otago roles or practices.

### Terroir blending

Some winemakers within the boundaries of the Central Otago Region are experimenting with wines made from grapes taken from different parts of the region:

*From the rock-strewn burn-scarred landscape of Central Otago, Rockburn produces premium wines of intense varietal characteristics. Grapes are picked from our Parkburn vineyard and Gibbston Road Back Road Vineyard, each site contributing fruit characteristics that reflect their unique terroir...crafted to express the complex subtleties available only in New Zealand's one true continental climate.*

(Rockburn Central Otago, 2008)

One very notable case has been that of *Peregrine*, who in making their 2009 Pinot Noir, made wine from grapes grown at Bannockburn blended with grapes from the traditional home vineyards of Gibbston Valley. Both are sub-regions of Central Otago but each has strikingly different terroir. The blended wine so produced went on to win prestigious *Air New Zealand* gold medal awards in 2011, for best pinot noir, best red wine, and overall best wine (all categories). This was clearly a brilliant outcome for *Peregrine* but it raises questions about the usefulness of a general terroir designation, when grapes from radically different terroir can be blended quite effectively with other grapes from the same region. However, *Peregrine* does not make specific claims about “unique terroir” on their wine label.

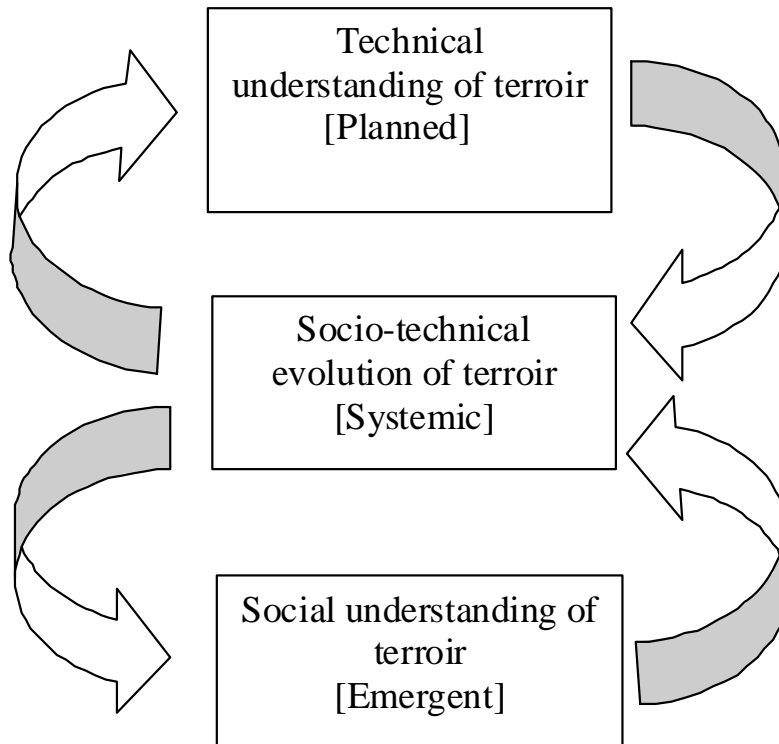
The conundrum is this: If quality wines can be produced in new sub-regions at the boundaries of Central Otago, and if these wines claim Central Otago status, then the customer value of that sub-regional brand name may be perceived as more important in some market segments than the promise of Central Otago origins which are not “unique” in their claim to terroir.

## 4. CONCLUSIONS

I have argued that from a marketing perspective, Central Otago terroir means premium quality. What would it take to sustain that promise of terroir?

First, viticulture and winery specific knowledge is difficult for competitors to copy. The everyday *knowhow* of vineyard employees is an estate's knowledge capital. Commitment to collaboration in the Central Otago Region has led to a spreading of technical know-how relating to soil management, physical aspects, grape types and clones, and skilful management in the winery. This technical know-how has been necessary for developing a consistent wine reputation in a young region. This can be seen as a *technical* understanding of terroir but it has been the consequence of human choices and collaboration, which is a *social* understanding of terroir, and one appropriate for marketing premium wines. I have

argued technical and social elements of terroir are interdependent, connected within a socio-technical system. This is also represented diagrammatically in figure 1. It is the combination of these social and technical factors that seem likely to sustain the quality promise of terroir in the Central Otago Region.



**Figure 1: The promise of terroir is systemically constructed**

Second, the socially constructed promise of terroir has been spread by the wine makers, wine writers and cellar door staff, as well as by the word of mouth of enthusiastic customers around the world. This knowledge generating, tasting and circulating process has created brand value for all premium wines and wineries in the Region, notwithstanding modest levels of sales of grapes and wine to “free-riders” located in other regions. More problematic from a regional perspective is that belief in the quality promise of terroir is being challenged from within by some highly regarded vigneron and opinion leaders. If belief in terroir as a premium quality marker narrows down to the application of *technical* know-how, or is corrupted by competition *within* the region, or by new entrants with new values, can regional brand value be sustained?

Central Otago wine region has set out to maintain its regional brand value through what I have identified as a *collective process*, within a socio-technical system, and based on a common understanding of regional terroir. One way of reconciling these still evolving and circulating wine promises and beliefs about the unique regional terroir is to further sub-divide plots to take account of variance in soil, climate etc within the broader regional boundaries, with the aim of creating a new wave of continuous quality improvement. This would seem to fit the sub-region aspirations of Central Otago well. An elite premium market may grow up to support ultra premium sub-regional wines, and there is evidence of this trend emerging. By

way of example, *Felton Road* vineyard is in the heart of the prestigious Bannockburn sub region, and the epicenter of what might be called the Felton Road micro region. It says this on its 2005 labels:

*Felton Road's vineyards in Bannockburn follow a gentle, north facing ridge in the heart of Central Otago. Though only a few kilometres from the most southerly vineyards on earth, a combination of low rainfall, warm days, cool nights and free draining soils form a unique microclimate ideal for the classical, elegant wines of Pinot Noir ...*

(Felton Road Pinot Noir: Block 3, Elms Bannockburn Vineyard, 2005)

In time, an *Appellation* graded wines, such as in Bordeaux and Burgundy may be appropriate. There is no legal process of certification for premium wines but in Central Otago, the local industry group, Central Otago Wine Pinot Noir Limited (COPNL) maintains an internal grading system. Experienced wine judges assess all wines that are put forward for COPNL events or wine promotions, and these wines are ranked A-D. Only those ranked A or B qualify as premium wines. This grading system has worked well so far but it is voluntary. Hamlin (2011) suggests that New Zealand wine makers should have their wines passed through government regulated quality screening tests before being released for export as premium wines. However, there are bureaucratic complexities. One less ambitious grading is the scheme introduced in 2010 whereby all wines entered in promotional (quality grading) events must first undergo an independently audited sustainability scheme (Cooper, 2011). There are also a range of popular promotional grading events such as the *Air New Zealand Wine Awards*, but leading producers with established international reputations like *Rippon* and *Felton Road* choose not to enter, as they believe the quality of their wine speaks for itself (Cooper, 2010).

In such shifting sands, it is ironic that it was the promise of the *unique terroir* of Central Otago region that fired the imagination and passion of early growers, vigneron and wine enthusiasts.

## 5. MANAGERIAL IMPLICATIONS

The assessment of customer value is not a single event but an appreciation of value over time. Not every wine maker needs or wants the provenance of its terroir displayed and communicated to its market (Charters, 2010). However, sustaining the promise of terroir is one key aspect of customer perceptions of value. It is appropriate for some premium market segments, as a marker of unique value. The promise of terroir is not restricted to customers and suppliers. Other participant stakeholders include wine writers, buyers, bloggers and enthusiasts. This communication process is not controlled by suppliers but is carried along in many planned and random interaction episodes, the meaning of which becomes embedded in the brand (Ballantyne and Aitken, 2007). This I have called the social construction of the promise of terroir.

Customers make their own value assessments but when terroir is the source of expected value, there is a large degree of inter-subjectivity involved. The promises made or implied by suppliers and others about wine and its terroir are of course tested in use, in assessments of colour, smell and taste. These experiences are subjectively matched against expectations,

positively or negatively. There is no absolute quality benchmark. Even technical quality benchmarks are subject to social appraisal and market place revision.

A wine maker rightly controls her brand-marks, labels and logos, and these communicate a tangible promise of brand value. But marketers cannot naively assume that they have sufficient persuasive power or market dominance to control the *meanings* ascribed to their brands, nor the reputation attributable to regional origins. Brands are really *conversations in motion*, located in a social space comprising the dinner table, formal tastings, internet reports, blog sites, and a range of social media. It is in this environment that the promise of terroir is located and adapted over time.

When reputations in wine quality are established through the promise of terroir, terroir becomes a quality marker. However, it is limiting to ignore the *social aspects* of the development process involved, at least in the case of the Central Otago wine region. The promise of terroir is embedded in the shared beliefs and expectations of the regional brand community, with a multiplicity of conversations in play. Central Otago pinot noir wine is “quality signified” by these conversations, and by the stories of early pioneers, their innovation and determination. This gives cultural depth to match the technical aspirations of the promise of Central Otago terroir, without denying French terroir its own social and technical pre-eminent place.

## References

Ballantyne, D. and Aitken, R. (2007), “Branding in B2B markets: insights from the service-dominant logic of marketing”, *Journal of Business & Industrial Marketing*, Vol. 22, No. 6, pp. 363-371.

Ballantyne, D., Frow, P., Varey, R. J. and Payne, A. (2011), "Value propositions as communication practice: taking a wider view," *Industrial Marketing Management*, Vol. 40, in press.

Berger, Peter L. and Luckmann, Thomas (1967), *The Social Construction of Reality*, Anchor Books, New York.

Caple, S., Ballantyne, D. and Thyne, M. (2010), “Diversity and convergence in regional know-how: The case of Central Otago Pinot Noir”, proceedings of the *5th International Conference of the Academy of Wine Business Research*, Auckland, New Zealand: University of Auckland, February 8-10.

Charters, Steve (2010), “Marketing terroir: A conceptual approach”, proceedings of the *5th International Conference of the Academy of Wine Business Research*, Auckland, New Zealand: University of Auckland, February 8-10.

Charters, Steve and Pettigrew, Simone (2007), “The dimensions of wine quality”, *Food Quality and Preference*, Vol. 18, 997-1007.

Cooper, Michael (2010), “A good drop”, *The Listener (NZ)*, December 11, p.58.

Cooper, Michael (2011), “Culley’s creed”, *The Listener (NZ)*, January 29, p.58.

De Smet, Jean-Pierre (2008), "A study of terroir - part 1", an oral presentation at the *Central Otago Pinot Celebration*, Queenstown, New Zealand, January 24-26.

Edvardsson, Bo, Tronvoll, Bård and Gruber, Thorsten (2011), Expanding understanding of service exchange and value co-creation: a social construction approach, *Journal of the Academy of Marketing Science*, Vol. 39, pp. 327-339.

Flint, Daniel J. (2006), "Innovation, symbolic interaction and customer valuing: thoughts stemming from a service-dominant logic of marketing", *Marketing Theory*, Vol. 6, No. 3, pp. 349 - 362.

Gergen, Kenneth J. (1994), *Realities and Relationships: Soundings in Social Construction*, Harvard University Press, Cambridge, Mass.

Gibb, Rebecca (2011), "Don't rush terroir in Central Otago", accessed February 8, 2011 from [http://www.rebeccagibb.com/index.php/site/patience\\_cautioned\\_at\\_pinot\\_celebration/](http://www.rebeccagibb.com/index.php/site/patience_cautioned_at_pinot_celebration/)

Gummesson, E. (2008), "Customer centricity: Reality or a wild goose chase?" *European Business Review*, Vol. 20, No. 4, pp. 315-330.

Håkansson, H., Ford, D., Gadde, L-E., Snehota, I. and Waluszewski, A. (2009), *Business in Networks*, Wiley, NY.

Hamlin, Rob (2011), "A system for grading wine in New Zealand", *Otago Daily Times*, Letters to the Editor, January 19.

Holbrook, M. B. (1994), "The nature of customer value: An axiology of services in the consumption experience", in R. Rust and R. L. Oliver (eds.), *Service Quality: New Directions in Theory and Practice*, Sage, Thousand Oaks, CA.

Houlahan, Mike (2011), "Enduring vines", *D Scene (Dunedin)*, January 19, pp.14-15.

Lindlof, T. (1988), *Media Audiences as Interpretive Communities*, Sage, Newbury Park, CA.

Lusch, R. F. and Vargo, S.L. (2006), "Service-dominant logic: reactions, reflections and refinements", *Marketing Theory*, Vol. 6, No. 3, pp. 281 – 288.

Meadows, Allen (2008), 'A study of terroir - part 2', an oral presentation at the *Central Otago Pinot Celebration*, New Zealand: Queenstown, January 24-26.

Moran, W. (1991), "Terroir: The human factor", *Australian and New Zealand Wine Industry Journal*, Vol.16, No. 2, pp.32-51.

Muniz, Albert M. Jnr. and O'Guinn, Thomas C. (2001), "Brand communities", *Journal of Consumer Research*, Vol. 27, March, pp. 412– 432.

Nonaka, I. (1991), "The Knowledge creating company", *Harvard Business Review*, November-December, pp. 96-104.

Nonaka, I. and Takeuchi, H. (1995), *The Knowledge Creating Company: How Japanese Companies Create the Dynamics of Innovation*, Oxford University Press, NY.

Payne, A., Ballantyne, D. and Christopher, M. (2005), "A stakeholder approach to relationship marketing strategy: The development and use of the 'six markets' model", *European Journal of Marketing*, Vol. 39, Nos. 7/8, pp.855-871.

Porter, M. E. (1985), *Competitive Advantage. Creating and Sustaining Superior Performance*, The Free Press, NY.

Prahalad, C. K., Ramaswamy, V. and Krishnan, M. S. (2000), "Consumer centricity", *Information Week* (April 10): pp. 67 - 76.

Prahalad, C. K. and Ramaswamy, V. (2004), *The Future of Competition: Co-creating Unique Value with Customers*, Harvard Business School Press, Boston, MA.

Ramaswamy, V. (2006), "Co-creating experiences of value with customers", *SET labs Briefings* Vol. 4, No.1, pp. 25- 36.

Ramirez, R. (1999), "Value co-production: Intellectual origins and implications for practice and research", *Strategic Management Journal*, Vol. 20, No.1, pp. 49 - 65.

Tuli, K. R, Kohli, A. K. and Bharadwaj, S. G. (2007), "Rethinking customer solutions: From product bundles to relational processes", *Journal of Marketing*, Vol. 71, July, pp. 1 - 17.

Van Kempen, Lynda (2010), "Pinot Noir sets growers apart", *Otago Daily Times, Regions Section*, May 8, p.19.

Vargo, S. L. and Lusch, R. F. (2008), "Service-dominant logic: continuing the evolution", *Journal of the Academy of Marketing Science*, Vol. 36, No. 1, pp.1 - 10.

Vargo, S.L. and Morgan, F.W. (2005), Services in society and academic thought: An historical analysis, *Journal of Macromarketing*, Vol.68 (June), pp.42–53.

Wikström, S. (1996), "Value creation by company-customer interaction", *Journal of Marketing Management*, Vol.12, No.5, pp.359 - 374.

Zeithaml, V. A., Parasuraman, A. and Berry, L. L. (1990), *Delivering Quality Service: Balancing Customer Perceptions and Expectations*, Free Press, NY.

---

## Endnotes

<sup>1</sup> This emphasis on *value-in-use* in the marketing literature is recent but it resonates with critical debates in classical economics as to the comparative utility of goods and services. For a revealing historical account of the development of economic thought around these themes, see Vargo and Morgan (2005). See also an earlier historical review by Ramirez (1999) which emphasises a *value co-production* framework at variance to that commonly associated with industrial production.

<sup>2</sup> For a discussion of *social construction* of reality, see Berger and Luckman 1967; Gergen 1994.

"Central Otago is a series of villages, each with a completely different microclimate - temperature and rainfall," he says. "Combine that with wildly varying topography - forests, tussock covered hills, and soil that ranges from rocks and platelets of schist; to river rocks just 100 metres down the hill, and you have many subregions within Central Otago itself." Last year Forsyth produced just 88 cases of his Drumlin Vineyard riesling, 200 cases of his Mount Edward rosé and 4000 cases of pinot noir, he makes four different pinots using grapes grown across three different subregions. "We try to combine all the very best elements of a Central Otago pinot," he says. At a latitude of 45 degrees south, Central Otago is the southernmost wine-growing region in the world. Sustaining the promise of terroir: The case of the Central Otago wine region. D Ballantyne. New Zealand Winegrowers annual report. New Zealand Wine. Our regions: Central Otago. New Zealand Winegrowers. Between the vines: A comparative analysis of wineries' attitudes towards wine tourism in New Zealand. T Baird. Tourist special interest: Wine tourism. This case study of the Western Cape wine routes provides sound principles and inputs for the development of both the local tourism and local agricultural sectors in the endeavour to improve the quality of life for all through a strong and healthy, sustainable agritourism sector. Read more. Chapter.



