



AMERICAN ASSOCIATION OF WINE ECONOMISTS

AAWE WORKING PAPER
No. 21

OUR SAVIORS MAY NOT SPEAK
SPANISH: CHANGING MARKETS AND
STRATEGIES IN ARGENTINIA'S WINE
REVOLUTION, 1990-2008

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August 2008

www.wine-economics.org

**Our Saviors May Not Speak Spanish: Changing Markets and Strategies in
Argentina's Wine Revolution, 1990-2008***

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Paper presented at the Wine in the World Conference, Markets, Tourism and
Globalization

5-7 June, 2008
BEM Management School
Bordeaux, France

We have a coherent and combative position...transform an activity dedicated to making massive and undifferentiated products, to products high in quality able to be differentiated by the market.

Centro de Bodegueros de Mendoza, "El valor de la coherencia," *Bodegas y terruños*, # 1 (March 1999), 44.

The rise of exports starting in the second half of the 1990s was perhaps the most transcendental phenomenon of the local wine industry, not only because it reflected the enormous potential of a greater insertion of domestic production internationally, but also because of its repercussions for wine production as well as for the marketing of Argentine wine and consequently for wine business strategies.

Daniel Aspiazu and Eduardo Basualdo, *Estudios sectorales. Componente: Industria vitivinícola*. Buenos Aires: CEPAL-ONU, 2003, 15.

Argentina emerges. Argentina's wine industry is experiencing astonishing growth, both in production and international acceptance....And if you taste a rich Argentinean Malbec, all this makes perfect sense.

Adam Strum, "Top 10 Wine Stories of 2006," *The Wine Enthusiast*, XX:1 (January 31, 2006), 10.

I know that 50 percent of spending on marketing is wasted. The problem is, I don't know which 50 percent. Old marketing dictum.

Early in the twentieth century, Argentina became the world's fifth largest wine producer, but until very recently its wines were little known and even less appreciated outside of the country. During the last decade, however, Argentina's wine isolation came to an end. In the words of the world's most influential wine critic, Robert Parker, "a new generation

of Argentinean vignerons [has] begun to realize this country's, and particularly the province of Mendoza's, extraordinary potential...Now their finest wines can compete on the world stage...one after another breakthrough wines have pushed Argentina to the forefront of the modern winemaking revolution."¹

The sharp rise in the export of Argentine wines demonstrates that Parker's enthusiasm is shared by international consumers. In only eight years between 1998 and 2006, they grew at a rate of over 30 percent a year. The leading protagonist of Argentina's appearance on the international stage has been its numerous, highly appreciated bottlings of Malbec. Of wines sent abroad, the varietal more than doubles its closest competitor (Cabernet Sauvignon), totaling 30 percent of exports overall and 50 percent of fine wine sales. As Parker explains it, "Malbec, a grape long considered challenging and often disappointing in France, produces prodigious wines of great perfume, quality and longevity in Argentina. Malbec is the red wine hope of Argentina..."² Led by the growing popularity of its emblematic Malbec grape, Argentina has rapidly built a reputation as a producer of desirable, sought after wines.

In 2007 Argentine wines were exported to 116 countries, with a particularly strong showing in the United States. Between 2005 and 2006 alone, sales to the U.S. increased a full 78 percent in value. Presently, the U.S. market receives nearly 40 percent of all Argentine wines exported.³ Great Britain and Canada, with 8 percent each, have been the next largest export destinations, followed by Brazil, Denmark, the Low Countries, Russia, and Sweden.⁴ International demand has been so high that in 2007 winery owners

began to complain they were reaching the limit of capacity and were increasingly having trouble meeting demand from external markets.⁵

In large part the success of Argentina's export development has resulted from the convergence of possessing an attractive grape variety and producing appealing wines with it. But that is far from the whole story. This paper analyzes the reasons for the international emergence of Argentine wines, and specifically of the country's emblematic Malbec. To understand the industry's success, I examine various questions:

1. When did Argentina, historically a country that exported only an infinitesimal percentage of its total wine production, begin to make an effort to reach international markets? Judging by their success, the Argentines made the right decisions, but, why, and who made them?
2. Does Argentina possess unique comparative advantages that have contributed to wine export growth?
3. How have the Argentines achieved export growth and specifically built Malbec as an emblematic grape? In other words, what have been the successful elements of the industry's export business and marketing strategy?
4. Is Malbec a temporary trend? Will it last medium and long-term?

Before addressing these questions, it is important to note that Argentine wines have increased their international presence at a time of notable growth in non-traditional consumer markets, especially of New World wines and of higher quality fine wines. As

wine consumption has been decreasing in Europe's historic wine countries, France in particular, expansion in the U.S. and the U.K. has been significant; with a growth rate of approximately 5 percent per year, the United States is predicted to surpass France and Italy by the end of the decade to become the leader in global wine consumption.⁶

All these expanding markets share important characteristics that illuminate Argentina's success. Their consumers characteristically seek diversity and are therefore open to new types of wine. Many are confused by traditional wine classifications such as Bordeaux or Chianti. These names seem less useful for predicting the taste or quality of a wine than the identification of specific grape varietals, a trend that achieved prominence with the success of the California industry in the 1980s. Argentina's emphasis on Malbec fits well the desire for "something new," and is at the same time clearly identifiable.

It is commonplace to believe that Argentina simply adopted the successful export strategy launched by neighboring Chile nearly twenty years earlier when, in fact, Argentine winemakers point to Australia as their model. The attractiveness of Australia is not surprising given the parallel between Argentina's focus on Malbec and the central importance of Shiraz to that country's enormous success in recent years.⁷ Argentina may not have copied Chile's strategy, but the success of Malbec in the creation of Argentina's international identity has not been lost to its trans-Andean neighbor. Chile has tried to market Carmenere as its own unique contribution to wine consumers just as South Africa has attempted to establish an identity with Pinotage. Yet neither has paralleled the

success of Argentina's Malbec. Notably, in the period that Argentine exports to the US were growing by nearly 80 percent, Chile, barely achieved any increase at all.⁸

Before Exports

Argentina's recent international success obscures the fact that an export strategy was almost totally absent from country's wine industry for the first hundred years. From its beginnings in the 1880s, the core strategy was to produce for an expanding *domestic consumer market* based on the perception of a rapidly growing local demand for cheap wines that would perennially outstrip production capacity. Analysts from the turn of the twentieth century through the 1970s largely concurred about the strong belief in a "comfortable" market. That market was composed largely of immigrants from Italy and Spain, and later by their descendents. For these consumers, wine was considered a necessary part of the daily diet. Although coming from places with well-established wine traditions, they rarely showed interest in a high quality product. Rather, the main concern was access to abundant and, above all, cheap wines.

In the 1970s, when Argentine consumption reached an all-time high of ninety liters per-capita, the public drank wines made for the so-called "Argentine taste." Heavily colored and alcoholic --bordering on thirteen percent--, they ended up as a sweetish drink similar to poor quality sherry. They were, in the words of prestigious winemaker Paul Hobbs, "tired wines." As a result, it was commonplace for consumers to make attempts at "improving" wine flavor by adding ice and soda to both whites and reds.⁹

Just when wine production was reaching its all-time high in the late 1970s, the cornerstone of the domestic market was starting to show clear fault-lines as Argentines began to drastically curtail their consumption. At the end of the decade, a severe economic recession cut deeply into the purchasing power of the population, and simultaneously, alternative beverages, specifically beer and soft drinks began to experience rapid growth. Necessity would have to become the mother of invention for the survival of the Argentine wine industry.

Argentina's Wine Revolution

Faced by an enormous imbalance between supply and demand, a small number of forward-looking entrepreneurs realized that the very viability of the industry was threatened without profound and fundamental changes; the key change was to seek new prospects beyond the shrinking domestic market. Led by Nicolás Catena Zapata, one of the few winery owners who survived the crisis with all his resources intact, they began in the late 1980s a process that would become known as the “*reconversión*” of the Argentine wine industry. Among the key strategies that drove the *reconversión* were:

- The pursuit of international consumers, given the contraction of the industry's local market.
- Concentration on the production of wines that could attain sufficient quality to compete internationally.

- Sweeping upgrades in technology both in the winery and in the vineyard focused on quality improvement.
- And guiding the whole process, a fundamental change from a producer-centered to a consumer-centered industry model.

Our Saviors May Not Speak Spanish

On a consulting trip to Argentina in 2000, French wine marketing guru Michel Bourqui declared: “Before you worked for a wine drinking market. Today you have to take aim at a market that looks for pleasure.”¹⁰ Translation: drinking market = domestic consumers; pleasure = international consumers. Bourqui’s comments reflected an already prevalent faith among Argentine producers in the strategic importance of exports. By the time of his visit, more and more industry leaders had been insisting that international markets were the salvation of the industry. The bold assertion in the two-page title of a 1999 article in the industry association magazine is a case in point: “*Adapt the product TO THE TASTE OF THE INTERNATIONAL CONSUMER.*”¹¹ What had become an industry cant was repeated once more in 2004 by Angel Vespa, the Director of the Wine Industry Association: “The Argentine wine sector faces a great mission: to consolidate its position as a trusted supplier of wines to broad international markets.”¹²

Judging by the numbers, the industry met Vespa’s challenge head on. Between 1998 and 2006, exports grew in quantity and dollar value by nearly equal percentages: 368 percent

in volume and 366 percent in value. Even more notable, during the most successful years of the export boom from 2002 through 2006 earnings (404 percent) substantially outpaced gains in volume (338 percent), reflecting the emphasis on higher priced fine wines over cheaper table wines. In 1989, when wineries were just beginning to test the international waters, fine and reserve wines accounted for only 19 percent of exports, but by 1994 that proportion climbed rapidly to 53 percent. In 2006, a full 77 percent of exports were fine wines, and in 2007 the trend continued, reaching 82 percent by mid-year. Within the fine wine category, industry experts remark that sales of high-end products are growing nearly two times faster than their less expensive wines; indeed, the lowest priced wines have actually decreased in sales by over 10 percent. Quantitatively and qualitatively, it would appear that the title of a 1999 article in the wine association's publication, early on in the process, did not exaggerate when declaring that: "*LA EXPORTACION DE VINOS TRANSFORMO EL SECTOR*" (*THE EXPORT OF WINES TRANSFORMED THE SECTOR*).¹³

In seeking the origins of this approach, the decisions of a handful of export pioneers stand out. At the top of the list is Nicolás Catena, owner of Bodegas Esmeralda and later Bodega Nicolás Catena Zapata in Argentina's most important wine region of Mendoza. Coming from a family with a long tradition of successful production of table wines for Argentina's undifferentiated domestic market, he took over the firm in 1963 at the age of twenty-two and made it into the country's leading supplier of bottled wine. In the early 1980s, while pursuing a post-doc at the University of California Berkeley, he observed first-hand the rise of the Napa wine phenomenon, literally sitting at the feet of Robert

Mondavi. Catena appears to have listened closely to Mondavi's lessons about the enormous potential for New World wines to challenge the Old World in quality. And fully aware of the demand crisis in Argentina's domestic market, Catena went about converting his own enterprise into a producer of internationally competitive wines. As he remarked:

Table wine...didn't interest me any more....Obviously the fall in consumption that was happening surely had an influence, but I had already become enamored of the concept of quality. So I totally revised my objectives, and I began to invest in everything having to do with quality, in fine wines, nothing else. I didn't invest any more in table wines...I didn't abandon them but basically concentrated all my enthusiasm, my investment capacity, my best people, to producing a different quality of wine.¹⁴

What is particularly noteworthy about Catena's example is that he not only converted his winery to the production of premium wines but also decided from the outset to charge premium prices.

At the end of the '80s I began my research into the fine wine market in the United States. Immediately I discovered that whatever Argentine wines that were available were situated...in the \$4 to \$6 price segment in wine stores. They were placed at price levels similar to Chilean wines, but were of inferior quality....I decided to adopt a different strategy....At the end of 1991, I began selling Catena Cabernet Sauvignon at \$15 to \$16 bottle retail and Catena Chardonnay at \$13 to \$14. We were successful. We quickly sold the whole harvest and also the next two harvests at the same price....Our project was and is to compete not only with the best wines of the New World but also with the best of the Old World.¹⁵

So, when Catena began exporting in 1991, he did not follow the model of other New World producers and try to compete initially with a low priced product and slowly raise the price along with the quality. Instead, Catena's first export wines at \$13 to \$16 were

selling at two segments above his quite successful neighbor Chile, whose wines were directed almost entirely at the \$3 to \$7 range.¹⁶

Another of the country's largest wineries, Peñaflor, was also among a small group of Argentine producers that early on saw the importance of gaining distinctiveness through both quality *and* price. Even before Catena initiated his export project, Peñaflor began producing a high-end wine for the domestic market through its Trapiche winery. Angel Mendoza, the chief winemaker during much of the 1980s and 1990s, explained the firm's first moves in this direction:

Peñaflor was already aware that things were changing, and we began to bet very seriously on fine wine as we saw that the moment of fine wine was approaching, more than anything else premium wine. They were already calculating an amount that they called aggregate value which produced a greater profit, that contributed more than what table wine did, and they were tired of competing in the table wine sector....As a result, the generation of Trapiche Medalla is born in 1983, which was a big bet on premium wine, seeking to make the most expensive wine.¹⁷

In 2000, when exports were beginning to take off, Peñaflor's strategy to simultaneously raise quality and price was explicitly tied to international expansion. As explained by export manager Juan José Canay: "You have to compete in the world. Nobody is desperate to have our wines, and if Argentina doesn't export, somebody else will....Argentina should not enter the world market with low prices because it is not a well thought out strategy. Chile entered the market with this strategy and now it can't get out." Peñaflor continued to move in this direction, increasing the average price of their export wines 35 percent between 2001 and 2007. During these years, the firm's export earnings rose 400 percent to the point that they totaled for some ten percent of all

Argentine international sales. This helped make Peñaflor the ninth largest wine business in the world.¹⁸

What Doesn't Kill You Makes You Strong

What factors explain Argentina's remarkable transformation from a mass producer of relatively poor quality table wines for an undifferentiated domestic market to major international competitor in fine wines? First, the country's long tradition of wine production provided a foundation on which to build. Second, Argentina possesses a large domestic market that, although weakened, has been substantial enough to provide a reliable cushion for industry change. Third, conditioned by a perennial "culture of crisis," Argentines have learned to maneuver in order to lose the least or to make the most of an uncertain environment. This has led to the emergence of a parallel "culture of agility" clearly evident in the decision-making of major protagonists of the reconverted industry. Fourth, when making their wines, the industry enjoys considerable flexibility in everything from rules and regulations to the use of appropriate *terroirs*. And finally, the decision to "reconvert" came at a moment as rare as it was lucky in Argentine history: economic stability coincided with the availability of substantial financial resources to accomplish the task.

In the 1990s, when the prospects of export growth gained precedence, Argentina was hardly starting from scratch. The country had a century-old wine industry with numerous established vineyards, a legion of wineries of all sizes and shapes and an enormous

amount of accumulated experience from laborers in the vineyards to high level managers in the wineries. In all these areas, of course, it was crucial to upgrade in order to achieve internationally competitive wines.

The vineyard situation is an interesting case in point. In the 1960s and 1970s huge government tax breaks had encouraged volume wine production as never before. As a result, French vines that had been planted decades, in some cases up to a century earlier, were ripped out and replaced with *uva criolla* stock. The original grape brought by Spanish missionaries in the colonial period, the *uva criolla*'s ability to produce massive amounts of fruit was matched by the abysmal quality of its wines. Malbec vineyards, with the grape that would become the emblem of the *reconversión*, were nearly wiped out, declining from 50,000 hectares in 1970 to only 10,000 in 1990. Still, Malbec fared better than other fine varieties. Cabernet Sauvignon had been reduced to 3,500 hectares, and there were barely 1,000 left of Merlot and 80 of Chardonnay. Then, during the worst years of industry decline in the 1980s many vineyards were completely eradicated to make way for suburban development. Nevertheless, substantial acreage of excellent vineyard land remained as well as a critical mass of good vine stock necessary to begin the process of transformation.¹⁹

The fate of wineries paralleled that of the vineyards. Small and middle-sized establishments were particularly vulnerable during the years of industry crisis. Those that simply could not afford to update and upgrade for the most part closed their doors. It was the larger, better capitalized firms that survived. Survival did not mean, however,

that the transition to export production would be rapid or easy. Famed California winemaker Paul Hobbs, who became a prominent actor in the transformation of Catena from massive producer of bulk wines to quality leader, vividly addresses the technological gap as he recounts his first visit to the Esmeralda winery in 1988.

It was so ancient, their technology, all the equipment. Everything had been set in place back in the early 1900s. It hadn't been improved upon since then....It was very archaic. It was so primitive that I didn't know how to use the equipment they had, and I was doubtful of the results that it would have in most situations.²⁰

A similar situation affected the human resources in the industry. Wineries had employed enologists from the dawn of the industry. But as Carlos Catania, the head of the Enology Department at the government's Centro de Estudios Enológicos in Mendoza observed, these individuals saw themselves as wine factory foremen whose job was simply to “ferment the wine and put it in giant tanks. Since before people thought it was the same difference, whatever grape you used, the process couldn't have been any more industrial.”²¹ Similarly, Paul Hobbs's unflattering comments on the content of winemaking knowledge in Argentina parallel his negative description of the physical equipment: “I spent one afternoon in the winery, and tasting their wines, I was shocked. They were destroying the grapes. I couldn't imagine what they were doing....They didn't understand malolactic fermentation; they didn't understand anything to do with barrels. It was all winemaking from the beginning.”²²

Lack of varietal quality in the vineyards, outdated wineries and deficient enological knowhow: certainly. But the vineyards, the wineries and experienced personnel were still present in Argentina, even after the worst downturn in the industry's history. To achieve

levels of quality capable of appealing to international consumers, however, required major investment in all three areas. And that is when luck played a crucial role. Just at the time that eventual export leaders were beginning to make the decision to upgrade, macro-economic circumstances in Argentina favored an enormous influx of private investment. Beginning in the 1990s as part of its deregulation of the Argentine economy, the government of Carlos Menem (1989-1999) eliminated rules limiting foreign investment, liberalized the currency exchange market, ended export duties and eased restrictions on imports, specifically of capital goods and services that were essential to the industry's upgrading ventures. Also, low inflation and a mandated dollar-peso parity exchange rate helped create a stable environment --with fixed domestic costs-- attractive to potential investors. Under these conditions, foreign banks in particular were eager to lend and became quite aggressive at making low interest, long-term loans to wine entrepreneurs. The overvalued Argentine currency made the prices of imports of key equipment exceedingly attractive. Surprisingly, the strong peso did not prevent land and labor costs in the country from remaining cheap. Excellent vineyard land in Mendoza sold for half of what it would cost in Chile, a third of the price of Australia and a tenth of the value of Napa or France. In the end, the investment in the Argentine industry during the heart of the *reconversión* was truly staggering. Between 1991 and 2001 it totaled an estimated \$1 billion from abroad and \$500 million locally; an additional \$200 million is predicted through 2010. The importance of the building exports as an incentive is clear considering that 70 percent of investments have gone to fund production for the international market.²³

Concretely, the industry used the strong peso to buy top quality imported vine stock, cutting-edge winery equipment and the world's most prestigious traveling consultants. In addition to importing Quality A clones, largely from France and Italy, investments in local nurseries has provided an accessible supply of vines adapted to local conditions. Vineyards also benefited, progressively changing over from flood to drip irrigation. For the wineries, technological innovations meant importing a broad variety of equipment that had previously been absent in the Argentine industry including small oak barrels, stainless steel fermentation and storage tanks, bladder presses, destemmers and bottling equipment. One of the most significant technological innovations was the incorporation of modern cooling systems; Catena, for example, was the first to construct a large cold chamber for the low-temperature fermentation of white wines. By the end of the 1990s, some forty to fifty Argentine wineries had upgraded nearly all their equipment bringing their technology up to a level that matched their most advanced peers anywhere on the globe. As international wine consultant Sophie Jump pronounced, "Most of them have got facilities that the French would die for."²⁴

With its new equipment, the industry had taken vital steps on the road to internationally competitive wines. But a major obstacle remained: the lack of enological know-how. This was overcome through genuine improvements in the enological training received locally and from the assimilation of decisive influences from the outside. Within Argentina, the industry's increasing demand for trained experts produced the exponential growth of regional university programs and graduates. But the most visible development

came from the outside. New investments in the industry underwrote travel abroad for local wine makers for learning trips to prominent wineries as well as for formal study programs. And it paid for prestigious wine professionals to come to Argentina to guide innovation. Nicolás Catena had begun the trend in 1988 when he hired Californian Paul Hobbs, who had worked with Robert Mondavi on his Opus One project, to play a central role in the transformation of Catena Zapata. In subsequent years, the contracting of foreign consultants really picked up speed. Famous French winemaker Michel Rolland arrived at Peñaflor's Trapiche winery in 1996, to be followed by other major figures including Alberto Antonini (Nieto Senetiner and Altos de Medrano), Jacques Lurton and Olivier Ruhard (Bodega Lurton), Arnaud Meillan (Favre Montmayou) and Robert Pepi (Valentín Bianchi). Particularly in more recent years, consulting has not been limited to the production area, extending to marketing and branding. For example, experts from the University of South Australia's Wine Marketing Group Larry Lockshin and Tony Spawnton have put on well-attended seminars in Mendoza with titles such as "Branding Your Wine For Success."²⁵

Ironically, a key element of the explosive growth in Argentina's wine exports, particularly in the new millennium, has been the continued presence of a large, if diminished, number of local consumers. Back in the 1970s, the country's primary market of Buenos Aires had boasted a per-capita consumption of 114 liters, placing its wine drinkers' capacity at a level roughly equal their peers in the world's highest wine consuming cities, Paris and Rome. True, these levels of consumption have long been a faint memory. And as mentioned previously, their precipitous fall was clearly a driving

force behind the resolve to export.²⁶

Yet even with this decrease, Argentina is still the world's fifth largest wine consuming country. Indeed, the new emphasis on exports tends to cloud an important reality: in the midst of the export boom, domestic consumption has remained consequential. In 2005, for example, the national market still drank 82 percent of all wines produced in Mendoza. And subsequently, per-capita consumption has risen from 29 liters to 34 liters. The highly successful Peñaflor firm exemplifies the continued importance of domestic consumption. Just as there is no denying its export success, equally compelling is the strength of Peñaflor's sales within Argentina, paralleling quite closely the industry trend by generating 88 percent of the firm's income. Additionally, as recently as 2007, of the approximately 2,000 wineries in Argentina, no more than 400 are involved internationally, and of that number a mere 20 concentrate 60 percent of exports. In short, the domestic market has continued to occupy an important place in the calculations of the country's wine industry.²⁷

This awareness of the sustained weight of the domestic market is shared by all major Argentine producers. The presence of this still large and even growing wine drinking public within Argentina facilitates making tough decisions in terms of investment and restructuring for export growth. Paradoxically, it is the substantial number of domestic consumers that permits producers to take relatively large risks in the export area because they have a strong backup within their own country.²⁸

A distinct shift in the taste preferences of Argentine wine drinkers over the past decade has actually strengthened export initiatives. As lower income groups shifted away from wine towards beer and soft drinks, wealthier and middle class consumers, many of whom spent their country's strong national currency in the 1990s on international travel, began to insist on wines that tasted "as good as" those they found abroad. An overvalued peso also boosted, for the first time in nearly 100 years, the importation of European and California wines some of which became taste setters. So, just as overall consumption was dropping in Argentina, the demand for premium wines was increasing. José Alberto Zuccardi, owner of Bodega Familia Zuccardi, one of the country's most successful export wineries, explains the important complementarities between wines produced for international and national markets. "We started to export in 1991. At that moment we were aware that the greatest growth would happen abroad, but that didn't mean that we weren't going to take care of the internal market. On the contrary, we learned many things abroad that we applied here, as much about taste as about design and packaging."²⁹

As winery and vineyard managers have been influenced in their production decisions by similar components of both international and Argentine "wine cultures," another set of experiential norms helps explain the success of the industry to re-invent itself in order to respond to new markets at home and abroad. They make up Argentina's "culture of crisis." During much of its history since the early decades of nationhood in the 19th century, Argentina has been a country of crisis, or perhaps more accurately, multiple

crises. In the second half of the 20th century both political and economic upheavals became particularly acute. Politically, these involved sudden, at times violent changes in government, characterized most palpably by armed coups and frequently repressive military regimes. Economically, especially striking have been succeeding stretches of hyperinflation reaching annual levels of up to 5,000 percent, wildly fluctuating exchange rates with radical devaluations and at least one period of rigid overvaluation.

Out of these very difficult, often tragic, times a cultural baggage has emerged with one important positive: an ability to react to rapidly to difficult situations by, when “necessary,” radically changing directions. Luigi Bosca owner Alberto Arizu attests to the permanence of insecurity and to its impact. “We were accustomed to living in crisis....Building all over again was a constant. That’s the way we survived periods of crisis.” And Bodega López owner Eduardo López adds: “Argentina’s constantly changing circumstances apply to all enterprises.”³⁰ The whole *reconversión* process, which involved everything from replanting entire vineyards to focusing much of the industry --almost overnight-- to the development of Malbec as an emblematic varietal, is reflective of people very much open to experimentation. In other words, perhaps because loss has become an expected part of life, some Argentines, in this case the protagonists of the wine industry, have become used to responding agilely to difficult situations and are willing, when necessary, to make risky decisions. “Our history tells us that there will be a crisis about every ten years, so we always have a Plan B, and it doesn’t hurt to also have a Plan C.”³¹

Another lesson from learned historical instability has been to hedge your bets. This tendency has been clearly manifest in the decision of nearly all of Argentina's most successful wineries to balance production and sales between international and domestic markets. Jose Alberto Zuccardi, who grew his international sales to 60 percent of production in 2006 achieving fastest export growth rate in the industry, nevertheless emphasized in a 2007 interview, "We live in this country and we know that at times there are ups and downs: it's good to be standing on both feet." The same sentiment was shared by Salentein Marketing Manager Matías Brandi who explained in 2003 that the firm's goal was to shift from 60 percent domestic sales and 40 percent exports to 70 percent exports and 30 percent local market. "Although the shift is towards exports, the idea is to have balance."³²

Whatever the cultural components, the whole *reconversión* process has been marked with an extraordinary *agility* particularly beneficial to export growth. It has been matched by other forms of agility, in regulations and *terroir*, which have decisively added to the industry's success story. Like other New World areas, Argentine wineries have not been constrained by strict Denomination of Origin laws that in many Old World areas put limits on grape varieties, specific wine making procedures, labeling, etc. In essence, Argentine producers are free to grow their grapes, craft and sell their wines in accord with what they deem most important for types, quality and market preferences.³³

Equally, Argentine producers have access to a range of terroirs capable of yielding a diverse selection of wines. The country boasts the largest extension of vineyard lands in

the world, spanning over 1,000 miles from north to south; altogether, they offer a wealth of temperature variations and altitudes. Indeed, various leading producers have carried out extensive experimentation, matching match grape varieties to specific micro-climates to attain a marked range of options within specific varietals. For the emblematic Malbec, this has led to a host of wines from straight-forward to complex. Additionally, the fact that vineyard lands are located in a veritable desert at the foot of the Andes allows for substantial manipulation of irrigation water to obtain desired wine outcomes. In terms of *terroir*, then, Argentines have many more options than most of their Old World counterparts and even than their Chilean neighbors whose vineyards are located in a much more Mediterranean-like region.³⁴

The Makers and Drinkers of Argentine Wine: Bridging the Gap

For Argentina's wine protagonists –vineyards, wineries, distributors-- what has been truly revolutionary is the fundamental shift from a production-focused to a consumer-focused industry. In the first hundred years, decision-making revolved around grape prices, winery capacities, inflation, shifting exchange rates and preventing (or participating in) the watering of wine at the winery or at the point of sale. Former Trapiche winemaker Angel Mendoza boiled it all down to, “the whole speculative game from the production perspective, without looking at all at the consumer.”³⁵

With the prospects of rapid export growth and a recovering and changed domestic market, the actions José Alberto Zuccardi demonstrate the newfound sensitivity to the

“power of the consumer.” Signs placed throughout his winery read: “This project is entirely paid for by those consumers who choose our products.”³⁶ Adding substance to Zuccardi’s strongly voiced maxim, Margareth Henríquez, CEO of Chandon’s operations in Argentina, explained in a 2003 interview how her firm places the consumer at the core: “We have to get to know the wine drinkers better, understand what they want, interpret their new needs and adapt and develop products and services to respond to the new reality.” Long time industry observer Mariano González is even more concrete. He distills the convergence with consumers to four pivotal components: “establish Malbec as an umbrella brand through which each winery can organize its way forward;” “respond to the needs of the market...seeking a balance between those needs and what the winery can offer;” “improve the price/quality ratio;” and establish “the image...communicate the excellence of our wines to the world.” In sum, the task at hand is to develop an effective marketing strategy for Argentine wines.³⁷

As suggested by González, Malbec would become the key ingredient of that strategy. But its ascendance was neither always clear nor easy. As late as 2000, Malbec continued to be considered by most wine makers less promising than Cabernet Sauvignon, than Syrah and even than scarcely planted Pinot Noir. What was worse, as the Research and Marketing Director of the government’s Instituto Nacional de Vitivinicultura reported, still in 2000 Malbec vines were being pulled out to make way for new highways and housing developments. Despite being the most widely planted fine wine red grape, many resisted making it Argentina’s emblematic wine. Even industry leader Nicolás Catena initially overlooked Malbec, instead choosing the most established French varieties for

his first premium wines: Chardonnay and Cabernet Sauvignon. After all, he explained in 1995, “the international criteria of quality...are defined by the best French wines. The most expensive wines of Bordeaux and Burgundy have won that privilege.”³⁸

Catena’s view on the value of Malbec would soon change. Perhaps he remembered that his father and grandfather had dreamed of making quality wines with the grape. Perhaps he began listening to his California consultant Paul Hobbs, his vineyard manager Pedro Marchevsky and his U.S. distributor Alfredo Bartholomaeus who all advocated for an earnest endeavor with Malbec. Whatever the reasons, by the end of the 1990s he had become convinced of the varietal’s potential and made it an integral part of his portfolio. Others, like Trapiche wine maker Angel Mendoza, cite Australia’s success with Shiraz as decisive for establishing Malbec as Argentina’s signature grape and for making wine with similar characteristics to Australia’s market leader. “We identified our challenge at all the wine fairs. We tasted Australian wine, and we said: ‘We have to change. If we want to adopt that model, we have to change.’ We winemakers would go from stand to stand tasting and we would say, ‘Look at the fruit, look at the color, look, this is the expression of the way wine should be made.’”³⁹

In succeeding years Malbec decisively left behind its lower status among Argentine wines, instead becoming the driving force for international success. In the words of importer/distributor Julio Suárez, “Malbec put us on the map worldwide.” And as Catena’s own export manager Cecilia Razquin explained in 2007, “For the first time...there is a recognition of an Argentine Malbec fashion.” Now the country’s top

wineries proudly stage expert tastings of their best Malbec bottlings at international wine shows such as the one led by arguably the world's most renowned wine advisor, Michel Rolland, at the 2005 edition of Bordeaux's prestigious Vinexpo.⁴⁰

Among a variety of explanations for Malbec's rise, two stand out. First, the varietal gives Argentina a unique identity in the wine world. "No-one else has Malbec like us," declares industry executive Sofía Pescarmona.⁴¹ As "new" as it is distinctive, Argentina's Malbec attracts that growing international market which seeks diverse wine experiences. Of course, diversity is one thing; producing an appealing wine is quite another. On that score, Argentine Malbec received an enormous boost from influential critic Robert Parker's 2004 pronouncement that it had attained "startling heights in quality" and his accompanying prediction-- among the twelve he made for the following decade--that Malbec would ascend "into the pantheon of noble wines."⁴² And one need only read the list of enticing descriptors for Argentine Malbec over the past few years to recognize its considerable allure: "juicy, fruit-driven profile" "vivid purple and blue fruits: "lush, ripe," "sexy, supple texture" "fleshy yet seductive" "flamboyant" "big and bold" "long and powerful". Wines with these qualities certainly have intrinsic attractiveness. Moreover, they are prized by the increasing numbers of consumers who favor bold, highly concentrated wines, characterized by forward fruit flavors, high alcohol and limited notes of earth. In short, given the tastes of growing international market segments, Argentina's Malbecs have gained considerable acceptance and visibility. Stories in the popular press about Argentine wine highlighting the virtues of Malbec abound: "Argentina: Malbec Becoming 'It' Grape" or "Mmm, Mmm Malbec!"⁴³

While Argentine wine makers have undoubtedly been influenced in export production decisions by the broad trend towards New World styles, they have undertaken only sporadic market research, largely limited to the purchase of surveys on overall consumption trends. Of course, many sought out international consultants for advice, not only about appropriate technology but also about market issues. Their counsel has undoubtedly played a major role in the development of appealing wines as well as for correcting defects. But Argentine wineries have had limited direct contact with their international clients, especially when designing new products. They have not, for example, generally supported controlled taste tests that might provide information on consumers' reactions to the sensory qualities of prospective bottlings. Of course, even wineries that might want to carry out concerted research in export markets face severe impediments. In the United States, for instance, direct contact with consumers is made extremely difficult by the three-tier wine distribution system of producer, importer/distributor and retailer. Consequently, Argentine wineries have rarely obtained systematic information about the preferences of their potential and eventual customers.

What wineries may receive is informal feedback from importers and distributors.

Veteran importer Alfredo Bartholomaeus relates that he offers details on the taste preferences of the U.S. market to enologists at his affiliated wineries, "knowing what sells and what doesn't in the U.S." Patricia Ortiz, the CEO of Bodega Tapiz, acknowledges a somewhat greater influence, explaining that reactions from several international distributors convinced the winery to eliminate wood aging for Chardonnay altogether and

to reduce it in their reds, especially by cutting back on American oak, in order to achieve fruitier and fresher flavors preferred by consumers.⁴⁴

Wine fairs constitute a venue where some wineries have sought out tangible responses from retailers and consumers. The value of these events for gauging preferences is, however, debatable. On the one hand, many of those who attend seem chiefly intent on trying as many wines as possible, infrequently entering into dialogue with exhibitors. At best, they may comment about wines they like, but not necessarily with complete sincerity; frank criticism of specific wines is exceedingly rare. For the trade, fairs are customarily dedicated to networking more than to evaluating specific wines. And as one prominent sommelier comments, especially when the winemaker is present -- the person who would most profit from hearing a frank opinion-- , “You don’t say much, so as not to make them feel bad.”⁴⁵

Nevertheless, some wineries spend substantial resources on tables and booths at fairs to “listen and learn.” When questioned about the above-mentioned limitations of these events for garnering useful feedback, importer/distributor Julio Suárez explains that not all fairs are equal. He claims that it is specifically at the upscale fairs, with high entrance fees and limited attendance, where his suppliers have been able not only to gauge the opinions of trend-setting consumers but also to “get their wines out” to this group.⁴⁶

Trips by journalists and retailers, underwritten by wineries and wine associations, are of even more questionable value for garnering substantive responses. As the owner of the

largest U.S. chain of retail outlets specializing in Argentine wine observes, “The tactic of inviting trade people to Argentina has almost no market research value or even goal. People have good times, good wines, all free.” That a key part of the agenda is to pamper the visitors may actually be counterproductive in terms of receiving feedback. As our sommelier reflects, “After all, you don’t want to insult the people who feed you. So you can’t talk badly about anything.”⁴⁷

One area of market strategy where consumers, retailers and distributors have had significant impact is wine pricing, often provoking moments of tension. Prominent retailer Claudio Kosjuner remarks, “the wineries think you want to lower the price. They don’t trust you.” Nevertheless, producers are acutely aware that price can be a decisive factor in the decision to buy at all levels of the distribution chain. When Trapiche spokesperson Brigitte Barriero described the winery’s efforts to “tailor the wines to the U.S. market,” she referred not to the contents of the bottles but to their price points. Winemaker Angel Mendoza is more direct in his explanation. “The new heads of the industry are the distributors and the supermarkets. They are the buyers. Now, today, we can’t just go about happily setting the price of our wines. We have to be subject to the market.”⁴⁸

Importer/distributor Suárez explains the system through which many if not most prices are established:

For pricing strategy, we start with the consumer price and back up. The distributor and the retailer taste the wine and give feedback on what they

think it can sell for. Roughly speaking, the retail price of the wine is FOB X 3. If a distributor tastes a wine at, say, “FOB \$5.00 but says that it can sell for \$10.00 and not more, the winery must change its prices. If the wine is overpriced, I’m not going to sell it. In the low price range in particular –under \$10.00 wines-- \$1.00 or \$2.00 is gigantic. \$1.00 can make all the difference.⁴⁹

Of course, as we have seen with the case of Argentine pioneer Nicolás Catena, one effective strategy was to price wines at a relatively high level to create expectations of quality. But even he admits that to achieve success “is a great challenge, because it is necessary to make wine with a price/quality ratio at least twice as good as the traditional brands.”⁵⁰

When Catena began to export his Chardonnay and Cabernet Sauvignon in the 1990s, he and his peers were at a distinct disadvantage versus international rivals. The same overvalued currency that had subsidized the transformation of the industry made it difficult to compete on price against wines from other regions. This situation changed radically in 2001 when the country suffered one of the worst economic crises in the past hundred years. To large numbers of Argentines, it seemed that they were living in an “underdeveloping country” as poverty reached unimaginable levels, cutting deeply into the middle and working classes. But an attendant effect of the crisis was the breaking of the peso/dollar parity system; in short order, the peso descended from 1-to-1 with the dollar to 4-to-1, eventually stabilizing at 3-to-1. For the Argentine wine industry, the change in currency value could not have come at a better time. Those wineries that had been able to acquire state-of-the-art equipment and know-how with the strong peso, after 2002 took advantage of a weaker currency and low and declining land and labor costs to

place their wines among the world's leaders in price/quality ratio. Luis Steindl, the CEO of Mendoza's Bodega Norton explains: "You can get the same quality (of wine) as other areas, and the direct cost of production is probably one-quarter of what it'd be in the United States and even less than what it would be in France." In the unvarnished verdict of industry newcomer Michael Evans, "You can make better wine here for less money than anywhere else in the world." Journalist David J. Lynch's conclusion is telling, even if only part of the story: "It is not complex noses or poignant bouquets that explain Argentina's recent emergence in global wine markets, notably including the United States. It's basic economics." Tapiz's Patricia Ortiz fundamentally concurs: "If the peso goes to one-to-one again, we're dead."⁵¹

What Lynch and others leave out of the equation is that those same favorable economic factors that help to keep prices moderate have also permitted producers to make substantial improvements in quality. The availability of a wide selection of excellent wines has been equally or more crucial than reasonable prices to the international competitiveness of Argentine wines. Particularly advantaged are the sales of lower and mid-priced wines retailing for under U.S.\$10 or between \$10 and \$30. Industry executives concur that these products are simply "unbeatable."⁵²

While their low and medium-priced wines may be leaders in the international price/quality ratio battles, the Argentines have not overlooked the higher level products that were so influential at the beginning of the export endeavor. Aware of the impact of icon wines on the brand recognition of individual wineries and on brand/Argentina as a

whole, various winemakers have dedicated considerable effort to producing bottlings that can both garner top awards at international wine competitions and the praise of influential critics from Robert Parker on down. Selling for up to US\$200, they share various features of vineyard management and wine making as well as high prices. Some of these include reliance on vines between 40 and 80 years old, highly controlled pruning and canopy management, the selection of the best bunches at harvest, manual separation of the grapes on special sorting tables, the use of special yeasts for fermentation and storage in new French oak barrels for extended periods. The results are reflected quantitatively in the point scores used in their rankings by two prestigious publications, *The Wine Spectator* and *The Wine Enthusiast*. The ratings of Argentine wines have jumped impressively over the course of the industry's *reconversión*. In 1993, for example, the maximum attained in *The Wine Spectator* was 89 points; in 2006 it was 95 points. For *The Wine Enthusiast*, the highest mark in 1996 was 87 points; in 2007 it had risen to 94 points. Also, three Argentine wines made both magazines' 2006 "Top 100 Wines of the World" lists. The enthusiasm for Argentina's icon wines is powerfully reflected in positive reviews that exalt them as "ultra rich," "very muscular," "so vivid, so pure, so full of pent-up energy." "They combine the best of both worlds—hedonistic style and authentic *terroir*." ⁵³

One final form of communication from international markets concerns wine labeling. For label design, both front and back, producers have been highly sensitive to the particularities of specific markets. Their goal has been to design labels that communicate "mystique" and individuality while incorporating the most persuasive local "codes" of

different market segments. Importers and distributors have had major participation in export labeling, providing decisive input on label designs and overall point of sale materials. As importer/distributor Suárez comments, “We are always in the loop.” This process has resulted in an abundance of catchy labels at the entry level and more elegant, classy examples at mid and upper ranges. Examples of highly focused packaging include FECOVITA’s creation of specific labels to target Hispanics in the U.S. and Bodega Tapiz’s manufacture, at the insistence of the local distributor, of stylized bottle bags for the Japanese market.⁵⁴

Attention to label design is just one element of a growing drive to brand Argentina’s wines. In this process, wineries have been particularly intent on distinguishing themselves from the bulk production of previous decades. Some have even changed their names in order to project a new and attractive image. Highly successful industry pioneer José Alberto Zuccardi, for example, converted his enterprise from La Agrícola into Familia Zuccardi “because La Agrícola gave the idea of something anonymous, of a cooperative. It didn’t give the idea of a family structure, of a very personalized firm.”⁵⁵

The concepts of “family” and “personalized” enterprises have taken physical forms over the past decade with the building of iconic wineries that dot the landscape of Argentina’s wine regions. Various architects have gained strong reputations by translating brand identity into built structures. Nearly all of these new wineries incorporate attractive public spaces and use innovative forms of lighting to involve visitors in the production process while communicating the mystique of the wine. At the same time that these

edifices have created high profiles for leading producers they have contributed to the rapid expansion of Argentine wine tourism. Since 2000 industry associations and various universities have been encouraging this process by launching well-funded studies to analyze the present and future of wine tourism, carefully mapping out wine routes and offering specialized training courses for winery personnel. These efforts are clearly bearing fruit; in 2006 alone, wine tourism increased by 45 percent. For the growing numbers of domestic and foreign tourists, wineries have begun to hire dedicated staffs, to hold special musical and arts events and to build restaurants and small hotels on the premises. Initially producers saw tourism mainly as a way to increase brand visibility. Subsequently it has become a means to augment wine sales; boutique wineries record up to 50 percent of income from this source, and the direct sales of larger firms have surged.⁵⁶

Wine tourism, new branding and labeling, high profile wineries, all-expense trips for importers and distributors, participation in wine fairs: all are components of an array of tactics pursued by individual firms and winery associations to advance their marketing efforts. Of particular note in recent years has been the series of ambitious advertising campaigns targeting international and domestic markets. For exports, an oft-repeated maxim of marketing consultants has been that continued growth hinges on the industry's ability to create a distinctive identity. The 2005 assessment of British expert Tim Atkin typifies these views: "What is needed is to 'sell yourself' as a country. This is such an attractive place, with so much culture and natural beauty...but most people don't know it." Argentine wine executives agree. In the words of Peñaflores' Export Manager Juan

José Canay, “you can sell much more than the wine itself. You sell its origins, you sell the country, you sell the culture of a place. If you create an image of good Argentine wine, you also create an image of Argentina.”⁵⁷

Canay’s proposal to build a country brand took concrete form in 2006 when Wines of Argentina, the leading industry trade group with a membership that controls 95 percent of exports, contracted with prominent local advertising agency González Taboada Guevara to design an advertising campaign for its principal markets –the U.S., the U.K. and Brazil-- at a cost of US\$650,000. Three years earlier they had financed a market study on the strengths and weaknesses of the image of Argentine wines in Europe and the U.S. Not surprisingly, tango, soccer and a series of attractive and identifiable vistas of the country were the most positive associations. The eventual campaign features ten large format color ads, “Unique landscapes, unique wines” to be placed in prestigious wine publications including *Wine Spectator*, *Wine Entusiast*, *Wine and Spirits*, *Food & Wine*, (U.S.) *Decanter*, (UK) *Wine Style*, *Adega*, *Prazeres da Mesa*, (Brazil) at a cost of up to US\$25,000 each . The ads highlight Argentine landscapes and cultural icons seen through a glass of wine.⁵⁸

The use the country as the prominent element in wine branding is abundantly clear in the extensive picture gallery on the Wines of Argentina website. Of the 76 photos, 44 focus directly on wine, wine production, grapes or vineyards while 32 depict the richness of the land or show identifiable national symbols including tango, gauchos and beef. Two images that exemplify the brand/Argentina message portray men harvesting in the

vineyards and a couple dancing tango. In the first, the laborers are covered in a hazy mist that fades the color of the picture, making its protagonists almost blend into the land and the vines, becoming part of the wine itself. The faded look of the picture communicates a feeling of antiquity, timelessness and tradition, of a place where things have always been done carefully and by hand. In the second photo, flanked by rows of barrels in a wine cellar, the two dancers are locked in a passionate embrace. The feeling and romance of the dance are meant to parallel those elements in the wine and to suggest that by drinking it one can experience the same emotions.⁵⁹

One final marketing tactic employed by several major producers has been to promote favorable reviews of their wines. Once again Nicolás Catena pioneered these efforts when in 2000 he decided to launch a new icon wine at a significantly higher price point than his previous bottlings. Following the recommendation of his international distributor Alfred Bartholomaeus, he sponsored a series of highly publicized blind tastings in the U.S. and the U.K., pitting his top Cabernet blend against some of the world's most reputable wines including Chateau Latour, Haut Brion, Caymus SS and Opus One. His goal, to validate the wine's quality and justify its price, was achieved; Catena was ranked first at seven of the nine tastings and placed second at the other two. A more commonly employed tactic has been to contract prominent public relations firms that undertake to introduce the wines to influential critics and obtain hopefully favorable reviews. One way of achieving critical acclaim, according to some industry insiders, is to place ads in specific wine publications, thereby increasing the odds for a review and perhaps a few more points as well. However achieved, as Patricia Ortiz of Tapiz explains, the

expectation is that reviews will make the wine “look serious,” elevate its visibility, and establish its legitimacy.⁶⁰

Argentine Wine Futures

Over the past decade the Argentine wine industry has undergone a veritable revolution, from the thorough upgrading of vineyards and many wineries to a dramatic improvement in the quality of its products. A major driver of these developments has been the decisive shift in emphasis from domestic consumers to export markets and the associated concern for devising effective marketing strategies. For an entire century after its founding in the 1880s, the wine industry formulated its business plans based on the perception of an undifferentiated mass of local consumers; during this period the concept of marketing itself was virtually non-existent. In contrast, the last decade has witnessed the agile responses of the country’s leading firms to the challenges of new markets, proving themselves sensitive both to the distinctions between local and export markets and to a multiplicity of consumer segments. But will the Argentine wine industry be able to confront the future challenges of an ever changing international panorama with the same agility? While historians should never make predictions and even less suggest definitive answers, it is worth briefly outlining the major issues that will shape the future of Argentine wine and discovering what major industry actors are thinking.

The three key factors for maintaining export growth are the same ones that explain the progress of the past decade: competitive pricing; the strength of demand from external

markets; and the identification of Argentine wines as special and worth drinking. The highly favorable price/quality ratio of Argentine wine has certainly been a crucial component of export success. In the present context, several suggest the persistence of this comparative advantage, while others appear to threaten it. On the plus side is the continued pegging of the peso to the U.S. dollar. If the dollar remains weak, so does the peso making Argentine wines relatively inexpensive at all price levels, particularly in comparison with those produced in European countries tied to the stronger Euro. In past months, the Argentine government has devalued the peso at even a faster rate than the dollar's slide, the exchange rate slipping from approximately 3 to 1 to nearly 3.20 to 1. In large measure, this policy has been a response to a marked upswing in domestic inflation leading to increased costs for Argentine wine makers and for national industry in general. The specter of yet more severe price increases, harkening back to the days of hyper-inflation, and the real rise in expenditures for essential imports from Euro currency countries, principally French oak barrels and Portuguese corks, represents a genuine danger to the comparative pricing advantage that has been fundamental to the export growth of recent years.

The drop in the dollar presents still another problem for the Argentine wine industry: its possible linkage to a major downturn in the U.S. and perhaps in other global economies. It is encouraging that declines in real income in the U.S. have not yet been reflected in lower wine consumption. And given Argentina's price advantages, its wines should fare well even in more difficult economic times. Nevertheless, the specter of recession in their most important and fastest growing export destination has become an incentive for

Argentine producers to seek new international markets. Induced by the economic slump following the 911 attacks, various firms had already begun to look for future growth in Asia and the non-traditional wine countries of Northern Europe. Also other Latin American countries are becoming attractive possibilities, above all Brazil with its enormous population, strengthening national currency and Mercosur free trade relationship with Argentina.

Economics aside, a driving force of Argentina's export boom has been the admirable quality of its wines, particularly the attraction of its emblematic Malbec. But given that its uniqueness is a key element of Malbec's appeal, is the wine's lure ultimately a temporary fad? Will consumers tire of Malbec in time? Should the Argentine industry continue to stake its fortunes largely on this one successful varietal, or should it seek to promote new wines on the international market?

Most experts voice optimism about the long-term prospects of Malbec. Among its enthusiasts are some of the wine world's most influential critics and consultants. Remember that Robert Parker hardly evoked the image of a passing fancy when he asserted that during the next decade Malbec would take its place among "the pantheon of noble wines." Parker's Argentine representative Jay Miller expressed similar views on his recent visits to Argentina: "To conquer the market, Argentina should continue promoting Malbec....Malbec is what distinguishes Argentina within the multitude....Malbec is real, it is not something that will go out of style....Malbec has great room to grow, because from its entry-price wines on up you find very good

options.”⁶¹ Renowned French consultant Michel Rolland is even more categorical in his support: “There is no reason for Argentina to change varietal. It is functioning so well with Malbec that I see no reason to try something else.”⁶²

That Malbec will most probably continue to be the driver of international sales does not mean that Argentine wineries have become complacent. Within the last three years export leaders, including Catena, Peñaflor (Trapiche) and Zuccardi to mention just a few, have begun to offer a broad range of diverse Malbecs at numerous price points from entry level to icon. High-end producer Catena, for example, has moved down, devoting substantial resources to the development and marketing of his economical Alamos line. Familia Zuccardi has gone in the other direction. Coming into the export market with largely entry-level products, the winery moved first to the mid-level with its Q line and most recently to an icon Z. Another sign of the search for diversity within Malbec has been Catena and Trapiche’s launching of expensive single-vineyard Malbecs featuring wines from high altitude vineyards with yields of 1 to 1.5 ton yields per acre. As Catena importer Bartholomaeus explains, “Since so many Malbecs are coming on the market, this is the way for Nicolás to continue to distinguish himself from the rest.”⁶³ Another emerging tendency is to establish the identities of a series of regionally specific Malbecs, from Salta’s high altitude plantings in the North to bottlings from the southern region of La Patagonia.

Sommelier Richard DiGiamcomo neatly sums up Malbec’s enduring prospects:

Malbec will get bigger and will achieve more icon status. It is the equivalent of California Cab which hasn’t gone out of style. That’s

the model for Malbec. It's not from anywhere else. It's easy to pronounce. It's full-bodied, great aromas, lots of berries like Cab, but more fruit-forward. It's a safe wine. It's easy to drink. People drink it and like it."⁶⁴

*Thanks to Mario Stein helping a historian to adopt the approach of a marketer

¹ Robert M. Parker, Jr., *The World's Greatest Wine Estates* (New York: Simon & Schuster, 2005), p. 19.

² Parker, *World's Greatest*, p. 19. Export statistics may be found at:

<http://www.inv.gov.ar/PDF/Estadisticas/Exportaciones/2007/ComparativoHLFOB.pdf>

³ Víctor Honoré, "Argentina bate su record de exportación de vino a EEUU," *Argentinewine.com* (April 20, 2007); Miguel Angel Flores, "Vinos argentinos en EEUU: Entre marketing y mujeres," *Argentinewine.com*. (September 16, 2007).

⁴ Rodolfo Barros, "Millones con olor a vino," *Revista Fortuna: Negocios y Economía*, (April 20, 2007). Internet.

⁵ Mariano González, "Crecen las exportaciones de vinos en un contexto global complejo," *Diario de los Andes* (May 17, 2007).

⁶ "EE.UU. sería en 2008 el primer consumidor mundial de vinos,"

<http://www.diariouno.net.ar/2007/01/28/nota137102.html>.

⁷ Australia's importance was emphasized, for example, by Alberto Arizu, Commercial Director of Bodega Luigi Bosca, interview, August 2003. Also, the highly successful wine duo Susana Balbo and Pedro Marchevsky call the Australian model "a paradigm," that really opened our minds." Quoted by Mariano González, "Bodega Dominio del Plata: Dos sueños, dos estilos, una familia," *Vinos y viñas*, # 990 (April 2004), 43. Actually, the Shiraz case exhibits differences as well as similarities with Malbec. Shiraz is not a "new" variety, rather something of a new name and new style of a well recognized Old World grape, Syrah. In the Argentine case, Malbec was an almost unknown grape from Southwestern France (Cahors) with very limited use and success, especially when compared with other major French red varieties such as Syrah or Cabernet Sauvignon, Merlot, Pinor Noir and even Cabernet Franc. Another model similar and roughly contemporaneous with Malbec in Argentina is Sauvignon Blanc in New Zealand. But once again, it follows more closely the Australian case with the promotion of an already established and greatly successful variety in France that has seen somewhat less success in New World regions such as California.

⁸ "Vino's Twin Peaks: Mendoza and Santiago," *The Economist* (March 17, 2007): 44. As Argentine wine commentator Diego Brando has explained, part of Chile's problem with the promotion of Carmenere originates from the fact that it is a difficult grape to produce in large quantities, and in any case Chile continues to plant small quantities of Carmanere as compared to its export anchors Cabernet Sauvignon and Chardonnay. "Vinos: Conquistar mercados." *Latitud2000* (January 29, 2008).

http://www.latitud2000.com.ar/index.php?option=com_content&task=view&id=7230&Itemid=44 2008-01-29.

⁹ Hobbs first experienced these wines when he traveled to Argentina in 1983 to consult for Nicolás Catena. Quoted in Dereck Foster, *Revolución en el mundo de los vinos* (Buenos Aires: Ennio Ayosa Impresores, 1995), p. 64. Sources on the "Argentine taste" include Pablo Minatelli (vineyard manager of Bodegas Norton), interview with the Author, August 2003; Luis Coria, interview with the Author, August 2003; Paul Caraguel (French manager of Bodegas Chandon), interview, November 17, 1999, provided by Bodegas Chandon.

¹⁰ Quoted in *Bodegas & terruños*, 6 (May 2000), 28.

¹¹ *Bodegas & terruños*, 2, 1999: 18-19. Emphasis in the original.

¹² Angel Vespa, "El desafío competitivo," *Vinos & viñas*, 991 (August 2004): 11.

¹³ On changes in the content of wine exports see:

<http://www.inv.gov.ar/PDF/Estadisticas/Exportaciones/2007/ComparativoHLFOB.pdf>.; *Vinífera, Revista del Instituto Nacional de Vitivinicultura*, I:4 (1996), 12. Javier Merino, "LA EXPORTACION DE VINOS TRANSFORMO AL SECTOR," *Bodegas y terruños*, # 3 (October 1999), 6. While the recent export boom has clearly represented a departure for the industry, there have been limited and largely failed attempts in the past, one of which was undertaken by Vinos De la Argentina, a consortium of firms in the 1970s led by Peñaflores's Trapiche winery.

¹⁴ Interview with the Author, June 2005. On Catena's pre-1980s experience, see: Foster, *Revolución en el mundo de los vinos*, p. 25 and Paul Franson, "Nicolás Catena the "Bob Mondavi" of Argentina," *Wine Business Monthly* (October 2003). <http://www.winebusiness.com/html/MonthlyArticle.cfm?dataid=27902>

¹⁵ Quoted in Foster, *Revolución en el mundo de los vinos*, p. 33.

¹⁶ Alejandro Walters, "Rebuilding Technologically Competitive Industries: Lessons from Chile's and Argentina's Wine Industry Restructuring." (Ph.D. Dissertation, Department of Urban Studies and Planning, MIT, 1999), pp.68-69.

¹⁷ Interview with the Author, June 2005.

¹⁸ Juan José Canay, "Argentina necesita posicionarse como país en el mundo del vino," *Bodegas y terruños*, 6 (May 2000): 10 and *Argentinewines.com*, January 31, 2007. While in many ways Peñaflor's business strategy paralleled that of Catena, there have been some interesting divergences. Former Trapiche wine maker Laureano Gómez explained a major one: "Catena had a great advantage over us, because just as he got rid of his table wine brands, Peñaflor didn't have a better idea than go and buy them. A visionary gets rid of table wine, and Peñaflor keeps growing by buying table wine brands." Interview with the Author, June 2005.

¹⁹ On the decline in acreage see: Daniel Aspiazu and Eduardo Basualdo, *Estudios sectoriales. Componente: Industria vitivinícola*. Buenos Aires: CEPAL-ONU, 2003, pp. 10-12; Javier Merino, "Reconversión agrícola: Nuestros viñedos comienzan a parecerse a los del mundo," *Vinos & viñas*, 990 (April 2004): 14.

²⁰ Interview with Author, August 2004.

²¹ Interview with Author, August 2003.

²² Interview with Author, August 2004.

²³ On the Menem policies and industry investments, see Daniel Aspiazu Eduardo Basualdo, *El complejo vitivinícola argentino en los noventa: Potencialidades y restricciones*. Buenos Aires: CEPAL, 2000. Also useful is Rodolfo Richard Jorba, "Cambios tecnológicos y transformaciones económico-espaciales en la vitivinicultura de la Provincia de Mendoza (Argentina), 1870-2000," *Scripta Nova, Revista electrónica de geografía y ciencias sociales*, Universidad de Barcelona, 69/83 (August 1, 2000): 12. Alberto Arizu of Bodegas Luigi Bosca explained the attractive credit situation in an Interview with the Author, August 2003. On comparative land prices, Olly Wehring, *Argentina Wine Industry Review* (Bromsgrove, United Kingdom, July 2006), 17 and Javier Merino, "Fincas baratas?" *Argentinewine.com* (March 24, 2007), provided useful information. On future investment, see PricewaterhouseCoopers, *From Sao Paulo to Shanghai. New consumer dynamics: the impact on modern retailing. Executive Summary 2006/2007*. [http://www.pwc.com/Extweb/pwcpublications.nsf/docid/DD3BFAFBAE31B5FD852571FE005C9AE2/\\$File/argentina.pdf](http://www.pwc.com/Extweb/pwcpublications.nsf/docid/DD3BFAFBAE31B5FD852571FE005C9AE2/$File/argentina.pdf)

²⁴ Sophie Jump quoted by Wehring, *Argentina Wine Industry Review*, p. 25. On the use of imported clones see Raúl de la Mota, quoted in Foster, *Revolución en el mundo de los vinos*, p.50. The rise of local and foreign nurseries is chronicled by Carmen Pérez, "Para la vitivinicultura el vivero es la llave del futuro," *Bodegas y terruños*, 3 (October 1999): 40-41; Miguel Angel Flores, "Los viveros vitivinícolas en Mendoza: El primer eslabón de la viticultura," *Gerencia vitivinícola*, 2 (August 2000): 40-45; and Hernán Ojeda, Carlos Catania and José Rodríguez, "Selección clonal del Malbec," *Idia, Revista de Información Sobre Investigación y Desarrollo Agropecuario(INTA)*, 1/1 (November 2001): 47-52. On irrigation see Aspiazu and Basualdo, *El complejo vitivinícola en los noventa*, pp. 139-140. On the level and pace of the technological advance in general see: Aspiazu and Basualdo, *El complejo vitivinícola en los noventa*, pp. 138-39. Specific information on the pioneering wineries in the technological transformation was obtained from Angel Mendoza, Interview with the Author, June 2005; Paul Hobbs, Interview with the Author, August 2004, Jeff Mausbach, Cecilia Razquin, Leandro Juárez and José Galante, Interview with the Author, August 2003; Nicolás Catena, quoted in Foster, *Revolución en el mundo de los vinos*, p. 29; Francisco Martínez, Interview with the Author, August 2003; and Adriano Senetiner cited by Silvina Carbonari, "Vinitera, típicos vinos de 'terrior,'" *Master Wine*5/38 (2004): 32. Eduardo López, of Bodegas López, commented that in 2003 his winery had installed the fastest bottling line in the Americas, Interview with the Author, August 2003.

²⁵ An excellent list of international consultants is presented by Tim Atkin, "No Going Back," *Harpers Wine and Spirit Weekly* (May 1, 2002). See also Gerald A. McDermott, "The Politics of Institutional Renovation and Economic Upgrading: Recombining the Vines that Bind Argentina," *Politics and Society*, 35/103, March 2007: 113, 129 and 142. On the marketing consultants, see María Soledad González, "Las llaves para desarrollar una marca exitosa," *Vinos y viñas*, 992 (December 2004): 74-75.

- ²⁶ Mario Domingo Rodríguez, “El ‘Gran Buenos Aires’, extraordinario consumidor de vino,” *Anuario vitivinícola 1973*, pp. 38-40. Even though part of a global phenomenon in traditional wine drinking countries, the 2/3 drop in Argentina in the space of some two decades made it a particularly extreme case. On general consumption trends, see INV <http://www.inv.gov.ar>.
- ²⁷ Brando, “Vinos: Conquistar mercados;” and Federico Manrique, “El Grupo Peñaflor ya está entre los top ten del mundo,” *Los Andes on line*, (October 2, 2007). “Vino argentino: Exportar más para seguir creciendo,” *Clarín.com*, September 17, 2006. *Clarín.com*, September 17, 2006. <http://www.clarin.com/suplementos/economico/2006/09/17/n-00701.htm>.
- ²⁸ It is important to note that the Chileans do not have not have the same cushion as Argentina in terms of domestic consumers. With a relatively weak national market where the custom of wine drinking does not have strong roots in comparison to its trans-Andean neighbor, it is more difficult to make the risky choices.
- ²⁹ On the shift to quality in domestic consumption, see: Ana María Ruiz and Hernán Vila, “Cambios en la demanda de vinos en el fin del milenio,” *Idia, Revista de Información Sobre Investigación y Desarrollo Agropecuario (INTA)*, 1/1 (November 2001), 44; and Hugo Centrángolo, Sandra Fernández, Javier Quagliano, Vera Selenay, Natalia Muratore and Francisco Lettieri, *El negocio de los vinos finos en la Argentina* (Buenos Aires, Editorial Facultad de Agronomía Universidad de Buenos Aires, 2002), p. 62. Zuccardi quoted in “Vino argentino: Exportar más para seguir creciendo,” *Diario Los Andes* (September 7, 2006).
- ³⁰ Alberto Arizu and Eduardo López quoted in Gabriela Malizia, “Bodegueros de pura sangre.” *Los Andes Online* (April 26, 2008) <http://www.losandes.com.ar/notas/2008/4/26/fincas-355597.asp>
- ³¹ Alejandro Darago quoted in Lance Cutler, “The California/Argentina Wine Connection: What California Consultants Contributed to Argentine Wines and What They Learned While Doing It,” *Wine Business.com* (August 15, 2007). <http://www.winebusiness.com/referencelibrary/webarticle.cfm?dataId=50086>
- ³² Zuccardi quoted by Francisco de Zárate, “Tenemos más calidad, no precio más bajo.” *Clarín.com, Económico* (May 20, 2007). <http://www.servicios.clarin.com/notas/jsp/clarin/v8/imprimir.jsp.pagid=1422025>. Matías Brandi, Interview with Author, August 2003.
- ³³ State regulations that do exist include set the dates for the end of harvest, a minimal time for the release of new wines, and the minimum percentage of alcohol for the product to be considered wine.
- ³⁴ Quoted in Foster, *Revolución en el mundo de los vinos*, p. 79 and by Wehring, *Argentina Wine Industry Review*, 16.
- ³⁵ Interview with the Author, June 2005.
- ³⁶ Interview with the Author, August 2004.
- ³⁷ Quoted in María José Barber, “Margareth Henriquez-Ceo de Chandón: La crisis es una fuente de permanente aprendizaje,” *Vinos y viñas*, 986 (September 2003): 28. The three-pronged strategy was suggested by Mariano González, “Agasajo vendimial: La esperanza desbordó las copas en la fiesta del vino,” *Vinos y viñas*, # 984 (May 2003), 22.
- ³⁸ Catena quoted in Foster, *Revolución en el mundo de los vinos*, 32.
- ³⁹ Information on Hobbs and Marchevsky obtained from Hobbs, Interview with the Author, June 2005. Bartholomaeus’s role was outlined in an Interview with the Author, April 2008. Angel Mendoza’s statement from Interview with the Author, June 2005. See also: Cristina S. Pandolfi de Fernández, “El Malbec en cifras: Una realidad para reflexionar,” *Gerencia vitivinícola*, # 2 (August 2000), 26
- ⁴⁰ Suárez, Interview with the Author, April 2008, Razquín quoted in María Soledad González, “El vino argentino gana adeptos den el mundo,” *Diario Los Andes*, June 30, 2007. <http://www.losandes.com.ar/notas/2007/6/30/fincas-234533.asp>.
- ⁴¹ Quoted by Simon Meads, “More than Malbec,” *Wine International Tasting* (May 2004).
- ⁴² For Parker’s views, see Robert M. Parker Jr., “Parker Predicts the Future,” *Food and Wine* (October 2004), <http://www.foodandwine.com/articles/parker-predicts-the-future>. As part of his prediction, Parker explained that Malbec, originally from Southwestern France, had “failed miserably on its home soil,” producing largely harsh, acidic, often sour wines.
- ⁴³ *The Wine Advocate*, No. 174, December 2007. Malbec descriptors were culled from: *The Washington Times* (November 2, 2005); and *The Wine Spectator* (November 30, 2006), 93 and (December 15, 2007), 115. The article titles are taken from *Wine Country International*, (March 3, 2005)

http://www.billingtonwines.com/admin/images/imgpress/wci_mmmmmmmalbec0205.pdf and *Golfweek* (March 32, 2008). <http://www.golfweek.com/lifestyles/features/story/argentina-wine-feature-033108>.

⁴⁴ Alfredo Bartholomaus, Interview with Author, April 2008 and Patricia Ortiz, Interview with the Author, April 2008. On the scantiness of direct market research see Miguel Angel Flores, “Vinos argentinos en EEUU: Entre marketing y mujeres,” *LosAndes online* (September 16, 2007).

[Http://www.losandes.com.ar/notas/2007/9/16/economico-242066.asp](http://www.losandes.com.ar/notas/2007/9/16/economico-242066.asp). A contrary view was expressed by Mario Giordano, coordinator of the trade group Wines of Argentina, who referred to “enormous research projects in several countries around the world in order to find out how people view us: What are our strengths and what are our weaknesses? We want to work in a way that is even more professional so that we can sell more in the future,” quoted in McDermott, Gerald A., “The Wine Industry Faces Up to the Argentine Crisis,” *UniversiaKnowledge Wharton* (December 3, 2003).

<http://www.wharton.universia.net/index.cfm?fa=viewArticle&id=691&language=english&specialId=>.

⁴⁵ Richard DiGiacomo, Interview with the Author, April 2008.

⁴⁶ Julio Suárez, Interview with the Author, April 2008.

⁴⁷ Claudio Kojusner, owner of La Estancia Argentina, Interview with the Author, April 2008; and DiGiacomo, Interview with the Author, April 2008.

⁴⁸ Brigitte Barriero quoted in Larry Walter, “Argentina’s Push for Market Share,” *Wines and Vines* (July 2005). http://findarticles.com/p/articles/mi_m3488/is_7_86/ai_n14814695. Mendoza, Interview with the Author, June 2005.

⁴⁹ Interview with the Author, April 2008.

⁵⁰ Catena quoted in Javier Merino, “La fuerte competitividad en el sector impulsa su excelencia,” *Bodegas y terruños*, # 2 (July 1999), 7.

⁵¹ Quotes from David J. Lynch, “Golden Days for Argentine Wine Could Turn Cloudy,” *USA Today* (November 16, 2007), http://www.usatoday.com/money/world/2007-11-15-argentina-wine_N.htm?csp=34. Patricia Ortiz, Interview with Author, April 2008.

⁵² “El vino argentino obtiene más mecados en el exterior,” *ExportaPymes* (May 21, 2007).

<http://www.exportapymes.com/modules.php?name=News&file=print&sid=3938>; and Martinez, “Vino argentino: Exportar más para seguir creciendo.”

⁵³ Information on wine publication ratings was obtained from: McDermott, “The Politics of Institutional Renovation & Economic Upgrading: Lessons from the Argentine Wine Industry,” 40; and an examination of the issues of *The Wine Spectator* and *The Wine Enthusiast* for 2006 and 2007. Specific reviews may be found in James Molesworth, *The Wine Spectator* (May 15, 2007): 144 and *The Wine Spectator* (October 15, 2007): 134; “Argentina’s New Summits: A Wine Industry Looks Abroad to Discover Itself,” *The Wine Spectator* (November 30, 2004), 61; and Molesworth, *The Wine Spectator* (January 31-February 28, 2007), 85; and *The Wine Enthusiast* (August 2007), 64. A succinct explanation of the production components of Argentina’s icon wines is contained in Mariano González, “Vinos de alta gama y sus autores: Llegaron a la cima pero van por más,” *Vinos y viñas*, No. 984 (May 2003), 31-32.

⁵⁴ Suárez, Interview with Author, April 2008. Two interesting articles on the shift of emphasis in branding and labeling are: Jaquelina Jimena, “Diseño de etiquetas: Cuando el arte se conjuga con el marketing,” *Gerencia vitivinícola*, # 2 (August 2000), 50-54; and Lucía Centeno, “Posicionamiento y desarrollo de una marca: Un intangible clave,” *Gerencia vitivinícola*, # 2 (August 2000), 27-29.

⁵⁵ Interview with the Author, August 2004. The FECOVITA effort is chronicled in María Soledad González, ¿Cómo hicieron para entrar? *Area del vino* (March 3, 2008) <http://areadelvino.com/>

⁵⁶ On winery architecture see: Silvina Cabonari, “La nueva imagen de las bodegas mendocinas,” *Bodegas y terruños*, # 6 (May 2000), 30-33 and Germán Sala, “Bodegas con personalidad,” *El vino & su industria*, II: 8 (April 2003), 45-48. Information on tourism is contained in: “Bodegas de Argentina presentó su informe de turismo vitivinícola,” *Argentinewines.com*, March 5, 2007; II Curso de Diseño y Organización de Rutas Alimentarias y de Turismo del Vino,” *Argentinewines.com*, September 20, 2007; “Bodegas de Argentina presentó su informe de turismo vitivinícola,” *Argentinewines.com* (April 5, 2007); “Diagnóstico sobre turismo del vino en Mendoza,” *Argentinewines.com* (May 5, 2007), and Lynch, “Golden Days for Argentine Wine Could Turn Cloudy.” An example of wine tourism courses is “II Seminario Internacional Turismo del Vino,” <http://www.seminariodeturismo.com/>.

⁵⁷ Atkins quoted by Flores, “La diversidad es la mayor ventaja competitiva.” Canay, “Argentina necesita posicionarse como país en el mundo del vino,” 11.

⁵⁸ Information on the campaign is contained in: “Los paisajes y vinos argentinos tienen ese que se yo ¿viste?” *Vinos al mundo* (November 11, 2004). http://www.vinosalmundo.com/Ver_Articulo.asp?id=252; Alberto Borrini, “Se lanzó una campaña orgánica del vino argentino en el exterior,” *ExportaPymes* (August 7, 2006). <http://www.exportapymes.com/article3428-Se-lanzo-una-campa%C3%B1a-organica-del-vino-argentino-en-el-exterior.html>; Gustavo Sencio, “Quieren cuadruplicar la presencia de vinos argentinos en el mundo,” *Diario Los Andes*, September 10, 2006. <http://www.losandes.com.ar/notas/2006/9/10/economico-206927.asp>; and Hernán Fernández, “Los cortes del vino,” *Infobrand: Revista de marketing, branding y comunicación*, August 22, 2006. www.infobrand.com.ar/nota.php?idx=7803.

⁵⁹ The analysis of the picture gallery and the images at <http://www.winesofargentina.org/galeriadefotosing.html>, was suggested by Grant Lachman.

⁶⁰ Details on the Catena tastings in the UK and the US are in documents received from Alfredo Bartolomaus and substantiated by Bibendum on their website, www.bibendum-wine.co.uk. Bartolomaus was very informative on the whole process, Interview with the Author, April 2008. Patricia Ortiz detailed the Tapiz experience in an Interview with the Author, April 2008. Matías Brandi, former U.S. Marketing Manager at Bodegas Salentein explained in a 2003 interview that the lion’s share of the firm’s publicity budget was paid to public relations firms specifically with the goal of having Salentein’s wines reviewed in major publications.

⁶¹ Interviews with Jay Miller, *Area del vino*, (June 28, 2007). <http://areadelvino.com/>; and María Soledad González, “Qué dejó la visita de Jay Miller en Mendoza?” (April 24, 2008). <http://www.areadelvino.com/ContenidoArticulo.aspx?PID=8278>.

⁶² Quoted in Alfredo Sainz, “El ‘gurú’ del vino considera que, a la hora de exportar, las bodegas argentinas tienen que seguir confiando, ya que los millones están en el malbec,” *La Nación.com* (April 20, 2008). http://buscador.lanacion.com.ar/Nota.asp?nota_id=1005836&high=micel.

⁶³ Interview with the Author, April 2008.

⁶⁴ Interview with the Author, April 2008. Despite the confidence in Malbec, various wineries hope that Malbec will open the door to their other wines including excellent Cabernet Sauvignon, Merlot and Syrah. Additionally, numerous Argentine producers are experimenting with the production and sale of new varieties unique to the region including the white grape Torrontés and another red variety, Bonarda.