『経済研究』（明治学院大学）第 144 号　2011 年

Theorizing Internationalization of Latecomer Entrants in a Location-Specific Industry: Evidence from the Australian Wine Industry

櫻　井　結　花

Introduction

Over the past twenty years, a significant structural change has taken place in the global wine market with the rise of the 'New World' wine producing countries such as Australia, New Zealand the USA, Argentina, South Africa and Chile. These 'New World' countries have increased their presence in the global wine market while 'Old World' wine producing countries such as France and Italy have been experiencing relative declines in their global market share. Of 'New World' countries, Australia has achieved a remarkable growth in the global wine market since the 1990s, and has become one of the most influential wine suppliers by 2005.

Australia currently ranks the six (after France, Italy, Spain, the USA and Argentina) by producing 1171 million liters of beverage wines, and is the fourth largest exporter (after Italy, France and Spain) in global wine market. Australia's wine export increased tenfold in the1990s and reached a record of A$3.02 billion in July 2007 exporting to over 80 countries (Winebiz: Wine Industry Statistics 2010). Although the volume of Australian wine export steadily increased, export value per litre has recently declined. According to AWBC Annual Report 2008–2009, the volume of Australian wine exports increased 6% to 750 million liters in 2008–2009 while value declined 10% to A$2.43 billion. The main reason contributing to the above outcomes is a significant increase in bulk shipments and a decline in bottled shipments to Australia's key export markets in particular, the UK and the USA. Global financial crisis has been attributed to the shift in consumer preference in these markets toward low-priced bulk wine from relatively higher priced bottled wine. Moreover, the disparity between global wine production and global wine consumption is growing as global wine consumption is declining, in particular consumption in 'Old World' wine producing countries (OIV, 2007). In Australia, oversupply of grapes in particular, that of red varieties is considered to be the factor inducing bulk shipments (Davis, 2005). Australia is facing increasing competition with other 'New World' producers especially Chile that offer products at competitive price. Australia is now forced to tap into new markets as well as to stimulate consumer demand for Australian wine in existing markets (AWBC 2010: R&D as a Comparative Advantage).

The aim of the paper is to examine the role the government plays in enhancing Australia's position in the global wine market and the interplay between internal and external drivers that interact with export growth phenomena specific to the Australian wine industry. Ultimately, this paper intends to provide a framework to understand how late market entrants in a location-specific industry overcome disadvantages inherit to its status and to succeed in the global market. The discussion within this exploratory paper is based on an examination of published works, secondary data from government and industry organizations and company websites. In addition, semi-structured interviews were undertaken with industry practitioners to complement the other information.

Characteristics of the Australian wine industry

The Australian wine industry is characterized by a small number of large global firms dominating both domestic and export markets and also by a large number of small firms (boutique wineries) competing mainly for the domestic and tourism markets. The number of wine companies grew from 892 to 2420 and wine exports reached record levels for both value (A$3 billion) and volume (805 million litres) in 2007 (Winebiz: Wine Industry Statistics 2010) (see Figure 1 below). Of 2420 firms, the majority (90.4%) are small to medium sized firms that crush less than 500 tonnes. Moreover, approximately 22% of total firms crush between 20 and 49 tonnes and 34.4% crush less than 20 tonnes being categorized as micro firms (Winebiz: Wine Industry Statistics 2010). The top 20 companies account for almost 90% of total sales in domestic and international markets while the remaining over 2000 smaller companies competing for 10% of total wine sales. Large global firms including Constellation Wines Australia, Foster's Group and Casella Wines account for estimated 70% of all exports by volume. Moreover, Constellation Wines Australia and Foster's Group alone, held about 50% of total wine produced as well as accounted for about 45% of all branded wine sales in 2009 (Winebiz: Wine Industry Statistics 2010).

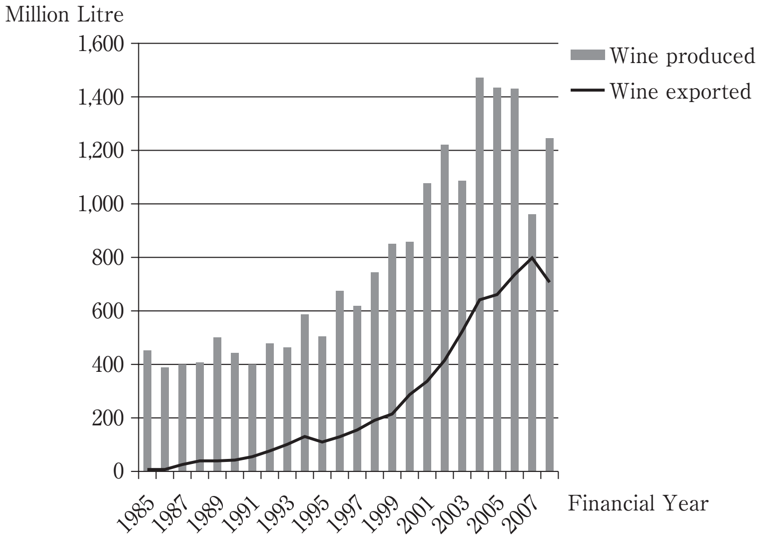
Thus the Australian wine industry's structure is characterized as highly competitive for small to medium sized players. Given that Australia has a relatively small population of 22 million, those small firms are pressured to expand into international markets in order to grow. In fact, many of the newer firms have successfully tapped into overseas markets within 6 years of commencing operation

Table 1: Growth of the industry between 1996 and 2009

Growth indicators	1996	2009	% change
Number of wine companies	892	2420	+171%
Vineyard hectre	65,000 hectres	163,000 hectres	+150%
Total grape crashed	885,000 tonnes	1.71 million tonnes	+93%
Wine produced	678 million litre	1,171 million litre	+73%
Export sales by value	551 million dollars	2.3 billion dollars	+329%
Export sales by volume	148 million litre	764 million litre	+416%

Source: OIV: The State of Viticulture in the World and the Statistical Information in 1996; Australian Viticulture July/August 2009; Winebiz: Vintage Report 1996/2009

Figure 1: Total volume of wine produced and of which exported in 1985-2008



Comprised from the following data sources: AWBC 2009: winefacts-Australian Wine Sales at a Glance 2009; Winebiz: Wine Industry Statistics 2010; AWBC: Wine Export Approval Report, December 2009,

despite of oversupply of grapes in the world (Wickramasekera, 2003). A rapid increase in wine companies throughout the 1990s was mainly driven by exports. By 2006, export markets exceeded the domestic market. Figure 1 shows the growth of wine production and of which exported between 1985 and 2008.

Table 2 illustrates Australian wine export approvals by country both in terms of volume and value between the financial year 2005-6 and 2008-09. The UK and the USA remain the two major destinations for Australian wine exports in terms of both volume and value. The UK has been the primary export market for the Australia wine industry due to its historical connection and the favourable environment for nurturing Australian wine exports such as depreciation of the Australian dollar against the UK currency in the past (AWBC 2000) and regulatory changes (AWBC: Market Insight Report 2009). However, the USA surpassed the UK by value in 2008 reaching to 741.2 million dollars accounting for 30.5% of total export value Following on to the USA, the UK accounted for 29.8%, Canada 8.8%, China 3.9% and Germany 2.1%. Although the share in total export value is not significant, China has emerged as the fourth largest export destination for Australian wine by value reaching A$130 million in 2009 with the highest growth rate of 77% from the previous year. Other markets with high value growth rates include the USA, Hong Kong, Finland and Malaysia (Winebiz: Wine Industry Statistics 2010). In terms of volume, the UK (272 ML) still topped the Australia's ex-

Table 2: Australian wine export approvals by country between 2005-06 and 2008-09 by Volume and by Value.

	2005-06		2006-07		2007-08		2008-09	
	Volume Litres Mill.	Value A$ Mill.	Volume Litres Mill.	Value A$ Mill.	Volume Litres Mill.	Value A$ Mill.	Volume Litres Mill.	Value A$ Mill.
United Kingdom	269.3	960.5	281.2	976.3	267.9	888.1	265.5	723.2
United States Of America	213.1	901.3	220.4	956.1	182.6	745.5	236.3	741.2
Canada	51.0	249.2	49.6	266.8	46.1	259.9	44.6	213.5
Germany, Federal Republic	38.0	75.6	40.1	65.6	23.8	49.3	26.8	51.2
China, Pr	12.0	20.8	22.9	49.0	13.6	61.8	25.1	93.6
New Zealand	27.4	92.2	36.1	101.3	22.1	85.9	19.7	75.9
Netherlands	14.6	45.3	22.1	65.3	24.8	71.1	19.6	57.4
Denmark	17.5	48.7	17.7	48.2	27.6	61.4	19.3	43.4
Ireland	11.8	54.0	15.0	68.7	16.1	69.9	11.4	46.4
Japan	8.1	43.7	9.6	49.0	9.0	48.7	10.7	52.3
Belgium	6.9	21.8	9.6	25.7	10.4	25.5	10.3	24.7
Sweden	15.4	49.6	15.4	51.1	10.3	41.0	9.7	40.0
Hong Kong	3.8	25.1	4.0	26.4	4.8	33.8	6.0	43.0
France	8.0	13.7	10.4	14.7	6.4	12.5	5.6	11.3
Singapore	5.2	37.6	5.3	42.9	5.8	46.0	5.0	41.1
Finland	3.2	12.4	4.7	16.9	4.3	14.8	4.6	17.2
Norway	3.8	14.3	4.9	17.0	3.3	12.1	3.6	12.2
Switzerland	4.1	19.1	4.0	18.1	3.5	15.6	3.5	14.9
United Arab Emirates	2.0	8.3	2.1	9.2	3.3	14.7	2.7	12.3
Malaysia	2.5	18.4	2.5	19.6	2.3	17.5	2.2	20.8
Other	18.4	87.9	20.7	101.6	20.9	108.1	17.5	91.4
Total	735.9	2,799.6	798.4	2,989.9	708.9	2,683.2	749.7	2,426.9

Source: Adopted from AWBC export approval database prepared 13 January 2010.

port market followed by the USA (222 ML), Canada (52 ML), China (46 ML) and Germany (33 ML). These five markets accounted for 80% of the volume of total Australian exports (AWBC: Wine Export Approval Report June 2010).

Questions arise here are: What are the key determinants of rising export performance of the Australian wine industry in a short period of time in overcoming disadvantages inherit to it's late entrant status in the global wine market; What does the industry do in responding to increased pressures? In addressing the above questions, key drivers for export performance of the Australian wine industry are explored in the follwing section.

Key drivers for export performance

Latecomer firms are disadvantaged in terms of resource incompetence, reputation disadvantage, and entry barrier created by first-mover firms. A government often plays a major role in assisting domestic firms in a strategically focused industry to overcome entry barriers created by first-mover foreign firms (Hill, Cronk and Wickramasekera, 2008 p.99). Latecomer firms can catch up with established firm from foreign countries by accelerating the process of their industrialization with the support of the respectable government. The Australian wine industry reached its financial objective of $4.5 billion in annual sales in 2005 that was 20 years earlier than it was initially planned. Considering the success of Australian wine industry in a short period, it is hypothesized that the government initially has played a key role in assisting the wine industry by creating institutional platforms necessarily for international expansion.

Porter (1990) theorizes how a nation becomes successful internationally within a particular industry. He argues that four broad interrelated attributes of a nation shape the environment and create what has been dubbed a 'Diamond' of national competitive advantage. These four diamond attributes are factor endowments, demand conditions, relating and supporting industries, and firm strategy, structure and rivalry (Porter, 1990). Porter argues that the diamond is an interrelating and mutually reinforcing system; the effect of one attribute is dependent on the state of others. In addition to the four diamond conditions, Porter (1998) suggests that government activity through actions like imposing regulations can alter a nation's demand conditions, alter rivalry and even affect factor endowments. The government's attitudes and actions are integral parts of allocation and upgrading of national resources. Porter's diamond can be used in explaining how the government activity influenced upgrading competitive advantages of the Australian wine industry.

According to Porter (1990), national endowment of factors allows firms to gain competitive advantages by efficient utilization of production inputs. Domestic industries grow or are suppressed as a result of abundance or absence of factors of production such as natural resources, labor and infrastructure. One of the main drivers for the rapid growth of Australian wine export is Australia's natural endowment with geographical diversity and abundance of sun-light that enabled Australia to produce regionally distinctive wines and varietal diversity. As for varietal diversity, the five principle varieties including Shiraz, Chardonnay, Cabernet Sauvignon, Merlot and Semillon plus other 140 varieties are grown in Australia (Gastin, 2009). Thus, basic factor endowments of Australia (ie. location and climate) have provided benefits to the growth of the wine industry. However, natural endowments alone were not enough for late market entrants to equally compete with early market entrants in the global market. The national government has successfully upgraded advanced factor endowments by setting up industry associations and strengthening its linkages with academic institutions since the 1990s. This assisted Australian winemakers to technologically advance in viticulture and oenology and in creating blending of grape varieties across regions in consistent quality (Gastin, 2009).

Porter (1998) argues that the existence of related and supporting industries is identified as another factor that increases the national competitiveness of an industry. In order for firms to be competitive and productive, it requires a set of macro-economic conditions that facilitate collaboration and knowledge flows between firms. A geographic concentration of interconnected wineries, grape growers, suppliers, service providers, and wine-related institutions are identified as one of the key factors to increase productivity and innovation though learning for wine industries. Studies show the role of clusters in raising regional productivity and innovative capacity by using an example of California wine cluster (Porter, 1998; Porter and Bond 1999) and South Australian cluster (Nipe, York, Hoga, Faul and Baki 2010). Aylward (2004) demonstrated that South Australia (SA) where the headquarters of national regulatory bodies, research and coordination bodies and export council are all located tended to show stronger growth and sustainability of export more so than other regions within Australia. In contrast, smaller wineries, in particular those do not have strong linkages with those institutions, tap into the existing strong cluster namely tourism and food clusters to be competitive and help them to reach a broader range of consumers. For example, while Queensland (QLD) accounts for a very tiny percentage of total wine production in Australia, it exhibits the highest percentage (84.7%) of cellar dollars of total wineries within the region. In comparison, only 53.7% of wineries in SA have cellar door facilities (Winebiz: Wine Industry Statistics 2010). QLD state government plays a proactive role in linking the wine industry to tourism sector in promoting, training and marketing wine tourism. For example, the state government recently set up the Queensland College of Wine Tourism as a joint venture with the University of Southern Queensland.

Another key advantage associating with the Australian wine industry identified by Gastin (2009) is the creative regulatory environment that provides the freedom to winemakers to experiment with new wine styles and innovative technologies and that also conducts strong quality controls on exports to ensure the quality of wines and protect customers. Australian wine legislation concerning a geographical indication (GI) is less restrictive in terms of viticulture and winemaking processes. GI system allows a much broader range of grape varieties to be cultivated in the same area and facilitates blending of grape varieties in the same and/or across regions. In contrast, 'Old World' producing countries have a strict system of classifications and appellation (eg. AOC in France) referred as 'terroir which not only regulate geographical boundaries, but also regulate what grape variety maybe grown, vine density, alcohol level and production methods for an area (Wine Australia Europe 2010: Wine Region).

Australia's regulatory environment has fostered flexible and innovative winemaking philosophy and management ideology among Australian winemakers and viticulturists. A study suggests that Australian winemakers perceive Australian wine legislation as "simple and permissive, which allow them to be innovative and proactive" (Jordan, Zidda and Luckshin, 2007, p.28). Flexible and innovative winemaking philosophy has created 'New Tradtions' in the wine industry which offers unique styles and blending through varietal experimentation but producing consistent quality. Australia's technological capabilities are expressed in packaging and alternative to cork closure. Australia is one of the leading countries where screw caps are widely adopted for its wine. A group of the Clare Valley producers in South Australia voluntarily collaborated in using screwcaps for their premium Riesling wines and jointly launched a marketing campaign to endorse the benefits and quality aspects of screwcaps through various media in the early 2000. Industry and regional collaboration for disseminating the benefits of screwcaps over cork closures reduced consumer resistance to screw caps, and reduced the wine been tainted hence improving product consistency (Garcia, Bardhi and Friedrich, 2007).

The success story of Yellow Tail produced by Casella Wines by tapping into 6 million novice wine drinkers in the USA is a good example of flexible approach to winemaking. According to Chan and Maubourgne (2005), Yellow Tail, a top selling Australian brand in the USA, took a different perspective on the wine market by looking beyond the existing wine market boundaries. Yellow Tail is characterized by simple and colorful labeling and sweet and fruity flavoring, and by creating a fun, easy to enjoy wine for everyday at low cost. The products successfully captured customers who used to prefer beer, sprits and ready to drink (RTD) cocktails to wine. Hardy's and Barokes came up with innovative packaging, both have further pushed the existing wine market boundaries. Hardy's Shuttles is a mini 187ML bottle of wine with a handy built-in-glass aiming at outdoor drinkers. The most recent innovation is Vinsafe® wine packaging system produced by Barokes Wines, which is the world's first globally patented wine in a can technology enabling premium quality wine to be canned with stability and longevity (Wine Australia Magazine 2009: Generation Next). Both products altered the image of wines offering accessibility, transportability and convenience. The above examples illustrate that the environment in fostering innovative and flexible approach to winemaking the Australian government consciously crafted have encouraged firms to be proactive to 'create' new customers.

Furthermore the national strategic plan for the Australian wine industry, *Strategy* 2025 released in 1996 laid the basis for the Australian wine industry to achieve the volume growth through generic branding strategy. This required increased public and private collaborations for marketing efforts and promotional expenditures in particular Australia's key export markets including the UK, the USA, Germany, Sweden and Japan (Marsh and Shaw 2000; Strategy 2025 in Winebiz). Industry organizations have extensively promoted Australia wine for its affordability and for its appeal to mass market. Consequently, the volume of Australian wine export shows steadily increases and Australian wine are commonly perceived as fruity, affordable and bland (Aylward and Clements 2008; Robinson, 2009; Kesmodel, 2009).

Adding to the external and internal drivers described above, Wickramakesera (2010) stated the high taxation regime in Australia discouraged wineries to concentrate on the domestic market and encouraged them to export. In Australia, Wine Equation Tax (WET) applies to wine domestically consumed, which is 29% of the whole sale value. People who buy from either a wholesaler or a retailer are charged with WET in addition to GST. However exports are not subject to the Australian GST or WET. As a result, customers in export markets can enjoy lower retail prices to Australian wines than customers in the domestic market. Thus, the domestic tax system drove the industry to be more outward looking. Moreover, French nuclear testing in the mid 1990s led to the boycotting of French products including wine in France's key export markets thus there is evidence to suggest that this gave opportunities for 'New World' producers including Australia to substitute French products (Bentzen and Smith 2001).

In summary, this paper argues that Australia has overcome its late-comer status in the global wine market and has obtained the number of competitive advantages under government initiatives. At national level, the government regulatory framework was identified as a key factor that has fostered the environment in which innovation in production and marketing is encouraged. Tax regime was seen as one of the drivers for the Australian wine firms to look beyond the domestic market. Flexible and innovative approach to winemaking philosophy commonly held by Australian winemakers enabled to offer innovative products that have altered the traditional wine market boundaries thereby successfully capture market opportunities. Limited market size and intensified rivalry in the domestic market pushed the industry to expand internationally. Public and private sectors collaborations were enhanced by the establishment of industry associations and national regulatory bodies in the pursuit of export growth.

However, studies (Wickramekesera 2003) examining 292 Australian wineries found that all firms surveyed agreed that there was limited government support to encourage export and some respondents were not even in favor of government support. Aylward and Clements (2008) argued that given that boards of industry bodies that set strategic directions of the Australian wine industry are comprised of CEO's of large firms, their policies tend to represent economic interests of a small number of those firms whilst undermining the competitive advantages of small players. The levies paid by wine producers and exporters is used to fund the activities of AWBC and GWRDC, meaning that those who pay the most in levies are likely to exercise considerable influence in decision-making process to set R&D framework. These suggest while institutional platforms and government initiated strategic plan led to the basis for the industry's overall growth in export performance, smaller wineries are less reliant on those factors than their larger counterparts. Aylward and Clements (2008) further pointed out that the industry had experienced declining export value per unit inversely with rising export volume that gave alarms to existing marketing strategy prior to 2007. A unified marketing strategy of generic branding resulted in undermining Australia's competitive advantages by disregarding regional diversity and differentiation and failed to promote mid to higher end of products. Generic branding coupled with declining global wine consumption and current global economic recession, Australia got involved herself into intensified price-cutting competition in the lowest price point. In order to address these challenges, industry organizations released the new strategic plan in 2007-*Wine Australia: Directions to 2025* -which recognized the needs of small to medium sized players as well as of large players for their sustainable growth (AWBC 2007). New marketing segmentation strategies were endorsed in 2007 and in 2010 aiming to redefine the image of Australian wine in the international market by emphasizing distinctive characters and heritage of Australian wine (AWBC 2010). The issues concerning generic branding and the industry's effort to overcome the challenges are discussed in relation to the Japanese market.

The experiences of the Japanese market

Japan ranked as the 8th by value and 10th by volume in 2008-09 among Australia wine's export markets. Japan was identified as one of the five key export markets in 1996 because of perceived sophistication and high appreciation of wine based upon the relatively large number of certified sommeliers and wine schools in Tokyo. However, Japan is seen as a stagnant market by Australian wine exporters. Japan's sluggish economy plays a part in slow penetration of Australian wine into the Japanese market, given that Japanese consumers are becoming more price-conscious and looking to cut back on their social expenditures due to long-term economic downturns. This led to lowering on-site premise consumption (i.e. restaurants) of premium wine while increasing off-premise consumption of inexpensive wine (WANDS 2010). Several other factors that were identified though personal interview with Otsu (2010), marketing manager of Wine Australia Japan, could associate with Australia wine's under performance in Japan. These include Australia's diminishing price competitiveness in lower price segment; lack of image of Australian wines held by Japanese consumers and buyers; and lack of commitment and motivation by importers to promote Australian wine.

Wine sales in Japan are increasingly shifting to retail chain stores such as supermarkets, discount stores and convenience stores, which present substantial challenges for Australian wine suppliers in terms of price competitiveness in lower price segment. Supermarket accounts for 50% of total sales of Australian wine in Japan where bottled wine is sold approximately 500 yen on average whereas Australian wine sold in supermarket is around 850 yen. Private brand wine of large retail chains and wine from other 'New World' producers in particular Chile exhibit cost-leadership in lower price segment. Australia thereby no longer has incentive in competing in low price segment under generic branding strategy. Instead, the principle opportunity to growth is seen to exist in the mid-range price segment (around off-trade price of 2,000 yen per bottle) of regional and fine wine. Thus the marketing focus has shifted from low-price segment in supermarket to mid price segment for on site- premise consumption. For example, Wine Australia Japan runs a four-week promotional campaign to promote wine with regional distinctions which invites restaurants and dining bars to participate in. The participants are given the incentive of a trip to Australian wineries and/or of receiving premium Australian wine if they successfully promote selected 'Regional Hero' (wine that exhibit clear association between region and variety being categorized by Wine Australia) during the 4 weeks period. The promotion intends to raise awareness both with the trade and consumers about Australian wine regions, their varietals and styles of wine. Participants are required to communicate with customers who order Australian wine to provide the feedback of wine and the premises to Wine Australia Japan via twitter (Wine Australia Japan 2010).

Lack of image of Australian wine held by Japanese consumers as well as buyers (importers) is an additional obstacle for Australian wine to increase its market share in Japan. Wine Australia Japan conducted an on-line survey of 1,000 wine consumers between aged 20 and 69 who drink wine at least once a month (unpublished data). The survey found that Japanese consumers lacked clear image of Australian wine while they associated Chilean wine with 'reasonably priced' or California wine with 'casual'. Otsu (2010) believes that consumer acceptance will rise once they are given more opportunities to learn about Australia as well as Australian wine. Thus, Wine Australia Japan employs social media including facebook and twitter to raise awareness for Australian wine and facilitate conversations with prospective customers. Rather than rebuilding the market boundaries, Wine Australia Japan targets at people in their 30s who drink wine at regular basis and have strong interests in wine in general. Currently Wine Australia Japan twitter has around 1200 followers and receives positive responses. In addition, Wine Australia Japan conducts a series of seminars for industry practitioners and professionals in effort of promoting the diversity of Australian wine and also in an attempt to increase general interest in Australia. In the Japanese website, it has additional sections to the AWBC national website that give the general information of the country in Japanese.

Moreover, lack of commitment and motivation by importers to promote Australian wine pose a barrier for Wine Australia Japan in implementing effective in-store promotional activities in large retail stores that are the main distribution channel for Australian wine. Wine Australia Japan has developed various promotional tools to inform potential consumers of styles, variety, and characteristics of Australian wine and of mating cuisine. However, commitment and enthusiasm by importers as well as wholesalers and retailers are imperative in effectively applying and displaying promotional tools to market Australian wine in large retail shops. Currently, most Japanese importers of Australian wine are unlikely to place the marketing priority to Australian wine as they often deal with wine from a number of countries that hold greater share.

The above case demonstrates that generic branding was initially effective in the USA and the UK was not as successful in Japan. Australia was neither able to overcome brand disadvantage (over 'Old World' producers) nor to gain cost-leadership in the Japanese market. Wine Australia Japan has employed a number of strategies in addressing the problems that are specific to the Japanese market. In addition, the Japanese experience suggests that supplier-importer relationship may be important in export growth in the Japanese market given that Wine Australia Japan has limited capacity in promoting and marketing specific brands.

Conclusion

By examining the growth of Australian wine industry between 1990s and the mid 2000, it was found that the government played an important role in creating the institutional environment that has fostered flexible and innovative winemaking philosophy and management ideology in Australia are considerably different from those of early market entrants in the global wine market. Establishing the formal linkages between the government and industry and within various stakeholders in the industry helped to cultivate the capacity for product innovation and export performance. A unified marketing strategy directed by the government helped to create generic branding thereby increased the volume growth in lower price segment in the global market. However, the strategy placed Australia into intensive price competitions as it undermined the uniqueness of Australian wine.

This study suggests that a rapid development of institutional framework under the government initiatives is useful for late market entrants to improve competitiveness in a relatively short time to catch up with first mover entrants (i.e. 'Old World' producers). Flexible and innovative environment is required for late market entrants to create products that go beyond the market boundaries drawn by 'Old World' producers. Further, generic marketing strategy directed by the government is helpful in achieving the economies of scales as well as enabling quick diffusion of a common objective in marketplace for late entrants. Since 2005 , when the major industry objective was achieved, the Australian wine industry has moved up the next phase of industry growth and need to more effectively exploit its competitive advantages it gained in the past 20 years. In order to achieve the main objective of the new strategic plan outlined in Directions to 2025, that is, to enhance the image of Australian wine in the global market by promoting differentiation and diversity, further collaboration between government, industry and firms is required to represent the interests of both large and small players.

Wine Australia Direction 2025 identified that Australia's export growth in recent years was mainly observed in English-speaking or former or current Commonwealth markets. In order to succeed in non-English speaking markets, Australia needs to have in-depth understanding of the cultural differences especially related to food and specific requirements for communications illustrated by the challenges Wine Australia Japan faces in the Japanese market. An additional factor required to succeed in culturally distant markets is to generate the interest of Australia among consumers and importers, and to get importers actively involved in the marketing strategy. The role of importers in the dissemination of the industry-led marketing strategy needs to be further examined. There is scope for further industry cooperation in assisting small to medium sized firms in developing networks with customers and distributors in foreign markets given that these firms generally lack financial and physical resources to gain information on overseas markets and establish networks. The challenges being addressed in this paper concerning the Japanese market may help the Australian wine industry to employ more effective strategies to gain competitiveness in other Asian markets. Moreover, the experience of Australia's wine industry discussed in this paper may help us to understand the strategies needed to overcome disadvantages relating to late market entrants in a location-specific industry.

Acknowledgement

I gratefully appreciate the feedback offered by Dr. Rumintha Wickramasekera, Faculty of Business, Queensland University of Technology and Prof. Makoto Kanda, Faculty of Economics, Meijigakuin University.

I am deeply grateful to Mr. Denis Gastin and to Ms Otsu and Mr. Tejima, Wine Australia Japan for providing insightful knowledge of the Australian wine industry.

Interviews and Seminars

Gastin, D. 2010. Interview conducted by the author in February 15 2010 in Gastin's office in Sydney.
Otsu, Y. 2010. Interview conducted by the author in July 13 2010 at Wine Australia Japan office.
Wickramesekera. 2010. Seminar held in June 30 2010 at the Faculty of Economics, Meijigakuin University.

References

Australian Wine Brandy Corporation (AWBC) 〈www.wineaustralia.com〉

AWBC 2009: winefacts-Australian Wine Sales at a Glance 2009. Available at: 〈http://www.wineaustralia.com/australia/Default.aspx?tabid=5419〉(accessed 1 November 2010).

AWBC 2010: "R&D as a Comparative Advantage". Available at: 〈http://www.wineaustralia.com/australia/Default.aspx?tabid=811〉 (accessed 1 November 2010).

AWBC 2007. "Wine Australia: Directions to 2025: An Industry Strategy for Sustainable Success May 2007". Available at: 〈http://www.wineaustralia.com/australia/Default.aspx?tabid= 3529〉 (accessed 1 November 2010).

AWBC 2009. "Market Insight Report". Available at: 〈*www.wineaustralia.com/Australia/LinkClick.aspx?fileticket... –*〉 (accessed 1 November 2010).

AWBC 2010. "Wine Export Approval Report June 2010". Available at: 〈http://www.wineaustralia.com/australia/Default.aspx?tabid=204〉 (accessed 1 November 2010).

AWBC 2009. "Wine Export Approval Report December 2009". Available at: 〈http://www.wineaustralia.com/australia/Default.aspx?tabid=204〉 (accessed 1 November 2010).

AWBC 2000. "The Marketing Decade: Setting the Australian Wine Marketing agenda 2000>>2010". Available at: 〈http://www.wfa.org.au/files/policy_strategy/Marketing_Decade.pdf〉 (accessed 1 November 2010).

Aylward, D. and Clements, M. 2008. "Crafting a Local-Global Nexus in the Australian Wine Industry", *Journal of Enterprising Communities*, 2 (1): 73–87.

Aylward, D. 2004. "Working Together: Innovation and Export Links within Highly Developed and Embryonic Wine Clusters", *Strategic Change*. 13: 429–439.

Bentzen, J. and Smith, V. 2001. "Did the French Nuclear Tests under the Muroroa atoll Affect the Export of French Wine to Denmark?" *Working Paper May 14*, 2001, Department of Economics, The Aarhus School of Business. Available at: 〈http://www.vdqs.net/Working_Papers/Text/WP_2001/Bentzen_Smith.pdf.〉 (accessed 1 November 2010).

Chan, W. K. and Mauborgne, R. 2005. "Creating a Blue Ocean of Profit". *Chief Executive*. 206: 54–56.

Davis, T. 2005. "Using the Bulk Wine Market to Explain Oversupply in the Australian Wine Industry". *Journal of Wine Research*. 6 (3): 249–258.

Garcia, R. Bardhi, F. and Friedrich, C. 2007. "Overcoming Consumer Resistance to Innovation", *MIT Sloan Management Review*. 48 (4): 82–88.

Jordan, R. Zidda, P. and Lockshin, L. 2007. "Behind the Australian Wine Industry's Success: Does Environment Matter?", *International Journal of Wine Business Research*. 19 (1): 14–32.

Hill, Cronk and Wickramasekera 2008. *Global Business Today: An Asian Perspective*. McGraw-Hill Irwin. Sydney.

Kesmodel, D. 2009. "Corporate New: Australia Unlocks U.S. Push-Country's Winemakers Seek to Counteract Slump with Pricier Labels", *Wall Street Journal* (Eastern Edition). 3. P. B. 6.

'International Marketing and International Trade of Quality Food Products', Bologna, Italy, 8-10 March, 2007.

Marsh, I. & Shaw, M. 2000. *Australia's Wine Industry: Collaboration and Learning as Causes of Competitive Success*, the Australian Business Foundation.

International Organisation of Vine and Wine (OIV) 2007. "World Vitivinicultural Statistics 2007. Structure for the World Vitivinicultural Industry in 2007". Available at: 〈http://news.reseau-concept.net/images/oiv_uk/Client/Statistiques_commentaires_annexes_2007_EN.pdf〉 (accessed 1 November 2010).

Porter, E. and Bond, G. 1999. *California Wine Cluster. Harvard Business School*.

Porter, E. and Solvell, O. 2003. "Australian Wine Cluster, Supplementary Information". *Harvard Business Review case March 18 2003*.

Porter, M. 1990. *The Competitive Advantage of Nations*. New York. The Free Press.

Porter, M. 1998. *Competitive Advantage of Nations: With a New Introduction by the Author*. London: McMillan Business.

Porter, M. 1998. "Clusters and New Economics of Competition", *Harvard Business Review. Reprint No. 98609*. Available at: 〈http://www.wellbeingcluster.at/magazin/00/artikel/28775/doc/d/porterstudie.pdf?ok=j〉 (accessed 1 November 2010).

Robinson, J. 2009. "How Australia Went Down Under", *Financial Times*. Apr 4:4.

WANDS 2010. "Special Issue Australian Wine: Trend in Japan's Market. Rapid Decline in Export Value Whereas Increase in Export Volume". *WANDS: The International Wines & Sprits Magazine for the Trade in Japan*. No.303.

Wickramasekera, R. 2003. "An Overview of a Successful Export Industry from Regional Australia", *International Journal of Wine Marketing*. 15 (3): 15–23.

Winebiz 2010. "Wine Industry Statistics". Available at: 〈http://www.winebiz.com.au/statistics/〉(accessed 1 November 2010).

Wine Australia Europe 2010. "Wine Region". Available at: 〈http://www.wineaustralia.com/europe/default.aspx?tabid=1467〉. (accessed 1 November 2010).

Wine Australia Japan 2010. Available at: 〈http://www.wineaustralia.com/japan/〉(accessed 1 November 2010).