À votre santé - conceptualizing the AO typology for luxury

1. Introduction

Haute couture, haute horlogerie (watchmaking in its highest form), fine foods, fragrances and full-time live-in servants – those were among the luxury offerings once accessible only to the elite few of the developed regions of Europe and North America. Over the last 50 years though, globalization and the changing distribution of capital have had a significant impact on the global supply and demand of luxury offerings. Luxury-goods makers follow the big money, and after pursuing wealth in the oil-rich Middle East since the 1960s, and Japan since the 1970s, their focus is now on China (Unger, 2014), the world's largest luxury market (Inocencio, 2013) of the new millennium.

Interestingly, it is no longer only the extremely rich, but also members of the upper middle class who seek out up-market products and services, challenging the notion that demand for luxury goods increases more than proportionally as income rises. Over the course of the last 20 years, the number of luxury-goods consumers worldwide has more than tripled to 330m buyers (Unger, 2014), whose purchases amount to $1.8 trillion per year.

With these demographic changes, several new product categories have been created within the luxury market. Sophisticated consumers are "shifting their preferences (Unger, 2014) away from owning (possession) and towards being (consumption)." As illustrated in Figure 1 (adapted from D’Arpizio et al., 2014), half of the segments in the personal luxury goods category are now represented by experiential consumption sectors including, among others, luxury wines and spirits and which are also growing faster than those including things “to buy and own”.

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Figure 1: Segments of the Global Luxury Market

As luxury has become more widespread, and as it encompasses more and more types of offerings, defining luxury has become harder (The Economist, 2014a). But with increasing competition, it is also harder to attract and keep an increasingly diverse and sophisticated consumer base. Accordingly, D’Arpizio, author of Bain & Company's Annual Global Luxury Report, calls for luxury firms to tailor their products, advertising and distribution more specifically to different types of customers ("Disillusioned hedonist shoppers", 2014).

In response to D’Arpizio’s and others’ requests for more clarity on the concept of luxury, Berthon et al. (2009) developed their AO typology of luxury brands, which differentiates luxury items among two dimensions: aesthetics and ontology. In this paper, our primary goal is to test how their AO typology can be used by luxury firms to segment their markets and to adjust their marketing mix in response. For this purpose, we decided to focus on icewine, a currently unsegmented luxury offering that has attributes of both consumption and possession.

With this pursuit, our paper is structured as follows: we first present an overview of the theoretical framework employed to understand luxury brands, specifically luxury wines and
spirits. The following section #3 analyzes this theoretical framework for icewine as a luxury item. We then present an adjusted marketing mix tailored to the different icewine customer segments (section #4). This is followed by a discussion of our findings before concluding with a summary of our contribution and suggestions for future research.

2. Understanding Luxury Brands

The word luxury originates from the French luxurie, which means "lasciviousness, sinful self-indulgence", and the Latin luxus, meaning "excess, extravagance, vicious indulgence" (Berthon et al., 2009). The negative connotation these definitions invoke, those of luxury as non-essential consumption resulting from "opulence" and "indulgence" (Barber et al., 2006), lead to a widespread, one-dimensional view that luxury is absolute, rather than dependent on the individual and social context (Reyneke et al., 2011).

For luxury wines in particular, Beverland (2004) extends the prominent view that luxury goods appeal to the consumer on a psychological level (see also Dubois and Duquesne, 1993; Kemp, 1998) by identifying four characteristics for luxury brands: i) they induce exclusivity, ii) enjoy a well known brand identity, have high brand awareness and perceived quality, iii) retain sales levels and iv) have customer loyalty. Other authors further conceptualize luxury brands and products according to their specific attributes – quality, beauty, sensuality, exclusivity, history, high price and uniqueness (Kapferer, 1997).

In contrast, Berthon et al. (2009, p. 47) argue that luxury is more than a list of attributes of the physical product (the material) but is "better thought of as a concept, and thus irreducible entirely to the material, although having various material embodiments." As a concept, the notion of luxury depends on the social (time and place) and individual (what is luxury to one person could be valueless and irrelevant to others) context. The authors assert that luxury has an objective (material), subjective (individual) and collective (social) component and a luxury brand is defined with respect to its role in each of the three dimensions (Berthon et al., 2009). This perspective is similar to Keller's (2003), who argues that consumers gain personal value and meaning from the functional, symbolic or experiential nature of a brand. Each of these three dimensions is explained in more detail below.
Dimensions of Luxury Brands

The functional dimension refers to the product's material element, i.e., what an item does as opposed to what it presents (Berthon et al., 2009). An eminent example of this would be concert pianos made by Steinway & Sons, which are widely recognized as having the best sound (Unger, 2014). The experiential dimension is the sphere of individual taste and is more difficult to conceptualize. What is a luxury brand to one consumer might not be of interest at all to another consumer (Berthon et al., 2009). Harrods in London offered one of five 1-million-dollar, Porsche-designed advent calendars (one per continent). Rather than revealing the traditional picture appropriate to the season behind the numbered flaps that are opened on each day of Advent, this calendar included such treats as a pair of Porsche Design 18 carat yellow gold sunglasses, Bounce:S² premium running shoes, the brand’s Indicator Chronograph watch in rose gold, a limited edition hand-crafted nappa lambskin leather blouson, a Porsche Design kitchen and an 8.5 meter speedboat (“Harrods unveils million dollar advent calendar,” 2010). Billed as the most exclusive in the world, this chocolate-free calendar might appeal to some well-heeled consumers, while the majority might see it as superfluous and an excessive waste of money. The symbolic dimension is the sphere of the social collective, i.e. the symbolic value the luxury item signifies to oneself and to others (Berthon et al., 2009) within and across socioeconomic strata. A 1940 Gordon & MacPhail Generations Glenlivet 70 Year old single malt Scotch Whisky for $28,000 does indeed signal wealth, prestige and status to others and may reinforce the owner’s self-image.

Conceptualizing Luxury Brands: The Aesthetics and Ontology (AO) Framework

Working from these dimensions of luxury brands, and drawing from Heidegger’s Theory of Art (Young, 2001) and Whitehead's Process Philosophy (1931), Berthon et al. (2009) offer a framework for conceptualizing luxury brands. This framework differentiates luxury brands among the dimensions of aesthetics and ontology.

The Greek term aesthetics, meaning "to perceive" (Zangwill, 2001) refers to a branch of philosophy that deals with of the creation and appreciation of beauty. Aesthetic judgment depends on a person's ability to accurately differentiate value or quality in an object (Kant, 2013). In his theory of aesthetic intelligence, Gardner (1993) posits that a persons aesthetic ability develops over time. For example, in the case of a luxury wine, a person would develop an appreciation of its taste, beauty and nose with experience.
Ontology, also Greek in origin, refers to the subject of existence and "being" (Griswold, 2010). The nature of reality is either one of two states: permanence or flux, being or becoming. These states are important for the understanding of luxury items, which have rarely been associated with transience (Berthon et al., 2009), but are typically seen as items that last, those with enduring qualities.

The AO Typology for Luxury Wine and Spirits

To investigate the usefulness of these dimensions for the wine context, we adapted Berthon et al.’s (2009) AO framework that separates the novice and the expert in the aesthetic dimension, while it distinguishes between transience and endurance in the ontology dimension. Working from these two dimensions, we propose a typology for understanding luxury wine and spirits (shown in Figure 2), which we then apply to the icewine context.

Figure 2: The AO Typology for Luxury Wine and Spirits

Carousers

Carousers fall on the novice end of the aesthetics scale while the ontological mode emphasizes the transient. Berthon et al. (2009, p. 53) describe luxury in this mode as "evanescent - the latest hot thing, it is glitz and glamour." In this quadrant, there is a lack of endurance and consumers don't have the knowledge or experience to appreciate the value of luxury items. Consumers in
this quadrant generally appreciate the value of money and status more than the actual value or quality of the luxury item.

For the context of alcoholic beverages, wealth and social standing are signified through often shared or public drinking, the evanescent "conspicuous consumption" (Berthon et al. 2009, p. 53) of carousers, that is a means of reputability to the gentleman of leisure (Veblen and Chase, 1934). Indeed, the fact that carousers are neophytes is visible in their consumption behavior. Think about those who clutch their wine glass by the bulb, water down the body, balance, structure, and taste by adding ice cubes, or who gulp their wine quickly rather than inhaling deeply to capture its aroma and its flavor. Carousers include those who open a bottle 1998 Dom Pérignon Plénitude with their house guests, not because they will truly enjoy it, but for its symbolic values. The category also includes patrons of the nightclub XS in Las Vegas who spend $10,000 for an Ono cocktail made from vintage Dom Pérignon and Louis XII Remy Martin Black Pearl and served with silver cufflinks sporting the club’s logo or a black pearl pendant on a white gold chain.

**Cabinet Collectors**

The ontological mode of cabinet collectors emphasizes enduring while the aesthetic mode is the novice. Like carousers, customers in this quadrant generally do not have an appreciation for the value or quality of the luxury item, however they do possess the requirement to belong to this segment: they have enough money to amass a collection of "conspicuous possessions" (Berthon et al., 2009, p. 52).

In the context of alcoholic beverages, consider the many bottles of wine that get “cooked”. When wine is moved a lot or stored incorrectly, e.g., at the wrong temperature on top of a fridge, in wine bottle racks exposed to UV light or standing upright with a dried-out cork in the more traditional liquor cabinet, wine ages faster and its flavors and aromas become flat. This is not surprising since wine bottles, including those containing luxury wines, are offered and purchased in bright, warm retail environments. Novices do not realize that bottles are sold standing up solely for the purpose of exposing the label and marketing the wine, and as a result, their possessions might be kept improperly at home.
Connoisseurs
In contrast to the previous two types, the connoisseur, in the aesthetic sense, is an expert. Connoisseurs (from the French *connaître* meaning "to be acquainted with" or "to know somebody/something" (“Oxford Dictionaries,” 2015) have a deep appreciation of luxury, beauty and craftsmanship and are highly mindful that these attributes are ephemeral. In the ontological sense, the connoisseur is a true consumer whose behavior emphasizes the transient.

In the context of alcoholic beverages, luxury becomes "aesthetic consumption" (Berthon et al., 2009, p. 53). Wine connoisseurs, for example, are oenophiles (lovers of wine) who enjoy the experiences of the moment, whether that is uncorking and pouring a 2009 Château Margaux a Qúpè for more than $900 or a 2012 Syrah Central Coast from California for under $20. They serve wine at the correct temperature, and fill the appropriate type of glass with the right amount of wine. Unsurprisingly, connoisseurs also truly celebrate the art of drinking wine - they examine its color, release its aroma by swirling the wine around, smell and sip it. They discuss the tannins (the textural elements that make wine taste dry) and terroir (the unique mating of grape, land and climate). They talk about flavors as fruity, mineral, dairy and nutty, sweet and wooden, and spicy and savory. Compared to carousers, who might serve cheese and fruits as palate cleansers, connoisseurs know to serve bland crackers or water between wine types, or even have a break. In other words, connoisseurs care much more about the quality of good wine than the social standing associated with drinking expensive wine.

Cellar Collectors
Lastly, we have, in the aesthetic sense, expert collectors. Like connoisseurs, they have a deep admiration of luxury, but rather than viewing their belongings as exhibiting transient value, they believe in the deep, enduring worth of their possessions.

In the context of alcoholic beverages, the term cellar collectors is an apt description for these individuals. But being a serious collector requires more than buying a lot of bottles. In fact, there are two main types of serious collectors of luxury items – those who aim to buy low and sell high, seeing their collection as a road to riches, and those who collect for future consumption. In the wine context, the former might store their possessions in remote, bonded warehouses that ensure perfect temperature and humidity, use low-UV LED lighting and are vibration-free facilities. The latter, however, would prefer storage options that are close-by (e.g., wine lockers in a bigger storage facility) or even in-house cellars akin to those of restaurants,
wine retail shops and wineries or use smaller-scale coolers to assure ready access to their wine. Consumer collectors seem to be on the rise, as the latest trend is for “consumable wine”. People want to drink good wine without waiting and prefer to have access to bottles that do not need to age much further, rather than those that must sit around for an additional 15 years (Gevitz, 2014).

In summary, the AO Typology for Luxury Wine and Spirits includes two main dimensions: The Ontological Mode separates those who see luxury as exhibiting transient value from those who view luxury as qualities that last. This ontological difference impacts how these two types of consumers treat luxury goods – the top row of our typology marks consumption among those who believe in the temporary, passing value of their belongings. The bottom row, on the contrary, includes those who believe in the lasting value of their luxury goods, and focus on possession. The Aesthetic Mode separates novices who have a basic, superficial knowledge of luxury and luxury items from experts with a deep subject-matter understanding and an interest in advancing their proficiency. Together, the variability within these two dimensions leads to four types of luxury wine consumers: carousers who appreciate the status associated with drinking luxury wines more than the quality of the wine itself, cabinet collectors who amass luxury bottles without knowing how to keep them properly, connoisseurs who know their wines and care about drinking, not keeping, wine, and cellar collectors who lay bottles down properly to consume or sell at a future point.

Contradictions within the AO Typology for Luxury Wine and Spirits
The AO Typology for Luxury Wine and Spirits supports the claim that not all luxury wine buyers and drinkers are the same, and that specific targeting strategies should be developed and implemented for each group. It is useful as a segmentation tool that allows luxury wine and spirit producers to divide their broad, heterogeneous target market into four ontologically and aesthetically different homogeneous subsets of customers and consumers. Its goal is to educate a marketing mix that precisely matches the expectations of customers in the specific segments.

The quadrants of the framework are not mutually exclusive, and their underlying dimensions are not orthogonal (statistically independent). Consequently, the AO Typology for Luxury Wine and Spirits (Figure 2) highlights important contradictions that exist between segments. These contradictions are depicted in Table 1 and highlight to luxury wine producers...
some of the risks and opportunities that should be addressed (i.e., prevented or exploited) in their marketing mix.

### Table 1: Contradictions in the AO Typology for Luxury Wine and Spirits

<table>
<thead>
<tr>
<th>Contradiction</th>
<th>Example</th>
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<tbody>
<tr>
<td>Enduring - Transient (Ontology)</td>
<td>People who collect wine (treat it as a possession with enduring values) almost always like to drink wine, too (treat it as a luxury item to be consumed). The &quot;drink it or save it&quot; dilemma exists on both sides, perhaps with the exception of the pure investor among the cellar collectors.</td>
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<tr>
<td>Transient - Enduring (Ontology)</td>
<td>Wine drinkers, especially connoisseurs, become collectors quite naturally. They enjoy consuming good wine and choose to have a few bottles on hand for themselves or for entertaining guests.</td>
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<tr>
<td>Novice - Expert (Aesthetic)</td>
<td>All experts were once novices, who gained in-depth knowledge through education and experience. With luxury wine, over time people learn to drink slowly, discern different types of wine through taste, smell and look, isolate flavors and develop their palate. With a growing adoration of the variety of wines, they progress from a surface interest and seek deeper knowledge from friends, sommeliers and wine retailers.</td>
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<tr>
<td>Cellar Collector - Carouser (Ontology/Aesthetic)</td>
<td>Like people who own exotic cars but are terrible drivers, one can be both, a cellar collector and a carouser. Stories are plentiful, of people with professional cellars full of luxury wines that are then served incorrectly (wines can be paired with the wrong foods, not allowed any time to aerate, or decanted too early, causing the wine to oxidize etc.).</td>
</tr>
<tr>
<td>Cabinet Collector and Connoisseur (Ontology/Aesthetic)</td>
<td>Wine connoisseurs might also be cabinet collectors who store their possessions improperly to showcase their expertise or wealth in different social contexts. This would lead to a situation where luxury is an experience of the moment as well as conspicuous possession, i.e., mostly kept for its symbolic value to others.</td>
</tr>
<tr>
<td>Consumer - Customer</td>
<td>Luxury goods, in general, are often gifted by the customer to the consumer, which complicates matters tremendously for luxury wine marketing. This particularly affects the ontological dimension when wine is gifted from a novice to an expert, or vice versa, and affects both the consumption and the collection</td>
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of luxury wine.

In the previous section, we laid out the theoretical framework used in our analysis of luxury wines and spirits. In the ensuing section, this theoretical framework is validated on icewine before presenting and discussing implications for the 4P marketing mix model for icewine producers.

3. Icewine – Canada’s Liquid Gold

Icewine, a sweet, alcoholic dessert drink, is produced by extracting and fermenting juice from naturally frozen grapes. It is certain that eiswein (or icewine) was discovered in Germany, but its exact origin is unclear. Some sources attribute 1794 as the birth year when vintners in Franconia, in an attempt to salvage the harvest after an early frost froze the Riesling grapes that were still hanging on the vine, crushed the crop and obtained an extremely concentrated and sweet wine (Bowen, 2010). Other sources claim that icewine was discovered in 1829 in Rheinhesssen, Germany, when the crop froze and vintners noticed that the grapes, originally only left on the vine to be used as animal fodder, produced a very sweet must (“DiWineTaste Report,” 2007).

Since then, icewine has been created in small amounts when the weather favored an icewine harvest. Icewine was mainly cherished on special occasions or with family and friends (Bowen, 2010) until it turned into an industry in its own right until 1991. Then, the estate winery Inniskillin, located in Niagara-on-the-Lake, Ontario, won the highest award in the wine industry - the Grand Prix d’Honneur - for its icewine, beating more than 4,000 other entries. This immediately introduced Canada as a competitor in the dessert wine category (Jones and Hirasawa, 2008). Following this success, production in Ontario alone rose from 71,000 liters in 1995 to 932,000 liters in the 2014/15 harvest year, an astonishing 1,212% increase (Jones and Hirasawa, 2008; VQAO, 2015a).

The Production of Icewine

For the icewine harvest, temperatures cannot exceed -8°C, and grapes need to be picked and pressed in a continuous process while they remain naturally frozen (CVA, 2013). Warmer
temperatures stop the harvest (by regulation), and much colder temperatures reduce the yield and the frozen grapes are too hard on the machinery. The vines are constantly monitored, and as soon as they reach the appropriate temperature, usually between December and February, the pickers harvest as much as possible, as quickly as possible. Much of this physically very demanding "extreme winemaking" (Ingris, 2008; Inniskillin, 2015) work is done overnight, when the temperature stays consistently cold (VQAO, 2015b).

Once harvested, the frozen grapes are pressed, leaving water behind as ice crystals. The resulting concentrated juice typically holds 35° (the required minimum) to 39° Brix, a sweetness measure approximately equal to the percent sugar in the juice that is also used as a proxy of the quality of icewine. Higher Brix numbers, which can fetch a considerably higher retail price, can be achieved by leaving the grapes on the vines longer. However, the risk of loss in grape volume from dehydration on the vines and loss to scavenger animals and harsh weather increases with time, causing the Brix scale to be inversely correlated with yield (Jones and Hirasawa, 2008).

A further risk during the production process is the difficulty of fermenting the icewine juice. The high concentration of sugar creates a less than ideal environment for the yeast that is the essential catalyst for fermentation, hindering its growth and metabolism. This results in incomplete fermentation, which can lead to wines with alcohol volumes lower than the typical 10% and with high volatile acidity (Ingris, 2008; VQAO, 2015b). But the difficulty of producing and selling icewine does not stop with the production process. Icewine is a product that does not cellar well in a classic sense, such as an age-worthy Bordeaux. In fact, improper storage will significantly change its profile away from the recognized clarity in the bottle and crisp taste on the palate. Once bottled, vintners have a comparatively short window to bring their product to market. At the same time, they need to store enough product to assure a consistent supply to their customers, even through low-yield winters.

Icewine as a Luxury Good

Researchers have devoted considerable effort to icewine with a focus largely on aspects of its production, covering viticulture, oenology and sensory aspects (for examples, refer to Chamberlain et al., 1997; Pigeau and Inglis, 2007; Rolle et al., 2010). There is also a substantial body of work dealing with the economics of icewine production, covering risk management for growers and vintners (Cyr and Kusy, 2007; Turvey et al., 2006). Nonetheless, icewine has been given very little attention in the management literature. There are few notable exceptions, such as...
a Harvard Business School case study on Inniskillin and the globalization of icewine (Jones and Hirasawa, 2008), and work by Hashimoto & Tefler (1999) and Teller & Hashimoto (2000) which examines Inniskillin's marketing strategy to Japanese tourists.

The lack of business literature about icewine is surprising given the remarkable growth of this category, its economic importance for Canada's wine export market (CVA, n.d.), and its interesting retail channel choices. Similarly interesting is that icewine has been excluded from the conversation about luxury wines among wine scholars, although it is commonly seen as "the Gucci of the wine world" (Sherri Haigh, see National Post, 2007) by vintners, retailers and consumers (Lee, 2013; Lois, 2015). It also possesses many of the typical characteristics of a luxury wine: it has a high dollar value, with starting retail prices of approximately C$40 for the typical 375ml bottle or $80 for a full-size bottle, which is noticeably higher than the US$50 referenced by Beverland (2004) for table wines with luxury status. Second, icewine is characterized by limited supply, due to the intricacies of the growing and production process. Further, the difficulties faced by icewine producers and its history form one of the foundational elements of the "story" of icewine as a luxury item.

Icewine Market Segments

Icewine has customers in all segments of the AO Typology for Luxury Wine and Spirits (consisting of carousers, cabinet collectors, connoisseurs and cabinet collectors). Indeed, it would be very much in the interest of icewine makers to learn how large the segments are, what trends and patterns exist, and what their main consumption and possession drivers are. Such an improved understanding of their consumer segments would allow producers and marketers to tailor their products, advertising and distribution more specifically to these different types of luxury customers.

Icewine Carousers and Cabinet Collectors

Among consumers who serve luxury icewine at home, the risk is that many choose the wrong quantity and temperature (e.g., five ounces of warm icewine), food pairing or occasion. Its intense flavors do not lend itself to being the wine of choice throughout the whole course of the evening, and an icewine carouser serving an icewine in such a manner will surely turn off most of his guests from the sweet taste. Although the symbolic value exceeds the qualitative value for carousers, a negative consumption experience would unlikely lead to repeat purchases. Worse
yet, with the desire to display luxury, carousers who share their icewine with house guests extend the negative consumption experience to more consumers.

Cabinet collectors display many similar traits to the carousers. Whether they brought back a few bottles of icewine from a wine tour, from a trip to Canada, or received icewine as a gift, they cherish the taste. However, they don’t know which icewine can be stored, or how to store it properly. They mainly keep a few bottles in their regular wine rack or cabinet, often for guests. This improper way of storing usually changes the flavors of the icewine, and also leads to icewine being served at the wrong temperature in addition to the other faux-pas already described for the carousers.

There are many opportunities to transform carousers and cabinet collectors into loyal customers who repeat their purchases for years to come and introduce others to icewine. Some might even become connoisseurs. A favorable example from a very different industry is Apple, and how the firm welcomes those who switch over from PCs, educates and turns them from complete beginners to users that are not only comfortable with the product but cannot wait to share their positive brand experiences with their friends.

Icewine Connoisseurs and Cellar Collectors

Icewine connoisseurs are not only knowledgeable about the history and production of icewine, they also understand how to isolate its flavor profiles when they consume it. When connoisseurs serve icewine, they pair it with food and passionately describe its balance, complexity and intensity. However, icewine consumption continues to be an exception, even among connoisseurs. This is true especially when compared to the consumption of table wines and even other dessert wines.

There are few true icewine connoisseurs in the world, and although their passion is captivating and infectious, their consumption remains low (in terms of quantity). Icewine connoisseurs are genuine ambassadors who will actively help promote the consumption of icewine, and icewine makers would be well advised to develop desirable incentives or appropriate post-purchase perks. The aim is to turn icewine into a more regular choice for luxury dessert beverages – and connoisseurs and cellar collectors are key.

Cellar collectors constitute a special challenge to icewine producers, in that there is no widespread agreement on icewine's ability to be stored for extended periods of time. Most opinions on the subject suggest that icewine's comparatively unstable nature does not make it
suitable for cellaring beyond approximately five years while keeping its original crispness and clarity. At the same time, there is a near-unanimous consensus that the changes in icewine through cellaring do not spoil it, but change it into a significantly different wine that is more opaque and more complex in its flavor profile. For the cellar collector to be a viable customer for icewine producers, his expert knowledge has to lead him to appreciate these changed characteristics.

4. Adjusting the Marketing Mix for Icewine Segments

The AO Typology for Luxury Wine and Spirits revealed four different types of luxury customers. Through appropriate market research within each segment, more details on the size, trends and patterns within these segments should become clear. The nature of competition in each segment will also differ, requiring the icewine marketer to become a "mixer of ingredients" (Banting and Ross, 1973, p. 1), of product, price, place and promotion for each target group.

Product

How can the actual product be adjusted to provide the desired value for each segment? For carousers, consider ready-to-drink, mass-luxury line extensions to introduce this segment to the icewine product category, or to appeal to those who don’t favor icewine but might enjoy a luxury icewine based cocktail. Vineland Estates Winery is already exploring this with their Vice product – a bottled vodka icewine martini that follows the examples set by Canada’s Mike’s Hard Lemonade Co. or the Smirnoff Ice products, but at a very different price point. To better cater to cellar collectors and connoisseurs, vintners might produce special vintages with very limited quantities that are only available in select distribution channels or at a limited time. The annual Premium Spirit Release held by a high-end liquor retailer in Vancouver, Canada, is an opportunity for lovers of fine scotches, whiskies and other spirits to snag some rare finds during this one-day event (Azpiri, 2015). Since collectors and connoisseurs consume icewine only at very rare occasions, being able to store the product while maintaining its high quality, its original crispness, color and aroma is important. Icewine producers could consider different packaging, such as darker bottles or alternative top-offs to cork, to increase the storage life of icewine. Icewine producers could further consider altering the objective product features of icewine to make it cellar better. Cabinet collectors, like carousers, do not have an appreciation for the
quality of icewine; they mainly own the product for its symbolic value. For this segment, product considerations, such as packaging, that emphasize the exclusivity of icewine are important.

In addition to the regular product range, vintners should consider developing product variations, such as more exclusive and unique icewine products for the different segments. For instance, in 2013, when a long hot summer in Ontario abruptly turned into one of the coldest winters on record, Peller winemakers left the incredibly ripened fruit on the vine and produced a 50° Brix, Limited Edition Ultra Premium Icewine. Labelled “Brix 50”, this icewine was made with the intention to age it, which appeals to both connoisseurs and cellar collectors.

Place
The majority of icewine is currently offered in travel retail outlets around the world (e.g., duty free shops). For many luxury brands, airport shops are their most productive and lucrative stores per square meter. In addition to the steady supply of shoppers who have a lot of time and little else to do, travel retail offers another big advantage: data (Mellery-Pratt, 2013). Icewine producers should be able to gather and monetize information about their buyers, including who they are, where they are going, on what airline, at what time, in what class (ibid). In addition, icewine producers can negotiate access to these travelers to gain an improved understanding of their purchasing behavior. Are they buying for themselves or others, and why? Are they carousers or cabinet collectors? Connoisseurs or cellar collectors?

But travel retail is not the only place where icewine is purchased. To appeal to carousers, icewine firms might consider broadening their distribution strategy, for example by offering icewine products in restaurants or in retail liquor stores. On the other hand, a selective distribution strategy through owned or controlled channels, such as luxury restaurants or at the wineries themselves might be better suited to target connoisseurs or cellar collectors. Peller Estates icewine is served at the world’s most famous restaurants including Gordon Ramsay’s, The Fat Duck, Charlie Trotters and aboard Cunard ocean liners (Peller Estates, 2015). Establishing their wineries as luxury destinations for wine aficionados has also become a clear priority within the industry, serving both as a significant retail outlet in its own right and a brand-building experience for the most loyal and interested customers. Placement of icewine in channels along with other luxury items, such as in travel retail stores, appeals to cabinet collectors. Further, making icewine available through online wine stores can cater to the growing
numbers of wine consumers, in particular Chinese luxury wine buyers that are becoming more and more savvy with e-commerce (Sim, 2014).

Price
To justify a premium price, icewine producers create strong intrinsic value (such as color, taste, nose) and extrinsic value (such as brand, distribution, customer service) for their customers. While they enforce the perceived value with well-chosen quality cues, such as the bottle design, packaging, merchandising, among the strongest quality cue of all is perhaps the the price itself (Keller, 2009). For example, each one of Peller Estates’ 1528 Brix 50 bottles, hand numbered and presented in a luxurious keepsake case, fetches $358. Reducing prices for luxury products in order to grow market share is a dangerous proposition. When they turn into affordable items and appear everywhere, like Gucci’s double-G handbags, they lose their luxury appeal. After all, many luxury items are Veblen goods, those that are in high demand because of the high prices asked for them and their perceived exclusivity. Icewine currently has a relatively narrow price range, starting at approximately $30 for a 375ml bottle of Vidal to $100 for a Cabernet Franc. Icewine producers could choose a more differentiated pricing structure with entry level luxury prices to attract cabinet collectors and carousers, while maintaining higher price points for exclusive icewines that will not deter connoisseurs and cellar collectors.

Promotion
Icewine promotions currently concentrate on an educational aspect, teaching generic versions of the story of icewine and its proper storage and consumption. While these basics are generally useful for most customers, a more detailed segmentation of these efforts may be effective. Since carousers and cabinet collectors are novices, they may benefit from the education about ideal storage and consumption, in addition to telling the "story of icewine" rooted in its Canadian origin. Including tips on less mainstream uses like icewine cocktails or cooking with icewine might further appeal to these segments. Point of sales communication is crucial here, with an emphasis on the broad reach of this communication rather than the credibility of the messenger. Especially with a view of the widespread assumption that most icewine is not purchased for the buyer’s consumption but rather as a gift, the communication at the point of sale should ideally have an enduring component that can be passed on to the eventual consumer. Mass media advertising has been used successfully in the past to convey the rarity and exclusivity of icewine.
to specific target markets, but it appears that the appropriate target segment for this type of communication would be novices, i.e. carousers and cabinet collectors. Connoisseurs and cellar collectors, on the other hand, would generally require both a more sophisticated educational message, and a more credible source, e.g. the wine maker or a renowned sommelier. Details about the icewine’s provenance would be much more important than the basics of consumption. For all customer groups, promotions involving sale pricing should only be included as a minor part of the marketing mix, so as not to endanger the integrity of the pricing structure discussed previously.

5. Discussion/Implications

Despite the unique differences that separate icewine types, producers and consumers refer to the product in a very generic sense. Although different grapes are used, including Vidal Blanc, Riesling, and Cabernet Franc (VQAO, 2015b), across different regions, to produce different Brix amounts of icewine, these qualities have hardly become a differentiating factor in the marketing mix. The same is true for the retail channel, where the majority of Canadian icewines are sold, side by side, in travel retail outlets around the world (e.g., duty free shops), all packaged in either 375ml or 200ml bottles. All icewine brands are also marketed in similar terms, emphasizing their Canadian provenance just like maple syrup, smoked salmon or the little stuffed moose wearing an RCMP uniform.

The problem is simple – there is no problem. At least not yet. The Canadian icewine industry is kept alive and well by Chinese buyers, who purchase the products as souvenirs for themselves, as true gifts for their friends, or out of obligation for their colleagues and superiors. But there are very real risks that the heyday of icewine might come to an end – and that icewine producers will need to compete by segmenting their markets further. The luxury market in mainland China will shrink for the first time this year, resulting from the slower economic growth and the anti-corruption campaign mounted by Xi Jinping, China’s leader (Unger, 2014). A reduction of ‘gift giving’ (read: bribing) will impact luxury watches, gold jewelry and liquor companies the most (Holliday, 2013). At the same time, in addition to the epidemic of counterfeit Canadian icewines produced in China - four out of five icewine bottles sold in China are fake (O’Donnel, 2011) - China has started to produce proper icewine itself to compete with the Canadian wineries. The gloomiest of all possibilities is that, just as it happened with Japanese
buyers, icewine might fall out of favor with Chinese customers altogether. Although the market will remain extremely lucrative for now, it is becoming more complex, more sophisticated, more international and harder to navigate (The Economist, 2014b). Segmentation along the aesthetic and ontological dimensions becomes paramount if Canadian icewine firms are to remain competitive.

The AO Typology for Luxury Wine and Spirits is a useful tool that also extends well beyond the icewine category. For instance, it should prove constructive for examining how cognac houses address carousers, cabinet collectors, connoisseurs and cellar collectors with their many grades, from comparatively pedestrian V.S. ("very special") cognac that retails for prices around $50 to super-premium offerings like a Remy Martin Louis XIII Black Pearl priced around $30,000 a bottle. It would also be interesting to compare the strategies of different luxury beverage categories, including wine, icewine, cognac, rum, tequila and whisky. Relevant market data on carousers, cabinet collectors, connoisseurs and cellar collectors will not only allow luxury firms to build competitive strategies for bigger shares of each market segment, but also to grow the industry overall.

6. Conclusion

This research introduced an AO Typology for Luxury Wine and Spirits as useful adaptation of Berthon et al.'s (2009) AO framework. Four types of consumer segments were developed, including carousers, cabinet collectors, connoisseurs and cellar collectors. The typology was then applied to the icewine industry and offered useful segmentation insights both from an academic and practical perspective. At the same time, the closer investigation of icewine within this framework has revealed a rather homogeneous placement of virtually all products within that category. Especially in light of some of the looming industry and export market changes, a more detailed segmentation of the market and a more differentiated product portfolio will mitigate market risks and maximize the potential reward for the industry. An empirical validation of the findings would be extremely useful to further test the validity of the current research findings, further adding to the value for practitioners and academics.
References

Harrods unveils million dollar advent calendar, 2010.


Kant, I., 2013. The Critique of Judgment. Start Publishing LLC.


Figure 1: Segments of the Global Luxury Market
203x173mm (288 x 288 DPI)
Figure 2: The AO Typology for Luxury Wine and Spirits
Table 1: Contradictions in the AO Typology for Luxury Wine and Spirits

<table>
<thead>
<tr>
<th>Contradiction</th>
<th>Example</th>
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<tbody>
<tr>
<td>Enduring - Transient (Ontology)</td>
<td>People who collect wine (treat it as a possession with enduring values) almost always like to drink wine, too (treat it as a luxury item to be consumed). The &quot;drink it or save it&quot; dilemma exists on both sides, perhaps with the exception of the pure investor among the cellar collectors.</td>
</tr>
<tr>
<td>Transient - Enduring (Ontology)</td>
<td>Wine drinkers, especially connoisseurs, become collectors quite naturally. They enjoy consuming good wine and choose to have a few bottles on hand for themselves or for entertaining guests.</td>
</tr>
<tr>
<td>Novice - Expert (Aesthetic)</td>
<td>All experts were once novices, who gained in-depth knowledge through education and experience. With luxury wine, over time people learn to drink slowly, discern different types of wine through taste, smell and look, isolate flavors and develop their palate. With a growing adoration of the variety of wines, they progress from a surface interest and seek deeper knowledge from friends, sommeliers and wine retailers.</td>
</tr>
<tr>
<td>Cellar Collector - Carouser (Ontology/Aesthetic)</td>
<td>Like people who own exotic cars but are terrible drivers, one can be both, a cellar collector and a carouser. Stories are plentiful, of people with professional cellars full of luxury wines that are then served incorrectly (wines can be paired with the wrong foods, not allowed any time to aerate, or decanted too early, causing the wine to oxidize etc.).</td>
</tr>
<tr>
<td>Cabinet Collector and Connoisseur (Ontology/Aesthetic)</td>
<td>Wine connoisseurs might also be cabinet collectors who store their possessions improperly to showcase their expertise or wealth in different social contexts. This would lead to a situation where luxury is an experience of the moment as well as conspicuous possession, i.e., mostly kept for its symbolic value to others.</td>
</tr>
<tr>
<td>Consumer - Customer</td>
<td>Luxury goods, in general, are often gifted by the customer to the consumer, which complicates matters tremendously for luxury wine marketing. This particularly affects the ontological dimension when wine is gifted from a novice to an expert, or vice versa, and affects both the consumption and the collection of luxury wine.</td>
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