

## **Marketing Strategies in Sherry Wine Industry during the Twentieth Century.<sup>1</sup>**

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### **Abstract:**

Rules implemented by Jerez denomination to protect the Sherry image in foreign markets based mainly on minimum export prices and limited stocks that could be shipped, which intended to protect leading firms from competition of cheaper (non fraudulent) wines. In addition, Sherry was not traded under a geographical name but under the shippers' brands. During the second half of the twentieth century Spanish producers in Jerez made increasing efforts through branding and advertising to gain market share and avoid reputation problems. In order to be more competitive, most Spanish firms also lessened their profitability by maintaining constant price levels during years in spite of growing production costs and duty increases. Profitability fell but the volume of Sherry sales increased and the position of the product in the British market improved against imitations. In the British market "bulk own brand" business was very important until the 1980s, but shippers as well as the *Consejo Regulador* encouraged bottled exports as a way to control quality in new growing markets (Netherlands, Germany).

**Key words:** wine history, Sherry, British market, brands, pricing and positioning decisions, quality control.

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Sherry is a fortified wine produced in the Cadiz region, in the south of Spain, being Jerez de la Frontera the centre of Sherry industry. During the nineteenth and twentieth century, Sherry was produced mainly to be exported to Britain, while its domestic market has been developed only recently.

From the 1800s onwards, Sherry exports steadily increased until the trade reached its highest level between 1867 and 1877. The supply of Sherry was strictly limited and the growth of demand created supply problems which encouraged exporters to blend Sherry with wines of other regions. In 1856-1865 the steady increase in the prices of must, due to the oïdium (vine disease) rapidly reduced the supply of must (Simpson, 2002: 208) and furthered cheap imitations of Sherry. Imitations as well as the use of foreign wines to blend into Jerez wines finally damaged the image and reputation of Sherries in foreign markets.

Besides the damaged images of Sherry, at the end of the century there was a sharp drop in the export trade, because of the decrease in British demand (Montañés, 2003). As a result, Sherry growers campaigned to obtain an official local appellation as a means of identifying their authentic wines and protecting the name abroad.<sup>2</sup> However, as Simpson (2002) has pointed out the attitude of shippers towards the appellation was ambiguous because it necessary meant a strict control on production (limited yields, restrict area of vineyards), whilst Sherry firms might assure the supply of sufficient quality wines at a relative low price to accomplish the orders from importers in the UK.

The appellation of Sherry was finally established in 1935 but, unlike the French appellations, quality controls and regulations protected shipper's interests, taking into account that a large geographic area was initially established and the practice of blending Sherry with other wines was permitted (Lignon-Darmaillac, 2004). Indeed, quality control of the appellation was based mainly on establishing minimum export prices and limiting stocks that could be shipped (the 40-per-cent quota). Both quality rules were favourable to the leading Sherry houses which strengthened their position in the trade.<sup>3</sup> Moreover, control on yields and the use of foreign wines were relaxed many times in order to attend the

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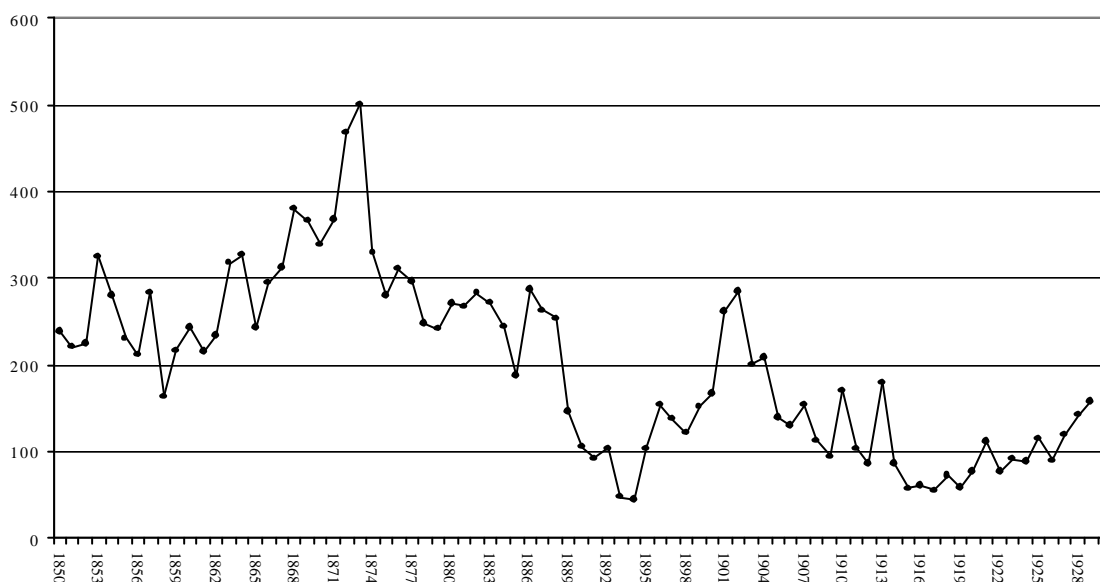
<sup>2</sup> The regulations of Sherry preceding the appellation have been discussed in Cabral Chamorro (1987).

<sup>3</sup> French appellations established a rigid geographic area and required constant discipline among growers on grapes, yields and alcoholic content (Hot, 1938; Berger, 1978; Lachiver, 1988; Barthe, 1989; Loubère, 1990).

increasing demand.<sup>4</sup> In fact, the regulations established by the appellation protected leading firms from competition of cheaper (non fraudulent) wines.

After the first Sherry boom, exports decreased 80 per cent between 1870-5 and 1890-5 to reach previous levels only temporally in the early twentieth century (Graphic 1). In fact second boom of Sherry exports only occurred after the World War II, when British demand for alcoholic beverages expanded thanks to higher per capita incomes, successive duty reductions (especially for fortified wines) and the Licensing Act of 1961.<sup>5</sup>

**Graphic 1. Exports of Sherry in 1850-1935, in thousand hectolitres.**



Source: Elaborated from GEHR (1989: 113-114).

The duty reductions on fortified wines in the 1949, 1958 and 1960 Budgets<sup>6</sup>, as well as the Licensing Act of 1961, opened a new opportunity for shippers to expand the export demand for Sherry. Exports grew from 180 thousand hectolitres in 1950 to more than 1,5 millions hectolitres in 1980, with an annual rate of 3,1 per cent in the 1950s, and of 4,5 per cent in

<sup>4</sup> In 1970 the practice of blending Montilla wines into Sherry was prohibited (*Criadores exportadores de vinos*. Casa del vino, 17 de abril de 1968). However, these wines were still be used in Sherry making in the following years. *Wine and Spirit* (1973), vol. 102, no. 1192, p. 67.

<sup>5</sup> Prior to the Licensing Act of 1961 alcoholic beverages only could be sold in specific outlets. The new licensing law allowed supermarkets and other premises to retail alcoholic drinks (Cavanagh and Claimonte, 1985; 152).

<sup>6</sup> *Ridley's*, no. 1218 (1949), p. 252, 1352 (1960), p. 378, and no. 1405 (1964), p. 644.

1960s and 1970s (see Table 1). As previously, during the post-war period, Sherry was mainly exported to Europe, especially to the United Kingdom which have about 65 per cent of total annual exports share in 1955-1969 and 55 per cent in the 1970s (see Table 2).

**Table 1. Sherry exports, 1935-1994, in hectolitres**

	Average	Bottled
1935-1939	203.409	
1940-1949	130.627	
1950-1959	233.791	
1960-1969	493.971	
1970-1979	1.140.321	300.847
1980-1989	1.118.307	590.026
1990-1994	849.982	736.994

Source: Calculated from Consejo Regulador de las Denominaciones de Origen Jerez-Xérès-Sherry y Manzanilla-Sanlúcar de Barrameda. *Estadísticas*. Año 1994.

**Table 2. Main destinations of the Sherry exports, 1955-1999, in percentage.**

	1955-9	1960-9	1970-9	1980-9	1990-9
United Kingdom	66	63	50	39	31
Other European countries:	22	29	43	54	60
Germany	2	2	6	16	20
Netherlands	5	14	30	30	31
North America	6	3	3	4	5
Other countries	7	4	3	4	4

Source: Calculated from Consejo Regulador de las Denominaciones de Origen Jerez-Xérès-Sherry y Manzanilla-Sanlúcar de Barrameda. *Estadísticas*.

In this paper I argue that leading Sherry firms operated as “market-makers”, and the expansion of Sherry exports were due to their marketing strategies (especially pricing and

positioning decisions) and their distribution networks. Brands were especially important in the growth of exports as they led firms to create and enhance an own reputation.<sup>7</sup>

The discussion is arranged as follows. Section I examines rules implemented by Jerez denomination to protect the Sherry image, concluding that, unlike French appellations, quality control of Sherry based mainly on minimum export prices and a quota of stocks that could be shipped, in such a way that the regulations of the institution protected leading firms from competition of cheaper (non fraudulent) wines.

Next sections aim to examine marketing strategies placed by leading Sherry firms in the second half of the twentieth century, even though I mainly focused on branding and advertising, pricing and positioning decisions and bottling policy. Section II considers the increasing efforts through branding and advertising that leading firms made in order to gain market share and avoid reputation problems. Section III regards as the extent of which Sherry imitations expanded in the British market. Section IV considers pricing and positioning decisions. In spite of the upsurge of production costs and duty levels, one of the strategies of firms to prevent a fall in the demand and loyalty to one specific brand was to raise the prices as little and infrequently as they could. Profitability fell but the volume of Sherry sales increased and the position of Sherry in the British market improved against imitations. Section V deals with the bottling policy placed by firms in order to enhance quality. In the British market “bulk own brand” business was very important until the 1980s, but shippers as well as the *Consejo Regulador* encouraged Spanish bottled exports in new growing markets (Netherlands, Germany) as a way to control quality. Finally, Section VI concludes.

### **1. “Jerez-Xérès-Sherry” denomination: protection of shipper’s interests.**

Laws on French appellations were adopted by the Spanish administration in the 1930s to create its own denomination of origin but in a particular and national sense. Denominations of origin in Spain were first admitted in the *Estatuto del Vino* (Wine Statute) during the II Spanish Republic with the aim to recognize renowned areas of production (Sherry, Rioja) and to prevent false denominations. However, most of the proceedings to establish single

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<sup>7</sup> About the effects of quality uncertainty on markets and the use of brands to avoid reputation problems, see Akerlof (1970).

denominations were developed during the Franco regime, and rules and regulations on control quality decided by an inter-professional committee (*Sindicato Vertical*), where both growers and shippers were represented. But, unlike French grower's social and political force, shippers were a forceful lobby in Spain, especially in some regions such as Jerez where since the nineteenth century wine-making and distribution had been concentrated in a few corporations. As a consequence, once established, from the 1940s Spanish denominations more than ever protected the shippers' interests.

Sherry denomination was finally recognized in 1933 but it was in 1935 when its first regulation (*Reglamento*) was approved. In order to guarantee supplies to shippers, this and successive regulations established a wide area of production and authorised the use of wines from outside the denomination in case of short vintages or high prices of must (Leyte Marreno, 1960: 132; Lignon-Darmaillac, 2004: 270).<sup>8</sup> Only in 1969 the production area was finally reduced and a distinction between *albariza* area (Jerez Superior, where high quality sherry was produced) and inferior areas was introduced. The only varieties authorised to produce Sherry were Palomino and Pedro Ximénez and yields were limited to 80 hectolitres in the Superior area and 100 in the others. A number of rules on vinification and *crianza*, such as the obligation of maturing the wines during a 3-year period before exportation, were also set up (García de Quevedo, 1970: 19-24).

In spite of these quality controls, in this paper I argue that the international demand for Sherry after the World War II increased because the marketing strategies placed by leading Sherry firms rather than the advantages of the denomination (Denominación de Origen). In fact, the main objective of a French appellation or a Spanish denomination, that is to recognize that the only the wines of a delimited region could be sold with the geographical name of that region, was never reached. In the main market for Sherry, the UK, the term *sherry* were reserved to wines produced in Jerez, but *British Sherry*, *Cyprus Sherry*, *South African Sherry* and *Australian Sherry* were also acknowledged and consequently their use was not prevented.<sup>9</sup> In addition, the institution was used by leading firms to reinforce their

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<sup>8</sup> Between 1935 and 1979 the regulations of the Sherry denomination were modified seven times. The regulations approved in 1969 and 1979 are published in García de Quevedo (1970: 19-20) and Lignon-Darmaillac (2004), respectively.

<sup>9</sup> *Wine and Spirit* (1974), vol. 104, no. 1199, p. 65. Spanish authorities campaigned in European Economic Community to reserve the exclusive right to the name sherry, but only since the 1<sup>st</sup> January of 1996 the terms

position against new entrants and smaller firms. In fact, regulations established by the appellation protected leading firms from competition of cheaper (non fraudulent) wines. As well, Spanish legislation on geographic denominations established that the organism that had to establish rules and controls to protect the product in markets was the *Consejo Regulador*. However, in the case of Jerez-Xérès-Sherry major decisions were first taken by the *Unión de Exportadores* (Committee of Shippers) and then approved by the *Consejo*. Moreover, owing to the high cost of inspection, some firms infringed norms, especially those of minimum exports prices and the use of foreign wines.

As I mention above, main rules to preserve quality of sherry were two: the minimum export price and the 40-per-cent quota (García de Quevedo, 1970: 23). The 40-per-cent rule established that shippers only could export 40 per cent of their stocks.<sup>10</sup> Nevertheless, pressure to decrease the quota arose as demand for sherry grew rapidly during the 1970s and the prices in production escalated because of rigidity in supply. However, leading firms disagreed with taking the quota down and finally it was never moved. The 40-per-cent quota specially damaged small firms which depended to the supply of the wine on *almacenistas* or growers and were unable to absorb the growth of prices. In contrast, leading firms had their own *bodegas* where matured their own wines, as well as a great capacity of storage both in Jerez and abroad and the financial force to support the elevated cost of stocks in case of a fall in demand.<sup>11</sup>

Besides, minimum export prices were also an important barrier to new entrants and consolidated the leading position of a few firms. Minimum export prices were decided in the Shippers Committee (*Junta de Empresarios*) and then implemented by the *Consejo Regulador*. In spite of increasing cost of production and inflation, minimum prices remained stable until 1967, which helped leading firms to expand sherry exports and obtain more market share for their brands. Finally, in the late 1967 shippers resolved to raise the export price to more than 15.000 Pesetas a butt because of the Peseta devaluation (García de Quevedo, 1970: 281; see Table 3). Nevertheless, after a new price was established, some

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British sherry, Cyprus sherry and the others were prohibited in the labelling descriptions of fortified wines (*El País*, 21-10-1992).

<sup>10</sup> From the beginning of the twentieth century, Port shippers also were forced to have a high annual stock because of the *Lei do Terço* (only one third of annual stocks could be shipped). According to Da Silva (1998: 39-40) the *Lei do Terço* built an important barrier to new entrants.

<sup>11</sup> AGA. Sindicatos. SIG35/32. *Acta de la reunión del Pleno de la Unión de Empresarios* (23 de mayo de 1972).

firms continued to sell Sherries below minimum price, trading with a product resulted from the blending of Sherry and wines of other regions.<sup>12</sup>

After 1967 minimum export price was not raised again until 1972. Between 1967 and 1972 the cost of raw materials had increased by an annual rate of 7 per cent, and labour costs and spirits were 50 and 70 per cent higher, respectively. This growth of production costs, as well as the shipment of inferior Sherries that harmed the image of sherry in foreign markets, prompted firms to request a higher minimum price. As Da Silva (1998: 49) has considered in the case of Port, competence through prices were believed to be destructive. None of the firms had a sufficient well-established brand to increase the price unilaterally and, consequently, this new price rise was only accepted after an agreement in the Shippers Committee.<sup>13</sup> However, discussions on a 1972-increase took a long time and an official agreement was only reached when a number of firms, especially González Byass and Pedro Domecq, demanded the strict fulfilment of the official price and the prevention of disloyal competition through prices. Finally, minimum export price were raised by a 20 per cent from £74 to £88 a butt.<sup>14</sup>

**Table 3. Minimum export price of Sherry in 1967, 1968 and 1973, in Pesetas.**

	<i>1967-1968</i>	<i>March' 73</i>	<i>October' 73</i>
Cases	378	585	702
Butt, oak cask comprised	15.876	23.478	34.200
Butt, without oak cask	12.348	20.000	30.150

Source: García de Quevedo (1970: 281), Consejo Regulador: Circular nº 66/68 and AGA, Sindicatos, SIG35/32 and SIG35/33.

<sup>12</sup> AGA. Sindicatos. SIG35/32. *Acta de la Reunión del Pleno de la Unión de Empresarios* (22 de enero de 1972).

<sup>13</sup> AGA. Sindicatos. SIG35/32. *Acta de la Reunión del Pleno de la Unión de Empresarios* (22 de enero de 1972).

<sup>14</sup> AGA. Sindicatos. SIG35/32. *Acta de la Reunión del Pleno de la Unión de Empresarios* (22 de enero de 1972) and *Acta de la Asamblea plenaria de las Agrupaciones Económicas Criadores Exportadores de Vinos y los Fabricantes Exportadores de Aguardientes Compuestos y Licores* (23 de mayo de 1972).



As low-priced and inferior Sherries continued to be shipped to Britain, a year later minimum export price had to be raised twice.<sup>15</sup> As a consequence of these three adjustments in only two years, new minimum price doubled from 15.876 pesetas a butt in 1967-8 to 34.200 in the late 1973 (see Table 3). Later on, minimum export price remained stable again until new modifications took place in 1978 and 1979 by another 25 per cent increase.<sup>16</sup>

## 2. Branding and advertising in Sherry industry.

Unlike other appellation that sold wines under a geographical name, Sherry retailed under brand names (first under the labels of distributors and since the 1960s under the names of Jerez houses). As other blended wines such as Port or Champagne, Sherry could reach economies of scale and scope both in production and distribution, and during the nineteenth and twentieth centuries exports were concentrated in a few firms. During second export boom, the number of firms that shipped sherry to foreign markets accounted for more than one hundred but a great portion of the exportation was concentrated in only a few. In 1972-1974, 10 firms concentrated about 64 per cent of total exports, measured in volume. In 1976 this percentage had risen to 75 per cent<sup>17</sup> Leading exporters are shown at the Table 4. As Montañés (2000 and 2003) suggests the alliance with a distribution network allowed to “*extractores*” (leading shippers that exported to large agents) consolidated their market share. Brands were also important in the increasing concentration of production and trade in leading firms, as they were the major source of add value in Sherry industry during this period.<sup>18</sup>

From the nineteenth century, one of the major problems that Sherry firms coped with was inferior wines and adulterated imitations sold by shippers to compensate price volatility. As inferior wines damaged Sherry reputation, Spanish shippers increasingly used brands to create their own reputation after 1950. As Wilkins (1992 and 1994) considers, brands

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<sup>15</sup> AGA, Sindicatos. SIG35/32. Carpeta Actas. Sindicato Provincial de la Vid, Cervezas y Bebidas (Cádiz). Acta de la reunión de la Unión de Empresarios (5 de marzo de 1973).

<sup>16</sup> *Wine and Spirit* (1976), vol. 106, no. 1226, p. 34 and (1979), no. 1261, p. 31.

<sup>17</sup> Calculated from Archivo General de la Administración. Sindicatos, legajo 5575. Sindicato Nacional de la Vid Cervezas y Bebidas. *Exportación de vinos y licores (1972-1974)*

<sup>18</sup> See Da Silva (2002: 122).

provided a guarantee of continuing standards of quality to consumers and were a valuable intangible asset for producers because allowed economies of scale and scope.

**Table 4. Major sherry shippers in the 1970s, in percentages.**

	1972-4		1976
	Volume	Value	Volume
Pedro Domecq, S.A.	12,0	16,9	11,7
González Byass & C.º Leed	8,5	8,7	13,4
Garvey, S.A.	8,4	5,9	6,8
Sandeman Hermanos y C <sup>a</sup>	7,7	6,0	7,2
Zoilo Ruiz Mateos, S.A.	6,2	6,4	11,7
Williams & Humbert Ltd	6,0	9,1	4,3
Palomino & Vergara, S.L.	3,9	3,4	3,0
Antonio Barbadillo, S.A.	3,6	3,1	2,2
Emilio Lustau, S.A.	3,2	2,1	3,7
Croft Jerez, S.A.	2,6	2,1	3,6
John Harvey & Sons Ltd	1,8	2,4	6,6
Total 10 firms	63,9	66,1	74,2

Source: Calculated from Archivo General de la Administración. Sindicatos, legajo 5575. Sindicato Nacional de la Vid Cervezas y Bebidas. *Exportación de vinos y licores (1972-1974)* and Lignon-Darmaillac (2004: 337).

In the early 1960s, most Sherry trade was made in bulk to the UK, and the distributors or agents bottled Sherry under their own brand names. At the beginning of the export boom *Bristol Cream*, *Cadoza*, *Kinloch* and *Regency de Grant's* were the leading brand names in the UK market (see Table 5). Only Domecq, a Sherry shipper established in Jerez since the eighteenth century, achieved to establish its own brand names in British market from the 1920s.<sup>19</sup>

<sup>19</sup> The Domecq marketing strategy consisted in advertising and distributing its brands in supermarkets. Garvey Archive. *Informe al Consejo (1973)*.

**Table 5. Some leading brands sold in the British market in the early 1960s.**

<i>Firm</i>	<i>Group (Acquisition year)</i>	<i>Brand/s</i>
Harvey of Bristol	Allied Breweries (1966)	Harvey of Bristol Cream
Pedro Domecq		Tío Pepe
Bent's Brewery		El Capitán, Black Seal
Kinloch & Co	Courage	Cuesta
Stowell	Whitbread	Caroza
Ind. Coope	Allied Breweries (1961)	Regency
Harvey of Bristol	Allied Breweries (1966)	Harvey of Bristol Cream

Source: see text.

Leading brand name was Harvey's *Bristol Cream* Harveys, a wine merchant and distributor who has their own retail network, was the most important Sherry shipper with 10% of total market share in 1960 and 30 per cent in 1978-1979, but the unique to be based in the UK rather than in Jerez.<sup>20</sup> Other distributors that sold Sherry brands in the UK market were brewing companies that had diversified into the distribution of wines and spirits after the decrease of beer consumption in the British market (see Table 5). That was the case of the brewer *Bent's*, which at the beginning of the 1960s sold whisky, rum, port and table wines, as well as Sherry (*El Capitán* and *Black Seal* brands) and Sherry-style wines.<sup>21</sup> The brewer *Courage* Barclay & Simonds Limited also diversified into wine and spirits. Their subsidiary, *Kinloch* distributed some brands of whisky and rum, but also Spanish table wines and a branded Sherry named *Cuesta*, which had a noteworthy increase of sales during the 1960s.<sup>22</sup> *Stowell* Ltd, a subsidiary of the brewer *Whitbread* bottled and labelled *Garvey's* Sherry, and sold it with *Caroza* name.<sup>23</sup> Finally, *Ind. Coope*, part of the *Allied Breweries* holding, increasingly integrated into retailing, had introduced *Regency* Sherries

<sup>20</sup> *Ridley's* (1960), n° 1351, p. 307. *Wine and Spirit* (1978), vol. 103, no. 1250, p. 34 *Wine and Spirit* (1979), no. 1261, p. 31. See also Da Silva (2004).

<sup>21</sup> *Bent's* also distributed *Paal Bok*, a South African Sherry, *Celestial Cream*, a Cyprus Sherry and two British sherries, *Goleen Knight* y *Nutcracker*. *Bent's Brewery Company Limited. Director's Report Statement of Accounts and Notice of Meeting for the year ended 31th Merch, 1963.*

<sup>22</sup> The Group. formed after the association of *H & G Simonds* with *Charles Kinloch*, subsidiary of *Courage*, had more than 4.800 *licensed houses*, including 450 *off-licensed*. *Courage Barclay & Simonds Limited (1962): Report and Account.*

<sup>23</sup> *Whitbread and Company Limited. Reports and Accounts 1961.* *Stowells* also sold some *Domecq* brands in Great Britain. *Garvey Archive. Informe al Consejo, 1973.*

in the early 1950s and their sales rapidly increased during the 1960s, being the base of the holding expansion. In order to assure the continuity of the supply of Sherry, Allied Breweries signed an agreement with Geo G. Sandemans Sons & Co. Ltd, later reinforced with the acquisition of part of the share of Sandeman.<sup>24</sup>

In contrast to previous decades, in the 1960s and 1970s leading brands neglected to be distributor's brands because Spanish producers in Jerez made increasing efforts through branding and advertising to gain market share and avoid reputation problems. As a consequence, leading brands in the UK market during the 1960s and the 1970s were Harvey's together with Spanish shippers', especially Pedro Domecq and González Byass.

In the late 1960s, Harvey with its *Bristol Cream* was the leader in the sweet Sherry market with about 75 per cent of the share, followed by Domecq, which had nearly 20 per cent. In contrast, González Byass led the medium market with its well-known brand *Tío Pepe*, followed by Williams & Humbert's *Dry Sack*, a medium dry amontillado.<sup>25</sup>

However, wide advertising campaigns and the distribution approach implemented by its sole agents in the UK, Luis Gordon Ltd, increased the sales of Domecq's *Double Century* and *Celebration Cream*, which in the early 1973 were reported to be two of brand leaders in the sweet Sherry market rivalling Harveys dominance position.<sup>26</sup> Domecq also launch *La Ina*, a dry fino, although González Byass's *Tío Pepe* always led the dry segment.<sup>27</sup>

During the 1970s, Harvey's brands, especially *Bristol Cream*, consolidated its position as the best selling brand, with 25 per cent of the market share in 1975 and 30 per cent in 1978-1979.<sup>28</sup> In contrast, although Domecq's brands in the 1970s with about 20-25 per cent of the market share, the firm lost share to González Byass and Croft.<sup>29</sup> In 1978 Domecq's share decreased from 23 to 17 per cent, according to the marketing director of Luis Gordon & Sons because a price elevation decision that put Domecq's Sherries out of competition.<sup>30</sup>

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<sup>24</sup> Allied Breweries Limited. *Reports and Accounts 1963 and 1964*; Ind. Coope, Tetley, Ansell Limited. *Reports and Accounts 1962*.

<sup>25</sup> *Marketing Report Varela Sherries* (1968).

<sup>26</sup> *Wine and Spirit* (1973), vol. 102, no. 1192, p. 67.

<sup>27</sup> *Wine and Spirit* (1973), vol. 102, no. 1192, p. 67.

<sup>28</sup> *Wine and Spirit* (1975), vol. 105, no. 1218, p. 63; *Harpers* (1975), n° 4743, p. 698; *Wine and Spirit* (1978), vol. 103, no. 1250, p. 34 *Wine and Spirit* (1979), no. 1261, p. 31.

<sup>29</sup> *Wine and Spirit* (1973), vol. 102, no. 1190, p. 30 and (1974), vol. 104, no. 1202, p.38. In 1978, González Byass's total share was 20 per cent and Croft's 4 per cent. *Wine and Spirit* (1978), vol. 103, no. 1250, p. 35.

<sup>30</sup> *Wine and Spirit* (1978), vol. 103, no. 1250, p. 34-35. Luis Gordon & Sons raised the prices in order to increase their margins (*Wine and Spirit* (1979), no. 1261, p. 33).

Consequently, Sherry sales in the British market concentrated in a few brands and in the late 1970s Harveys' brands dominated the UK market with 30 per cent of total sales. Along with Pedro Domecq's, González Byass's and Croft's brands, the four leading firms concentrated 70 per cent of the total brand sales (see Table 6).

**Table 6. Market share of the leading Sherry firms in the UK in 1979, in percentage.**

	1979
Harvey	30
Pedro Domecq	15
González Byass	13
Croft Jerez	10
All others	32

Source: elaborated from Lignon-Darmaillac (2004: 358).

Besides branding, Sherry shippers increased their promotion and advertising efforts to augment the sales of own brands. As a consequence of the advertising and promotional campaigns, Sherry became the second alcoholic drink demanded in the British market after beer, although advertising were concentrated on a few brands.<sup>31</sup>

During the 1970s, fortified wines categories, especially Sherry, were traditionally the biggest spenders in press and television advertising with 18-20 per cent of total expenditure for wines and spirits, following by vermouth and whisky. Moreover, the total advertising expenditure for Sherry doubled from £1,8 million a year in 1971-1972 to £3,3 in 1975-76, more than the average growth of the total advertising for wines and spirits (see Table 7).

In the Sherry category, Harveys was leader in advertising expenditure, following by Domecq. Two Sherry-style brands (Emya and Pony) as well as the brands of two other Sherry houses (Croft and Williams & Humbert) spent also more than £100.000, while the advertising expenditure of González Byass, and its famous *Tío Pepe* brand, Monte Christo's Cyprus Sherry and RSVP's British Sherries was far below than that of leading firms (see Table 8).

<sup>31</sup> *Harpers* (1975), no. 4737, p. 572.

**Table 7. Total annual spending in press and TV advertising in the UK market of alcoholic drinks, in 1971-1976 (£ millions).**

	1971-1972	1973-1974	1975-1976
Sherry	1,8	2,4	3,3
Vermouth	1,7	2,6	3,2
Whiskey	1,4	2,0	2,5
Brandy and liqueurs	1,2	1,9	2,3
Cider and perry	1,2	1,5	2,2
Gin and Vodka	1,1	1,7	1,6
Table wines	1,6	1,6	1,7
Rum	0,3	0,4	0,4
Port	0,3	0,5	0,3
Total	10,5	14,5	17,7

Source: calculated from *Wine and Spirit* (1973: no. 1186) and (1977: no. 1234).

The larger part of Harveys' spending on advertising was allocated to *Bristol Cream* and *Bristol Dry*. In the top ranking of advertising expenditure were also Domecq's brands, especially *Double Century* and *Celebration Cream*. From 1971, Harvey's total expenditure doubled from £408 thousand to £803 in 1976, but the growth of advertising spending for Domecq's brands increased much more from £137 thousand to £651. In contrast, total advertising spending on Sherry-style wines (Emva, Pony and RSVP) maintained stagnant or decreased, except for Monte Christo label whose spending doubled between 1971 and 1976 (see Table 8).

Consequence of advertising campaigns as well as the distribution approach, there were six products with strong brand recognition in the British fortified market according to a 1978 private survey. Top of the list was Harveys' *Bristol Cream*, but second and third positions were two Sherry-styles: *Emva*, a Cyprus Sherry and *VP&QC*, a British Sherry. Croft and Domecq's *Double Century* were in fourth and fifth positions (see Table 9).

**Table 8. Press and TV spending on major Sherry labels, in 1972-1976 (£ thousands).**

	1971	1972	1973	1.974	1.976
<b>Harveys</b>	<b>408</b>	<b>523</b>	<b>577</b>	<b>702</b>	<b>803</b>
Harveys Bristol Cream	369	424	494	538	n.d.
Harveys Bristol Dry	39	99	84	164	n.d.
<b>Domecq</b>	<b>137</b>	<b>173</b>	<b>182</b>	<b>559</b>	<b>651</b>
Domecq Double Century	64	60	85	246	116
Domecq Celebration Cream	9	44	62	217	170
Others	64	70	36	96	n.d.
Emva Cream Cyprus	277	305	228	184	n.d.
Pony's	137	138	164	178	188
Crofts	-	115	161	164	n.d.
Williams and Humbert's Dry Sack	38	104	197	131	n.d.
<b>González Byass</b>	<b>64</b>	<b>74</b>	<b>73</b>	<b>81</b>	<b>n.d.</b>
González Byass' Tío Pepe	32	55	48	25	n.d.
Others	31	20	25	56	n.d.
Monte Christo's Cyprus Sherry	60	62	62	51	106
RSVP's British Sherries	110	37	-	-	n.d.
<b>Total</b>	<b>9.747</b>	<b>11.259</b>	<b>13.425</b>	<b>15.568</b>	<b>18.067</b>

Source: elaborated from *Wine and Spirit* (1973: no. 1186), (1975: no. 1210) and (1977: no. 1234).

**Table 9. 1978-private survey on brand recognition.**

<i>Position</i>	<i>Brand</i>
1	Harveys Bristol Cream
2	Emva
3	VP&QC
4	Croft
5	Domecq's Double Century
6	Monte Cristo

Source: *Wine and Spirit* (1978), vol. 103, n. 1246, p. 45.

### 3. Imitations: Sherry-style and Montilla wines.

Figures on advertising expenditure and brand recognition show that a great volume of the fortified wines sold in the British market were Sherry imitations. In fact, as I explain above, the word “sherry” was not preserved to wines made in the Jerez district but could be used also to describe beverages made in Britain, South Africa, Australia and Cyprus. The greater competition that Sherry faced in British market during the 1970s was precisely placed by these Sherry-styles wines.<sup>32</sup>

Sales of Sherry-style wines in the UK flourished especially during the period 1935 to 1945 due to the inability to obtain supplies during the Spanish Civil War and the blockage during the World War II. Sales of these Sherry imitations expanded through the post-war period because of the preferential rate of duty that the Sherry-style wine enjoyed<sup>33</sup>, accounting for more than 50 per cent of total British market in the 1970s (Table 10).

**Table 10. Sales of Sherry and *Sherry-style wines* in the British market (1976-87), in percentage.**

	1976	1977	1978	1979	1980-87
Sherry	36	46	46	47	45
British Sherry	37	31	37	37	42
Cyprus Sherry	23	20	15	12	7
All others	4	4	3	4	6

Source: calculated from *Wine and Spirit* (1979), no. 1261, p. 31 and *Retail Business*, No. 369 (no v. 1988), p. 52.

In the late 1970s British Sherry, a wine manufactured from juice of dehydrated grapes produced abroad, accounted for 37 per cent of total British market for fortified wines and their sales were concentrated in a few firms.<sup>34</sup> In the same period, Cyprus Sherry accounted for 13 per cent (see Table 10). Cyprus began to be imported into the British market at the

<sup>32</sup> *Wine and Spirit* (1976), vol. 106, no. 1226, p. 29.

<sup>33</sup> *Ridley's* (1963), no. 1386, p. 258.

<sup>34</sup> The major British Sherry sellers were *Vine Products*, *Whiteways* (a subsidiary of *Allied Lyons*) and *J.E. Mather*. *Retail Business*, No. 369, November 1988, p. 60.



beginning of the twentieth century, and their sales were also very concentrated in a few brand names. In 1972, Emva Cream had 64% of the market, followed by Mosaic with 15% and Monte Cristo with 3-4%. In following years Monte Cristo sales increased very rapidly and in 1977 had 19% of market for Cyprus Sherries.<sup>35</sup>

Sherry shippers tried to prevent the use of the word “sherry” to describe beverages made outside the Jerez district. However, the British High Court decided to reserve the term to wines produced in Jerez but, as the names *British Sherry*, *Cyprus Sherry*, *South African Sherry* and *Australian Sherries* were also acknowledged in the UK market for decades, their use was not prevented.<sup>36</sup>

Sherry also faced competition from Montilla wines in foreign markets. Montilla was a fortified wine, produced in the south of Spain (province of Cordoba) in the designated region of Montilla-Moriles. Produced from Pedro Ximénez grapes and in *albariza* soil, the method of vinification in the *solera* system was similar of that of Sherry.<sup>37</sup>

By the mid-1970s, over 70 per cent of all Montilla entering into the UK was imported by Western Licensed Supplies and its sister company “Montilla y Moriles Wine Company of Bristol”. After establishing an alliance with a Group of five bodegas (Montialbero), both firms were pioneers in the distribution of Montilla wines in the UK from the mid-1960s.<sup>38</sup>

For many decades, Sherry producers brought Montilla wines into the district in order to use their sweetening attributes for the Palomino base wine.<sup>39</sup> Although traditionally Montilla had been a source of Pedro Ximénez sweet wines for Sherry firms, from the 1970s Montilla entered into conflict with Sherry interests because of the growing volume of Montilla wines sold in the UK as a downmarket Sherry substitute.<sup>40</sup> The conflict arose because Montilla wines had similar characteristics to those of Sherry and was sold with the description of “Amontillado”, a term also used by Sherry firms. More important, they were sold as a low-

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<sup>35</sup> *Wines & Spirit* (1978), Vol. 103, No. 1246, p. 44.

<sup>36</sup> *Wine and Spirit* (1974), vol. 104, no. 1199, p. 65. Spanish authorities campaigned in European Economic Community to reserve the exclusive right to the name “sherry”, but only since the 1<sup>st</sup> January of 1996 the terms British Sherry, Cyprus Sherry and the others were prohibited in the labelling descriptions of fortified wines (*El País*, 21-10-1992).

<sup>37</sup> *Wines & Spirit* (1976), Vol. 106, No. 1223, p. 65.

<sup>38</sup> *Wines & Spirit* (1976), Vol. 106, No. 1223, p. 65.

<sup>39</sup> *Wines & Spirit* (1980), Vol. 106, No. 1275, p. 49.

<sup>40</sup> *Wines & Spirit* (1983), No. 1307, p. 48.

priced fortified wine in direct competition with Sherries.<sup>41</sup> As a result, in 1970 three Spanish Sherry firms appealed to Spanish Government to prevent Montilla producers and shippers the use of the words *amontillado* and *fino*, because in England both terms were associated from centuries with Sherry. Finally, in 1976 the Spanish Supreme Court permitted the use of such words only for the description of Montilla wines in Spain, but not abroad.<sup>42</sup>

Increasing market for lower-priced fortified wines, prompted some firms to enter into the Montilla business, however. In the 1970s companies engaged in marketing Cyprus Sherry looked at Montilla wines. In 1974 IDV launched a branded Montilla, *El Prado*, and in 1976 Grants of St. James's launched their own-label Montilla wine, which retailed at the same price as Cyprus Sherry.<sup>43</sup>

#### **4. Pricing and positioning decisions.**

Although Sherry-styles wines were cheaper, why Sherry shippers could increase their exports to Britain and the cheaper imitations of Sherry were unable to take the place of Sherry? In this part I argue that the British Sherry market was extremely segmented during the 1960s and 1970s and, in spite of similarities, Sherry and Sherry-styles wines had different images and prices. In contrast to Sherry, British and Cyprus Sherries, as well as Montilla wines (also sold as cheap substitute to Sherry) had a younger market profile and were sold in the low-priced segment of the market.<sup>44</sup> Meanwhile, from the 1950s Sherry shippers concentrated in the expensive top market for fortified wines.<sup>45</sup>

Nevertheless, from the 1960s the British market for fortified wines became extremely competitive. As a consequence of their high prices, in the mid-1970s Sherry started to be considered in the British market as a traditional, “serious”, “middle-aged, middle-class”

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<sup>41</sup> Archive of Rumasa. Resumen de la Reunión celebrada el pasado día 3 en la Casa del Vino (Sindicato) (7 de octubre de 1968).

<sup>42</sup> *Wines & Spirit* (1976), Vol. 106, No. 1230, p. 13, and (1980), Vol. 106, No. 1275, p. 51.

<sup>43</sup> *Wines & Spirit* (1976), Vol. 106, No. 1223, p. 65.

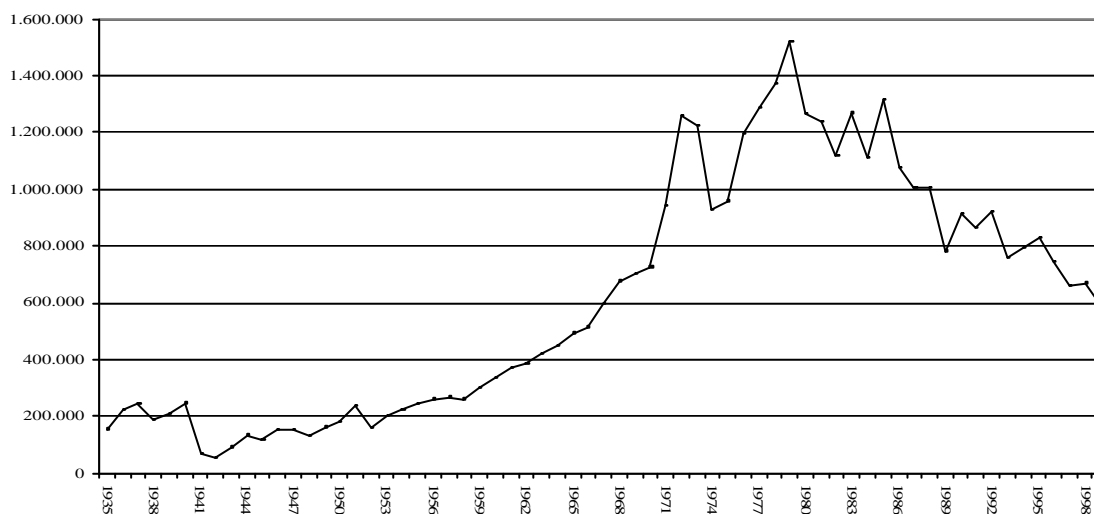
<sup>44</sup> *Retail Business*, No. 369, November 1988, p. 60. For instance, in the early 1960s, while Sherry prices ranged from 18 to 26 shilling, South African Sherries did from 12 to 15. *Ridley's* (1962), n. 1374, p. 217.

<sup>45</sup> *Marketing Report Varela Sherries* (1968).

drink, increasingly threatened by the growing sales of vermouth and Sherry-style wines, which attracted a younger public.<sup>46</sup>

One of the strategies placed by firms to obtain brand loyalty and to be competitive against vermouth and imitations was to raise the prices slightly and infrequently.<sup>47</sup> Until the mid-1970s leading firms maintained prices at the same levels during years, in spite of the rising costs of production in Spain and the duty increases. Only in the late 1973, the higher prices of grapes, musts and spirits in the growing area, as well as the devaluation of the pound and the increase of the minimum export price, finally led companies to increase retail prices.<sup>48</sup> In addition to increasing prices in the retail level, 1974 year saw an economic crisis which provoked a decrease in the demand of wines and other alcoholic drinks in Britain. Sherry exports decreased up to 60 per cent of the previous level during 1974 and 1975 (see Graphic 2).

**Graphic 2. Exports of Sherry in 1935-1999, in hectolitres.**



Source: Consejo Regulador de las Denominaciones de Origen Jerez-Xérès-Sherry y Manzanilla-Sanlúcar de Barrameda. Estadísticas.

<sup>46</sup> *Wine and Spirit* (1980), vol. 106, no. 1271, p. 14; *Harpers* (1975), no. 4737, p. 572.

<sup>47</sup> *Wine and Spirit* (1973), vol. 102, no. 1190, p. 26.

<sup>48</sup> For instance, in June 1973 Luis Gordon increased the prices of Domecq sheries by 7-8 per cent. *Wine and Spirit* (1973), vol. 102, no. 1190, p. 26. In this sense, González Byass intended to appeal to a youngish audience by launching in 1975 a complete range (Cream, Pale Cream and Medium) of a low price Sherry under the brand *Sun*. *Wine and Spirit* (1975), vol. 105, no. 1218, p. 63 and *Harpers* (1976), no. 4767, p. 546. The retail price of *Sun* range was about £1,25 a bottle. A premium Sherry, such as *Don Zoilo* Sherry, retailed at about £3,50 a bottle (*Wine and Spirit* (1975), vol. 105, no. 1212, p. 75).

Despite the drop in demand during the 1974-75 crisis and the fall of sales of all types of wine, Sherry showed a good performance in the British market in relation with that of the Sherry-style wines and even improved their share in the market for fortified wines. Thereby in 1975 the sale of Cyprus wine fell by 16 per cent, but the Spanish Sherry sales reduced only by 8 per cent. The reason for this outstanding performance of Sherry in time of economic crisis was the low retail prices by which Sherries were sold during 1975, as Harveys and other leading firms absorbed the duty increase and the growth of production costs in order to keep competitive the price of their brands. As a consequence of lower prices and the increase of the rate duty for Sherry-style wines, the price differential between Spanish Sherries and other fortified wines narrowed and consequently the price advantage that Cyprus Sherry had was removed.<sup>49</sup>

Once the economic crisis ended, retail Sherry prices remained again stable during 4 years (1973-1977).<sup>50</sup> Price stability helped Sherry to become highly competitive and to reduce even more the price differentials between Spanish Sherry and Sherry-style wines, which consequently lost their price advantage.<sup>51</sup> Stability were achieved thanks of the firms strategy of cutting margins, but some shippers also reduced the alcoholic content of their wines from 20° to 17° when introduced in Britain in order to take advantage of the lower duty bands on fortified wines.<sup>52</sup> As a consequence of all this practices, during the second half of the 1970s the sales of cheapest Sherries increased substantially, but firm profitability was very low.<sup>53</sup> The low profitability of the Sherry business, consequence of the pricing decisions and the volatility in demand prompted firms to diversify into a wide product range as well as market scope.

As a result of the price stability, the Sherry share of the market increased from 36 in 1976 to 46 per cent of the market in 1977-1978. The gain was made at an expense of British and especially of Cyprus Sherries, whose share were down from 23 to 15 per cent in the same period (Table 10).

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<sup>49</sup> *Harpers* (1975), no. 4737, p. 572; *Wine and Spirit* (1976), vol. 106, no. 1226, p. 29.

<sup>50</sup> *Harpers* (1976), no. 4777, p. 173.

<sup>51</sup> *Harpers* (1976), no. 4783, p. 378 and 390 and *Wine and Spirit* (1978), vol. 103, n. 1246, p. 44. In 1976 the price differential between Spanish and other sherries was as little as 20p.

<sup>52</sup> *Wine and Spirit* (1978), vol. 103, n. 1246, p. 45.

<sup>53</sup> *Harpers* (1977), no. 4838, p. 642 and no. 4834, p. 446. *Wine and Spirit* (1978), vol. 103, no. 1250, p. 34. According to *Wines and Spirit* (1978), Sherries from Rumasa companies were at a very bargain price.

Sherry exports reached their peak level in 1979, with a total volume of more than 1,5 thousand of hectolitres (see Graphic 2). From the mid-1960s, Sherry shippers had diversified in new markets, with an increasing volume of sales in Continental Europe, especially in Netherlands, while in the 1970s, Sherry exports to the UK only represented 50 per cent of total exports (see Table 2). The fall in exports was due essentially to the loss of demand in the UK, whose Sherry imports were a 20-30 per cent lower in the late 1980s than in 1979.

In the UK market not only sales of Sherry decreased during the 1980s, but also that of imitations. The fall in sales was particularly significant for Cyprus Sherry, decreasing a 65 per cent from 141 thousand hectolitres in 1978-9 to 49 in 1985-9. Sales of Sherry reduced from 487 to 381 thousand hectolitres that is a 22 per cent during the same period. In contrast, the sales of British Sherry hardly decreased 5 per cent, whilst sales of Montilla wines grew from 13 thousand hectolitres in 1978-9 to 42 in 1985-7.<sup>54</sup>

Reasons for the fall in sales of Sherry were several. Firstly, price differentials between Sherry and imitations increased due to the attempts in the *Consejo Regulador* to enhance quality and restrain supply. Besides the rise in Sherry prices, duty rates for Sherry were higher than those of Sherry-style wines. In fact, the duty discrimination that existed in the UK favoured British Sherry and Cyprus Sherry against Sherry from Spain. Spanish Sherry must by law be a minimum of 15,5% alcohol by volume, which brought Sherry into the 15-18% UK duty band. On the contrary, British Sherry, made from dehydrated, imported grapes, could be fortified with combination of high and low strengths of alcohol, thus qualifying for a lower duty rate. Cyprus Sherry, as a fortified to 15% alcohol by volume, also qualified for lower tax as the wording of the 1985 Finance Act was changed to include 15% in the light wine tax band.<sup>55</sup>

## **5. Quality control: Exporting in bulk or bottling at source?**

Until the 1980 most Sherry exports to the UK were made in bulk, and even leading Spanish firms with strong brands shipped their Sherry in bulk to be bottled in England (in their own bottling plants or in the premises of their distribution companies). Only the Rumasa Group

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<sup>54</sup> Calculated from *Retail Business*, No. 369, November 1988, p. 52.

<sup>55</sup> *Retail Business*, No. 369, November 1988, p. 54. Harveys (1988: 18).

had a clear policy towards bottling in Spain and once firms were taken over by the Group they were prompted to bottle in the plant that Rumasa had in Jerez.<sup>56</sup>

At the beginning of the 1970s, the *Consejo Regulador* decided to encourage the bottling in Jerez in order to enhance quality control and to stimulate the economic growth of the region.<sup>57</sup> However, only in the mid-1970s, after the glass shortages of Great Britain in 1974, a general movement towards bottling at source started.<sup>58</sup> Nevertheless, in the British market “bulk own brand” business was very important until the 1980s. In 1976, only 10 per cent of the Sherry exports to the UK were made in bulk, whilst total bottled exports were 31 per cent.<sup>59</sup> In fact, shippers as well as the *Consejo Regulador* encouraged Spanish bottled exports as a way to control quality only in the new growing markets (Netherlands, Germany- see Table 2).<sup>60</sup> Until the mid-1970s, Sherries commercialised in Germany, and particularly in Netherlands, were a cheap wine resulted of the blending of Sherry with Montilla or La Mancha wines. This practice lessened wine reputation and the movement towards bottling at source intended to assure quality specifications.<sup>61</sup>

**Table 11. Bottled Sherry exports in 1970-1994, in thousand of hectolitres.**

	<i>Total</i>	<i>Bottled</i>	<i>Bottled</i> (percentage)
1970-1979	1.140	300	26
1980-1989	1.118	590	53
1990-1994	849	736	87

Source: elaborated from Consejo Regulador de las Denominaciones de Origen Jerez-Xérès-Sherry y Manzanilla-Sanlúcar de Barrameda (1994). Estadísticas.

Exports of bottled Sherry increased in the 1970s from 69.000 hectolitres (10 per cent of total exports) in 1970 to 550 in 1979 (35 per cent). During the 1980s, exports in bottle

<sup>56</sup> *Wine and Spirit* (1974), vol. 102, no. 1202, p. 41.

<sup>57</sup> Britain, Holland, Denmark and Sweden elevated a strong protest against this policy. *The Wine and Spirit Trade Record* (1971), Vol. 101, No. 1166, p. 642 and *Wine and Spirit* (1973), vol. 102, no. 1190, p. 26.

<sup>58</sup> *Wine and Spirit* (1974), vol. 102, no. 1202, p. 41.

<sup>59</sup> *Harpers* (1977), no. 4834, p. 440. Percentage of total bottled exports had been calculated by the author from Consejo Regulador de las Denominaciones de Origen Jerez-Xérès-Sherry y Manzanilla-Sanlúcar de Barrameda. Estadísticas. Año 1994.

<sup>60</sup> *Harpers* (1975), no. 4737, p. 582.

<sup>61</sup> *Harpers* (1975), no. 4737, p. 582.

maintained in about 550-700.000 hectolitres, with only a annual rate of growth of 2 per cent, although they represented 50 per cent of total exports (75 per cent in 1990) due to the sharp fall in exports to Britain (see Table 11).

**Table 12. Bottled exports of the leading *bodegas*, in percentages.**

	1972-74	1976
González Byass & C.º Leed	16	49
Pedro Domecq, S.A.	7	35
Zoilo Ruiz Mateos, S.A.	4	13
Sandeman Hermanos y C <sup>a</sup>	11	14
Garvey, S.A.	3	28
Jonh Garvey & Sons Ltd	12	15
Williams & Humbert Ltd	77	87
Emilio Lustau, S.A.	12	49
Croft Jerez, S.A.	4	8
Palomino & Vergara, S.L.	28	21
Osborne y C <sup>a</sup>	10	97
Antonio Barbadillo, S.A.	8	47
Wisdom & Warter Ltd	33	52
Manuel Fernández y Cº	31	65
A. R. Valdespino, S.A.	7	25
Hijos de Agustín Blázquez	6	40
Exportaciones totales	18	31

Source: elaborated from Archivo General de la Administración (Sindicatos, legajo 5575) and Lignon-Darmaillac (2004: 337).

After the 1973-74 crisis, leading firms started a new strategic based on selling to markets other than Britain and increasing the trade of bottled Sherry (see Table 2). Prior to 1970, only the house Williams & Humbert based their trade policy to commercialize their *Dry Sack* on bottled wines, and in 1972-74 exports of bottled wines already accounted for 80 per cent of total exports. In contrast, although the strategy of Domecq since the 1920s lied

in the sale of own brands in supermarkets<sup>62</sup>, the firm concentrated in the ship of “bulk own label”. Prior to the crisis, Domecq’s bottled exports only accounted for 7 per cent, but they increased up to 35 per cent in 1976. Other *bodegas*, such as González Byass, Emilio Lustau or Antonio Barbadillo, also expanded the volume of Sherry exported in bottle. On the contrary, firms which had been established in the UK rather than in Jerez region (noteworthy Harvey and Croft) scarcely augmented their bottled shipments after 1974 (see Table 12).

## 6. Conclusion.

Laws on French appellations were adopted by the Spanish administration in the 1930s, but in a particular and national sense. Sherry denomination was approved in 1935. In order to guarantee supplies to shippers, regulations established a wide area of production and authorised the use of wines from outside the denomination in case of short vintages or high prices of must. However, the main objective of a French appellation or a Spanish denomination, that is to recognize than the only the wines of a delimited region could be sold with the geographical name of that region, was never reached. In addition, the institution was used by leading firms to reinforce their position against new entrants and smaller firms, and regulations of the Sherry appellation protected shippers’ interests and quality controls based mainly on minimum export prices and the 40-per-cent quota.

In contrast, the international demand for Sherry after the World War II increased because the marketing strategies placed by leading Sherry firms rather than the advantages of the denomination (*Denominación de Origen*). As a blended wine, Sherry can be easily branded. Indeed, brands were the major source of add value in Sherry industry and provided a guarantee of continuing standards of quality to consumers. Brands were also a valuable intangible asset for producers because allowed economies of scale and scope. As inferior wines damaged Sherry reputation, Spanish shippers increasingly used brands after 1950 in order to create their own reputation.

Besides branding, Sherry shippers increased their promotion and advertising efforts to increase the sales of own brands. During the 1970s, Sherry was the biggest spender in press

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<sup>62</sup> Garvey Archive. *Informe al Consejo (1973)*.



and television advertising, accounting for 18-20 per cent of total expenditure for wines and spirits, following by vermouth and whisky. Harveys was leader in advertising expenditure, following by Domecq.

Sales of these Sherry-style wines in the UK flourished especially during the period 1935 to 1945 due to the inability to obtain supplies during the Spanish Civil War and the blockage during the World War II. Sales of Sherry imitations expanded through the post-war period and in the 1970s accounted for almost 50 per cent of total British market, but the word “sherry” was not preserved to wines made in the Jerez district and it has been used to describe beverages made in Britain, South Africa, Australia and Cyprus until recently.

However, British Sherry market was extremely segmented during the 1960s and 1970s and, in spite of similarities, Sherry and Sherry-styles wines had different images and prices. Moreover, price decisions were also important to overcome competition. During the 1970s, some Sherries were retailed in Britain at a very low price, very closed to that of the Montilla or Sherry-styles wines. Low prices of Sherries were achieved thanks to some unauthorized practices, such as reducing their strength from 20° to 17° when introduced in Britain in order to take advantage of the duty rate bands. These practices and the price cutting consolidated the position of Sherry in the British market as long as Sherry remained competitive against imitations.

Finally, the *Consejo Regulador* decided to encourage the bottling in Jerez in order to enhance quality control. However, in the British market “bulk own brand” business was very important until the 1980s and bottling was especially promoted in new growing markets- Netherlands, Germany as a way to control quality.

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