

THE GOOD, THE BAD AND THE UGLY

SUCCESSFUL AND NOT SO SUCCESSFUL STRATEGIES AROUND THE WINE WORLD

ATTILA FIÁTH PHD

I. OBJECTIVE OF THE THESIS

What differentiates the best from the worst – an all time question on most of the fields of our life – is more and more relevant in the wine business. The objective of this thesis is to introduce a framework for the understanding of the differences between countries'/regions' wine strategies. In this approach I try to prove that most strategies around the wine world can be described by two dimensions: one is the source of identity – the core elements here are either a flagship variety or the region (origin/terroir) itself; the other one is the generic strategy of positioning (cost leadership, differentiation) – in this context either value for money or premium variety/terroir. I will show that within these two dimensions there are four different ways to follow and all may prove to be successful. Furthermore, I provide examples that countries/regions that do not fall within these four categories are lost in between – what I call the “Bermuda Square” – and fail to succeed.

The methodology of the thesis is basically literature review. I examine most of the regions or countries that are included in the Diploma Syllabus. Furthermore I reviewed all the relevant articles of the wine magazine Decanter in the 2009-2014 periods. The general idea behind the model to put together these two dimensions is completely my original work.

II. GENERIC STRATEGIES

I use two dimensions in order to describe the most basic strategies that should be followed to be successful in the wine business. Putting together the pieces of the puzzle I define the dimensions as:

Source of Identity (variety of grape or region of origin)

Value Proposition (value for money or premium)

If we create a matrix of these two dimensions then four distinctive generic strategies can be formed:

Value Variety

Value Region

Premium Variety

Premium Region

The table below shows the matrix of the framework:

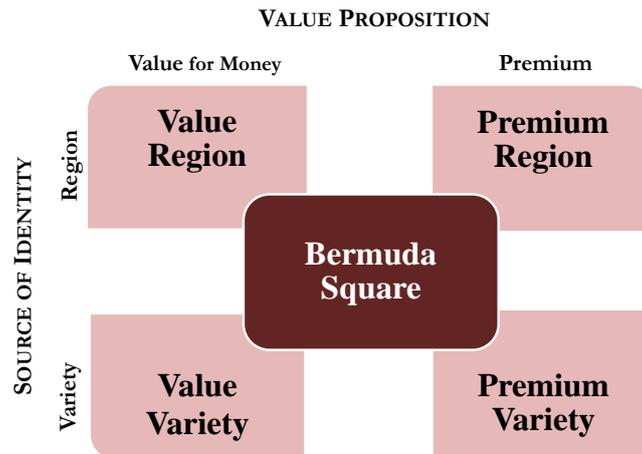


Table 1: Generic strategies

III. PUTTING THE PIECES TOGETHER – THE BERMUDA SQUARE

Let us imagine this model as the never ending ocean and four islands. The ocean represents the extremely competitive environment of wine business. In order to survive one has to reach an island.

In my understanding regions or countries should follow any one of these generic strategies otherwise they are lost “in the Bermuda square” of the challenging global wine market. Consumers expecting clear messages regarding the two dimensions of this model, identity and value proposition.

There are some specific rules that have to be followed, again using the ocean-island metaphor:

In order to reach an island you must be met its entry criteria,

One cannot be on two islands at the same time,

Changing strategy means leaving one island for another BUT it is only possible crossing the ocean,

If the new strategy is the same island one should also jump to the water and apply for entry,

And last: STAYING IN THE OCEAN ON THE LONG RUN IS EXTREMELY DANGEROUS!!!!

IV. CONCLUSION

The objective of this thesis was to introduce a framework for the understanding of the differences between countries’/regions’ wine strategies. I proved with several examples from the wine world that most strategies can be described by two dimensions: one is the source of identity – the core elements here are either a flagship variety or the region (origin/terroir) itself; the other

one is the generic strategy of positioning (cost leadership, differentiation) – in this context either value for money or premium variety/terroir.

I showed that within these two dimensions there are four different ways to follow and all may prove to be successful. Furthermore, I provided examples that countries/regions that do not fall within these four categories are lost in between – what I call the “Bermuda Square” – and fail to succeed.

I also summarised five basic rules of the model that are important to consider understanding its logic. And finally I provided a guideline for those who are in the situation of positioning themselves on the wine market.