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**The Deutsch-
Casella Joint
Venture and
[Yellow Tail]®
Wines: Trading Up
or Trading Down?**



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Definition

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Two or more businesses agree to work closely together on a particular project and create a separate business division to do so. Each party contributes assets and share risks.

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What Needs to Take Place

Before starting a joint venture, the parties involved need to understand what they each want from the relationship.

Advantages

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- Access to new markets and distribution networks**
- Increased capacity**
- Sharing of risks and costs with a partner**
- Access to greater resources, more specialized staff, new technology, and finance**

Disadvantages

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- Objectives of the venture are not 100% clear and communicated to everyone involved
- The partners could have different objectives
- There is an imbalance in levels of expertise, investments, or assets brought into the venture by different partners
- Different culture and management styles result in poor integration and cooperation
- The partners don't provide sufficient leadership and support in the early stages of the joint venture

Choosing the Right Partner

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The ideal partner in a joint venture is one that has resources, skills and assets that complement your own. The joint venture has to work contractually, but there should also be a good fit between the cultures of the two organizations.

Some things to keep in mind when finding a partner

Are they financially secure?

Do they have any credit problems?

Do they already have joint venture partnerships with other businesses?

What kind of management team do they have in place?

How are they performing in terms of production, marketing and personnel?

What do their customers and suppliers say about their trustworthiness and reputation?

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Sony-Ericsson (2001)

- Sony Corporation- Japanese electronics company
- Ericsson- Swedish telecommunications company
- Making mobile phones
- Sony's consumer electronics expertise with Ericsson's technological leadership in the communications sector
- Ericsson joined the venture due to the increasing competition
- Sony acquired Ericsson's share in 2012
- Now known as Sony Mobile Communications
- Success for Sony, fail for Ericsson

*Kellogg Company And Wilmar
International Limited Announce
China Joint Venture*

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- Both of the brands are really popular but in different realms of the industry and they were only establishing the joint venture in China so they both choose to keep separate names.
- Wilmar will contribute infrastructure, supply chain scale, an extensive sales and distribution network in China, as well as local China market expertise to the joint venture. Kellogg will contribute a portfolio of globally recognized brands and products, along with deep cereal and snacks category expertise.
- "China's snack-food market alone is expected to reach an estimated \$12 billion by year-end, up 44 percent from 2008," said John Bryant.
- Together, Kellogg and Wilmar will leverage this complementary expertise to maximize marketing and manufacturing synergies.
- This joint venture positions our China business for growth and fundamentally changes our game in China.
- Chief Executive Officer, Kuok Khoon Hong, "This joint venture with Kellogg will complement our existing Consumer Product business and leverage on our extensive distribution network and support infrastructure in China.
- The JV was not successful because Kellogg did not treat the local China company well and this upset many of the companies followers.