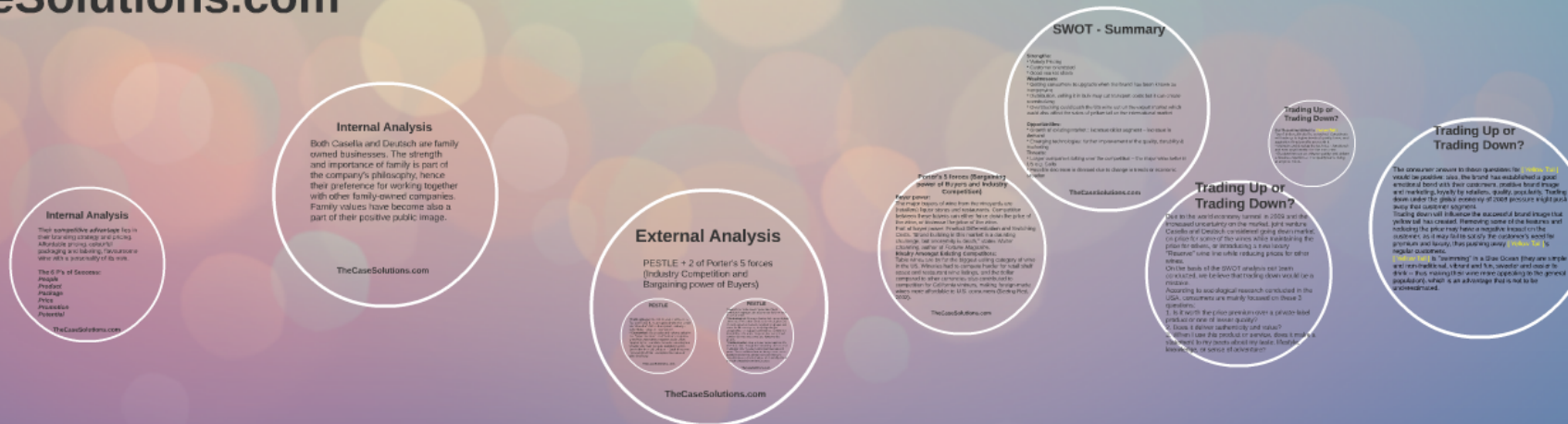
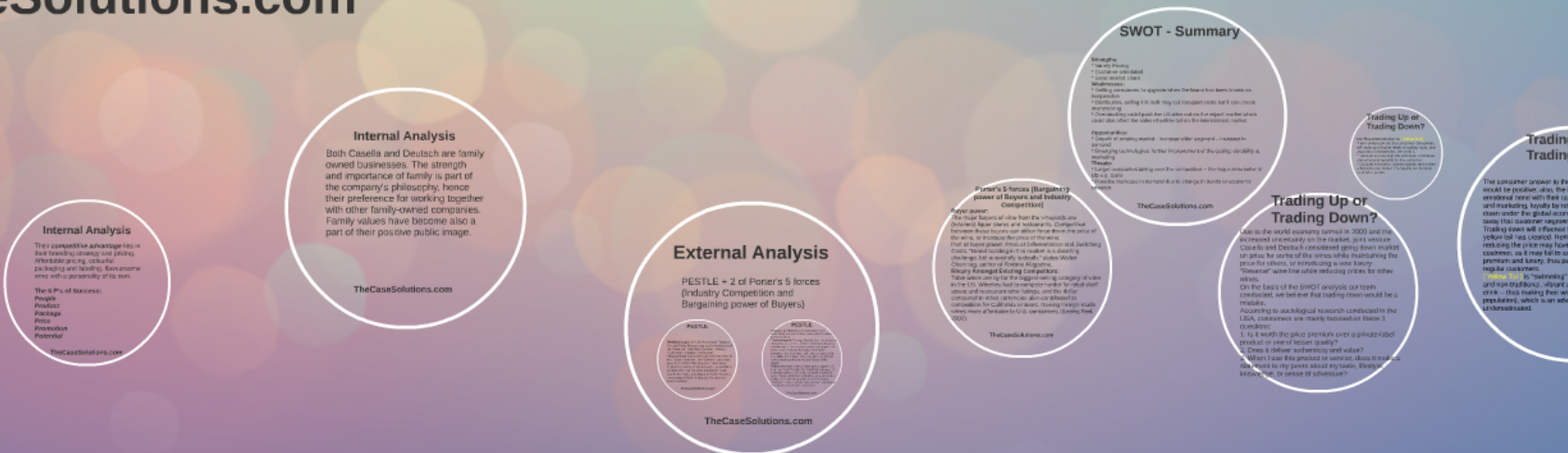


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# Internal Analysis

Their ***competitive advantage*** lies in their branding strategy and pricing. Affordable pricing, colourful packaging and labeling, flavoursome wine with a personality of its own.

## The 6 P's of Success:

***People***

***Product***

***Package***

***Price***

***Promotion***

***Potential***

## **Internal Analysis**

Both Casella and Deutsch are family owned businesses. The strength and importance of family is part of the company's philosophy, hence their preference for working together with other family-owned companies. Family values have become also a part of their positive public image.

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# External Analysis

PESTLE + 2 of Porter's 5 forces  
(Industry Competition and  
Bargaining power of Buyers)

## PESTLE

**\*Political/Legal:** the US Alcohol and Tobacco, Tax and Trade Bureau regulated wineries to sell via "three-tier" distribution system - winery-->distributor-->retailer-->consumer.

**\*Economical:** Dollar sales and volume sales in the "Super-Premium" and "Deluxe" categories grew from 2003-2008; Imported table wines tripped by volume while domestic consumption of table wine had not quite doubled in 2008; Due to the financial collapse in 2008 it became increasingly difficult to deplete the stocks of wine inventory.

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## PESTLE

**\*Social:** the "Baby Boom" generation (born 1946-1964) represented the core market for wine in the US in 2009.

**\*Technological:** Enology Service Lab - an analytical laboratory service that conducts chemical, physical, microbiological and sensory analysis on grapes and wines for the industry. By analyzing nitrogen components in the grape itself, they can predict the desirability of the wine. They can also recommend how to maximize the aroma and flavour of the grapes.

**\*Environmental:** Over a 2 year period approx. 5% of wine is "lost" through the "breathing" process. Full maturation prior to sale could sometimes take 2-3 years. These additional maturation cycles to create quality wines tend to greatly increase inventory investment costs. Certain wines are naturally (due to the lack of needed farm land) scarce.

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## Porter's 5 forces (Bargaining power of Buyers and Industry Competition)

### Buyer power:

The major buyers of wine from the vineyards are (retailers) liquor stores and restaurants. Competition between these buyers can either force down the price of the wine, or increase the price of the wine.

Part of buyer power: Product Differentiation and Switching Costs. "Brand building in this market is a daunting challenge, but anonymity is death," states Walter Channing, author of *Fortune Magazine*.

### Rivalry Amongst Existing Competitors:

Table wines are by far the biggest-selling category of wine in the US. Wineries had to compete harder for retail shelf space and restaurant wine listings, and the dollar compared to other currencies also contributed to competition for California vintners, making foreign-made wines more affordable to U.S. consumers (Seeing Red, 2002).

\* Possible decrease in situation

TI



# SWOT - Summary

## **Strengths:**

- \* Variety Pricing
- \* Customer orientated
- \* Good market share

## **Weaknesses:**

- \* Getting consumers to upgrade when the brand has been known as inexpensive
- \* Distribution, selling it in bulk may cut transport costs but it can create overstocking
- \* Overstocking could push the US wine out on the export market which could also affect the sales of yellow tail on the international market

## **Opportunities:**

- \* Growth of existing market : increase older segment – increase in demand
- \* Emerging technologies: further improvement of the quality, durability & marketing

## **Threats:**

- \* Larger companies taking over the competition – the major wine seller in US e.g. Gallo
- \* Possible decrease in demand due to change in trends or economic situation

(Bargaining  
and Industry  
ion)

the vineyards are  
taurants. Competition

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Trading  
Trading