The Political Economy of Carbon Trading

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Internal Analysis

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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)

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SWOT - Summary

Trading Up or Trading Down?

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Due to the world economy turmoil in 2009 and the increased uncertainty on the market, joint venture Casella and Deutsch considered going down market, on price for some of the wines while maintaining the price for others, or introducing a new luxury "Reserve" wine line while reducing prices for other wines.

On the basis of the SWOT analysis our team conducted, we believe that trading down would be a mistake.

According to sociological research conducted in the USA, consumers are mainly focused on these 3 questions:

1. Is it worth the price premium over a private-label product or one of lesser quality?
2. Does it deliver authenticity and value?
3. When I use this product or service, does it make a statement to my peers about my taste, lifestyle, knowledge, or sense of adventure?

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

The 6 P's of Success:
People
Product
Package
Price
Promotion
Potential

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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).

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Internal Analysis - The Value Chain

* **Inbound Logistics:** Casella owns grape growing acreage, but has supply arrangements with contract growers.
* **Outbound Logistics:** earlier bottling was done at Casella's facilities, now wine is shipped in bulk to various markets and bottling is done in their proximity.
* **Operations:** Casella has their own processing facilities;
* **Marketing:** handled by Deutsch. Appeal to young consumers (21-35). French style bottles+bright colours; Synthetic corks maintain the wine quality; bright and modern labels; the wallaby design establishes connection to Australia
* **Sales:** the wine is sold to wholesalers and distributors, who sell it to retailers, who sell it to customers.
* **HR:** Passion for the trade is held in high regard. Value growth and development of their employees, offer opportunities for advancement within the organisation.

***Technological Development:** investments in steal tanks and 12 ton fermenter; in 2010 [Yellow Tail] releases convenient 187ml bottles; in 2006-2011 t installed the fastest bottling line in the world.

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TheCaseSolutions.com External Analysis

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

PESTLE

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***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:** Dolar sales and volume sales in the "Super-Premium" and "Deluxe" categories grew from 2003-2008; Imported table wines trippled 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.

PESTLE

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*** 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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* Possible decrease in situation

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

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