The growth of the company essay

From the study of the Vincor case study it is clear that acquisitions and mergers have been the instrumental in the growth of the company. Vincor was itself a combination of many Canadian wineries and was formed with a management buyout of Ridout Wines (Ridout) from John Labatt Ltd. All the three major growth stages of Vincor, erstwhile named Cartier wines, saw a significant number of acquisitions and mergers. While the first stage consisted of leveraged buyouts due to the conditions at that time, in the second stage the company went on for strategic buyouts aimed at increasing its market share.

The company concentrated on buying other wineries, which was a good way to increase the size of its operations.

The next step was to integrate the operations of these acquisitions chiefly in terms of sales, marketing and production. After doing this the company went on to merge two wine kits company. The collective result was that the market share of the company increased to 21%. Wine is considered by many to be an exclusive product. Companies are hence seen to usually go in for the exclusivity and higher quality, rather than mass production.

This prompted Vincor to concentrate more on the premium and super-premium wines, rather than the popular wine. The popular wine which accounted for 83% of the sales for Vincor in 1995 reduced to a mere 47% by volume by 2002, while the premium brand sales increased from 17% to 50% during this period. After being one of the largest wine-seller in the country, the company rightly opted to extend its options in other countries. With the closest country being the United States, with a growing size of wine market the step was very logical.

Entering a new market and starting the entire process of both sales network and brand marketing is difficult, and hence most companies rightly prefer a ready-made solution, even if it proves too expensive at the start.

Vincor too followed the same step by first acquiring R H Phillips to enter into the super-premium wine market in US. For expanding in this market the same strategy was followed by acquiring Hogue Cellars, which further strengthened its position in the US market.

One good aspect of both acquisitions was that the products manufactured by both the companies were of different varieties but in the same segment. Hence, the integration of both these companies was fairly easy. Markets that are situated global locations very far from a company's original, have to be first made aware of the brand name. With this aim, the global strategy of Vincor was to promote one of its finest products Icewine in the Asian markets.

All these strategies helped in making Vincor a global name in the wine market. Australian company acquisition

After its success in the US market and introducing its brand in Asian countries, Vincor had become a global brand. The next logical step would be to analyze and strengthen its hold in these markets. One of the options available was to export wines from the local wineries to these places. But this option becomes less feasible in cases where the company is aiming for very large scale expansion. This is because the first step would be the comparable cost with other competing companies.

With Asian countries, this becomes even more important.

Added to this, there was a growth of Australian-made wine in the market. Hence, the decision of Vincor to enter Australia was a good one. Vincor's focus on the premium wine segment could also be complemented, if the company could find a strategic partner having assets in the particular area where the maximum percent of super-premium wines were sources from.

A strategic alliance in Australia would help Vincor in gaining a stronghold in the Asian market too, which was growing rapidly especially in countries like Japan.

Hence, a wish to acquire a pioneer company in Australia who wishes to sell its operations seems to be a good decision. The acquisition is an attractive proposition when industry attractiveness is taken into picture. However, the administration part of the acquisition should also be taken into account. While culturally the countries are similar, they are very far from each other. The acquisition price is also very large, which means that Vincor has to pay close attention to the company after the deal, to make sure that the company gives necessary returns.

In addition, the integration with other companies, which was the standard norm of Vincor, is also not a feasible possibility. Finally, Goundrey is a one-man enterprise where the owner was responsible for all the major decisions. Acquiring this company would mean changing the way the company is being run, from an inherently family business run by a local person, to a corporate addition of a foreign company. A disadvantage of Goundrey would also be the fact that the company has been selling its products to mostly the domestic market, and the international sales percentage is very less.

These were mostly taken care by the owner indicating indicates an absence of a sales team focusing on international market. Taking all these factors into account, a complete acquisition of Goundrey would be a risky option for Vincor. My recommendation would be to make Goundrey a strategic partner. In case if this is not possible Vincor could become a stakeholder in the company. This would give it the time to analyze the local market and the internal climate of the company. A gradual shift in the working of the company would be lot more beneficial than an outright take over.

Financial condition The financial ratios of Vincor between the years 2002-2005 show an erratic pattern. The liquidity ratio has decreased significantly from 1. 29 to 0. 24. The case is the same with the ratio between working capital and fixed assets which has decreased from 4.

06 to 2. 49. The change however is fluctuating and is not indicative of any continual increase or decrease. The debts and liabilities of the company have increased though there is no change in the long term debt which has remained constant at 0.

26. The revenues have increased with respect to working capital with a ratio of 2. 58 as against 1. 58 in the year 2002. This ratio is constant when fixed assets are compared with the revenues. The interest rate has increased to double at 5.

08 as against 2. 68 in 2002. The return on equity, pretax margin and effective tax show a marginal hike, though the years in between had shown a massive hike for the last two terms, while the EBITDA has decreased from 262. 61 to 200. 62 in a decreasing pattern.