

Teliani valley plc essay



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Teliani Valley PLC is a successor of traditional Georgian wine production using the modern technologies and the knowledge of motivated young professionals.

On May 2004, Teliani Valley established strategic relationship with the European Bank for Reconstruction and Development (EBRD). It acquired a block of shares of Teliani Valley PLC. This investment enabled the company to build a new winery, plant new vineyards in the best micro-zones of Georgia, improve marketing initiatives and increase sales of its premium quality wines, partially updates existing production machinery and expands production capacity.

For a comparatively short time, the company replaced the obsolete production line by the modern western analogies and installed the up to date Italian grape processing equipment. To improve the quality of wine, modern pneumatic presses and stemmers were installed. A strict quality control system was introduced at all stages of the production process, from grape selection to bottling the end product.

In November 2005 there was established a holding company Teliani Group, the members of which are Teliani Group -management company, Teliani Valley -wine-producing company, Teliani Trading -distribution company, M-group – hotel and restaurant management company, Via-Travel – travel agency. Nowadays this is the biggest holding company of this type in Georgia.

It also produces chacha. A highly popular grape vodka with 42% alcohol has great aromatic finesse of Rkatsiteli variety. This is an example of the fine of Georgian distilling. Chacha is served chilled at 6-8° C.

It is operating worldwide, exporting its wines and spirits to number of countries: Russia, Ukraine, Kazakhstan, USA, Azerbaijan, Belgium, Poland, Israel, Finland, Turkey, Belarus, Bulgaria, Czech Republic, Ireland, the Netherlands, Moldova, Latvia, Estonia, and Japan.

Teliani Valley has ambitious and opportunity to become world-known brand. It has high quality wine. This is seen in its awards. On July 20, 2006 wines “Teli” and “Mukuzani” received bronze medals at The International Wine and Spirit Competition in UK. This competition was founded in 1969 and is the premier competition of its kind in the world. In 2006 The Competition received approximately 5,000 entries from over 50 countries. Only the best wines were awarded medals, including the wines of Teliani.

After closing Russian market wine companies change focus and developed new strategy. Teliani focused to distribute its products as in American so European market.

The company is already operating on every country of the Baltic Sea (Latvia, Estonia) except for Lithuania. So, we decide to make a project how the company should enter Lithuania market. We want to develop marketing strategy for the Lithuania market.

After entering the Lithuania market Teliani Valley will have exports in every country of the Baltic Sea. These countries are the members of EU and wine

markets are prearranged, controlled and structured. Also we found that volume sales of alcoholic drinks are expected to increase steadily during the forecast period in the Lithuania market. In the project we will explore Lithuania consumer market and find out how rentable it will be to for the company to enter the market.

Nowadays, the most important topic for Teliani Valley is not to have great sales from importing countries, their strategy is to make place in foreign wine market, construct positions and become known brand.

Methodology

Our group decided to concentrate on Teliani Valley. This company has the ability to go in different country and take place in foreign wine market. This brand is well-known in Georgia and has appropriate financial ability to become global company. This is a question of time, but working for it has already begun. So we discussed and decided to focus on exploring Lithuania market, as this step is pretty important to achieve success.

We started our process with discussing inside our group. The more we discuss the more information we got from the interview the most complex the task was becoming the information we got was sometimes contradictory. There were some internal problems. Then we made some group strategy. The strategy was task dividing.

In order to obtain knowledge about developing marketing strategy our group conducted several interviews. We wanted to have as much information as possible from different sources. Firstly, we conducted interview with expert

processes manager Goga Kipiani, who gave as an overview of the export strategies and the information about markets they have. Second, we visited with marketing processes manager George Khutsishvili, who gave as an overview of the marketing strategies.

We had conducted a very simple questioner and asked 100 Lithuania citizens (chosen randomly) to fill it (we have contacted them through “ Skype”). The question and answers were simple, respondents were asked how often they drank spirits (> 22½proof), or wine.

For exploring the market we conducted analysis of already existed statistical data, marketing survey, studied political-economical environment and competition. We got these data by internet (search engines, and made a poll using e-mail), and also by interviews with Teliani Valley Marketing and Public Relation department representatives.

To find the necessary theoretical frame-work we used our course-book; but all relevant information we needed wasn't found there and so we used the last year course-book (Wild, Wild, Han 2006) and electronic library data. We used these theories later to tailor Teliani Valley strategy and objectives to the market structure and environment.

For project we decided to elaborate analysis and recommendation part. Based on empirical finding and theoretical framework we come up with our idea for recommendation what have to do to increase sales.

Theoretical Framework

Promotional Strategy

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Companies use efforts to reach distribution channels and customers through communications such as personal selling, advertising, PR, and direct marketing. These efforts are called marketing mix. There are two general promotional strategies. We'll first discuss and examine them and then discuss the complication that may arise using them.

Push and Pull Strategies

These two general strategies (push and pull) may be used apart from each other and also in combination.

Pull strategy is promotional strategy designed to create buyer demand that will encourage channel members to stock a company's product. That means that using different marketing tools the company generates demand to "pull" products to end users through distribution channel.

While push strategy is promotional strategy designed to pressure channel members to carry a product and promote it to final users of the product. In other words, this strategy "pushes" its products and makes the next members of the channel promote the product themselves.

Deciding which strategy to use in a specific marketing environment depends on several factors:

* Distribution System. Implementing a push strategy is difficult when channel members (such as distributors) wield a great deal of power relative that of products. It is also ineffective when distribution channels are long, because the more members are in the channel the more members must be convinced

to carry a product. In such cases, it is easier to create buyer demand using pull strategies.

* Access to Mass Media. Markets in developing situation have fewer available forms of mass media to implement pull strategy. So, in such markets it's difficult to increase consumer awareness and to create demand. In such cases advertisers might turn to billboards and radios. But still, using pull strategy in such markets is ineffective.

* Type of Product. A pull strategy is most appropriate when buyers show a great deal of brand loyalty toward one particular brand name. In other words, brand-loyal buyers know what brand they want before they go to buy it. But push strategy is more appropriate for inexpensive consumer goods characterized by buyers that who are not brand loyal. Low brand loyalty means that a buyer just goes not planning which product to buy, and will simply buy that is presented by the retailer.

Distribution Strategies

Distribution is planning, implementing and controlling the flow of product from beginning to the end. The “ path” that a product flows on its way is called distribution channel. Distribution is an important factor when entering foreign market.

Companies usually develop their distribution strategies based on two decisions: (1) how to get the good into a country and (2) how to distribute goods within a country. Here we'll present distribution strategies within the country.

There are two main factors to pay attention when establishing channels of distribution: the amount of exposure a product needs and the cost of distributing a product.

Degree of Exposure. In promoting its product to the number of potential customers a marketer should determine the amount of exposure. An exclusive channel is one in which a manufacturer grants the right to sell its product to only one or a limited number of sellers. Thus, it gives a possibility of a strict control. It also can help a producer to constrain distributors from selling competing brands. And in such case the distribution channel makes difficult for outsiders to enter the market.

On the other hand, intensive channel is a distribution channel in which a producer grants the right to sell its product to many sellers. An intensive channel is location-flexible for a buyer because of the big number of outlets a product is sold. But, it does not create strong buyers for outsiders to enter, and also it is less controllable.

Channel Length and Cost. Channel length refers to the number of intermediaries between the producer and the buyer. In a zero-level channel producers sell directly to its end-user. A one-level channel places only one intermediary between them, and so on. Generally, the more intermediaries are in the channel, more costly it is because each additional “ player” adds a charge for service on the product. This is an important factor for companies with price-sensitive consumers.

Business-Level Strategies

Business level strategies help to determine particularly which approach to choose for particular product. There are three general business-level strategies: low-cost leadership, differentiation, and focus.

Low-Cost Leadership Strategy is a strategy in which company uses economies of scales to have the lowest structure of any competitor on the market. This strategy also involves keeping cost low of their various primary activities, such as marketing, advertising, and distribution.

Low-cost leadership strategy works well with mass-marketed products that are aimed at price-sensitive buyers.

Differentiation Strategy is a strategy in which company designs its products to be perceived as unique in comparison with competitors'. As its products are perceived unique a company can charge higher price and have greater customer-loyalty than does the low-cost leader.

One way products can be differentiated is by improving its quality. Also products can be differentiated by distinctive brand images. One more factor of differentiation is product design - the sum of the features by which a product looks and functions according to customer requirements.

Focus Strategy is one in which company focuses on serving the needs of narrowly defined market segment by being the low-cost leader, by differentiating its products, or both. A focus strategy often means designing products and promotions aimed at consumers who are either dissatisfied with existing choices or who want something distinctive.

Empirical Findings

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Interviews

The interview with export processes manager Goga Kipiani gave us overview on the export strategies and the information about markets they have.

Teliany Valley wants to enter European and American markets, also they have already made export in 22 countries including as American so European markets, but they want to increase the number of countries. Their strategy is to get new markets. This strategy includes Teliany valley creating the potentially well developed markets. All this will take about 10-15 years, but its goes in its future plans.

After closing the Russian market Teliani Valley lost 30 % of sales. Russian market was the best for Georgian wines because Russians are the best customers; they like drink; Georgia was part of Soviet Union for a long time and between Georgians and Russians there is some connection, so for them Georgian wines are familiar. After closing the Russian markets a lot of biggest Georgian wine companies went bankrupt. By that time Teliani Valley had already distributed his products in other countries, also it had the best position in Georgian market. Nowadays its sales increase in Russian but not so mush as it would be without so many restrictions.

The process of exporting is next: Teliani Valley looks for the company it would like to make distribution and have contract, tries to interest them and after that they have meetings. After making contracts Teliany Valley gives them license of trading and exports wine were this company allocates the product in suitable place. There is business to business communication.

Teliani valley can not make distribute itself in foreign country because for these it needs some local office which requests finances, but the foreign market is not so profitable to make branch there. Also finances don't play the great role in this process. The main subject is to make interest in local distributors. This kind of connection is profitable for Teliany valley, its brand becomes more known, sales increase, and in this market segment it builds some place which helps to strengthen position in future.

Teliany Valley has fixed prices and sets it to every distributor company in each market. But the price of product that sells in certain country depends on tax rate, some kind of taxes on alcoholic drinks, distributors' demands and so on.

Teliani Valley plans to make export in Lithuania. It looks for partner there. There are some distributors interested in Teliani Valley. One of them distributes wines in Latvia and Estonia. They want to purchase license but Teliani Valley needs another partner. Its strategy is to have different partners because it is more reliable and will make more positions.

We have made second interview with marketing processes manager George Khutsishvili, who gave as overview of the marketing strategies and the information about markets they have.

Teliani Valley exports to following countries: Russia, Ukraine, Kazakhstan, USA, Azerbaijan, Belgium, Poland, Israel, Finland, Turkey, Belarus, Bulgaria, Chech Republic, Ireland, The Netherlands, Moldova, Latvia, Japan, and Estonia.

Teliani Valley wants to become known brand so it enters as European market so American.

Its strategy is to have high quality product and create reliable brand. So its production has strict quality control system, which is introduced at all stages of the production process, from grape selection to bottling the end product.

On May 2004, Teliani Valley established strategic relationship with the European Bank for Reconstruction and Development (EBRD). It acquired a block of shares of Teliani Valley PLC. This investment enabled the company to build a new winery, plant new vineyards in the best micro-zones of Georgia, improve marketing initiatives and increase sales of its premium quality wines, partially updates existing production machinery and expands production capacity. Also for improving the quality of wine, modern pneumatic presses and stemmers were installed.

A silver medal in the international wine contest held this year in France “ The challenge international du vin” and in “ The International wine and spirit competition” held in Britain prove the quality of Teliani wines.

Teliani have produced a wide variety of quality wines every year, some of those brands are Teliani, Mukuzani, Napareuali, Kvareli and Saperavi.

Today Teliani Valley is entering Lithuania market so it has the same marketing strategy, high quality. But there are some obstacles; in order to have high quality it has high price. Wine market is quite competitive.

Competitor products are as foreign wine brands so the companies which have counterfeited Georgian wines. Counterfeited Georgian wine is cheaper,

so customer who wants drink will buy this one and not Teliani Valley which is more expensive. These types of customers are those who have disposition to wine and are of lower social level. But they are potential users of Teliani Valley. Real customers are the people of high social level, those who know quality wine, have wine collections and etc.

The distributor makes some marketing activity to sell wine. It has some marketing strategy or place where it productively distributes wine and sells. The wine will sell in supermarkets or hypermarkets, the biggest marketing place of country. Wines will be put in noticeable place on shelf.