

Preserve the luxury or extend the brand

Business



**ASSIGN
BUSTER**

Teacher Preserving the luxury or extend the brand? Gaspard does not have to make a zero-sum choice that in choosing one option, he has to forgo the other. Preserving the luxury does not mean that they have to let go of Claire's idea of extending the brand. It also does not mean that by extending the brand, they would be tampering with their Bordeaux's five grands crus classes brand nor compromise its luxury brand. And Claire was right that they are not realizing even half of the chateau's real worth. It is in fact the negociants who are reaping most of the margin evident with Some of Gaspard's fellow grand cru classé owners complained about the négociants' margins whom Gaspard accepted because they have a ready buyer even in their bad years. What Gaspard missed is that their brand had been classified by de Vallois had in 1855 as a Premier Grand Cru Classé (First Growth) making their brand already saleable at a commanding price even without a négociant who would readily buy it.

Sticking to their two brands, this may not be enough to secure the chateau in the long run because new wine makers with cheaper wine are already coming in the market. These new competitors' offer an alternative to their products that could shrink their market share and pose a real threat to Gaspard's business. Gaspard must adapt to the new realities in the wine industry.

Extending the brand has many advantages. First, Gaspard can widen their market share to include the younger market who could not afford their high end wines. This market is already a captured market and there is a greater probability that they would come to them when they are ready to purchase high end wines. Second, Gaspard has the advantage of being classified by de Vallois had in 1855 as a Premier Grand Cru Classé which they could use in

marketing their branded wines. Claire was right, they could either buy grapes or land and mention that its either ' Bordeaux origin' or that the de Vallois team is in charge of making it in case they would buy cheaper lands abroad to grow grapes.

This option will not harm the brand of Gaspard's premiere wine because they will not be mixed up. In fact, the de Vallois brand can complement the upcoming branded wine by suggesting quality and class by association. In addition, these branded wines can easily adapt to the changing tastes of the younger market and make the most profit by catering to what they want. When this younger market can already afford the high end wines, they can also graduate to the Vallois team's high end wine.

True there is risk in investing in the distribution channel as well as in making the new wine. But not adapting to the new market reality is also equally risky. If Gaspard will stick to his two class wine, it will not be for long that its sales can no longer be sustained because of cheaper alternatives. He has to extend the brand to sustain the Chateau in the future.