

Good example of optimal business model for the third wine of chateau margaux essa...

[Business](#), [Company](#)



Introduction

Chateau Margaux prides itself for staying at the cutting edge of wine production for past many centuries. There has been a great spike in their popularity since 1912 now. The company enjoys the privilege of having two brands already introduced: First Wine and Second Wine. Both have received massive appreciation and adoration from wine-lovers dwelling in diversified locations in the world including France, Germany, Italy, Australia, and several American States.

Most recently, the company has decided to launch their third wine, and this paper consists of the comprehensive business model with relation to this new business idea. It covers everything from market segmentation, assessment of business model, pricing, positioning, to the company's consideration regarding emotional and behavioral approach to their targeted consumers.

Market Segmentation

Market segmentation refers to vendors' decision for targeting specific customers or group of customers on the basis of certain tendencies and product or service behavioral relevance discovered in them. As for CM, it is important to keep into consideration the priorities and requirements of their old customers to keep them loyal and generate temptation for new customers to expand the magnitude of their targeted market. Moreover, they have planned to implement this dually beneficial strategy. From the data collected from different markets, it is evident that the demand and popularity of their product is gradually shifting from so-called Old World

(European countries) to new world (consisting of majority of American states). That is why the company will focus their marketing and communication strategies on later to capitalize on emerging trends. Furthermore, the company will utilize customer value proposition that has become one of the most popular vendor's approach to customer care. For this purpose, Chateau Margaux will come up with certain offers including customer loyalty programs, special discounts on the purchase of a specific quantity of wine, and much more. For this purpose, they do not feel reluctant if required to sacrifice a bit of profitability, as it surely can prove to be a booster to their brand image and popularity. Since, the company does not follow any solid marketing strategy for their product, it is essential to formulate a comprehensive customer care program in order to make their word of mouth spread from their mouths.

Barriers

Even though the dually focused (on new and old customers; and on American as well as European customers) policy of the company appears quite straightforward and easily implementable, there are certain underlying complications and barriers on its way, the detail of which is given below:

It is hard to make old customers believe that Third Wine is a perfect sequel to their conventionally popular first and second wine.

Third wine may receive utter negligence or indifference on the basis of being considered inferior to their old counterparts (1st and 2nd Wine).

The American market is a sophisticated mixture of wine consumers belonging to many different categories, so it is a big ask for the company to

come up with one exact strategy applied to all of them. Given below is the infographic presentation of this fact:

It is also difficult for the CM to sustain the demand for 2nd Wine after the launch of 1st Wine. This supposition harks back to the launch of 2nd Wine that outshined the adorability of first wine to find its rationale.

Even though many factors are challenging the feasibility of the company's market segmentation, yet positive assumptions and anticipations outweigh them. In a nutshell, it is the most practical option for the company to stick to the customer value proposition and customer loyalty programs in order to tempt new consumers as well as to reinforce the loyalty of old consumers.

Distribution Strategy

Currently, the company is following exclusive strategy for distribution that involves selling off the product by utilizing only one outlet. So far, it has been greatly successful and an excellent display of supplier's (CM's) power over buyers. However; the launching of 2nd Wine is very likely to make the situation complicated. It is better to adopt middle path to mitigate underlying risks and rely on selective channels for distribution. The company will be focusing on negociants for this purpose, which can be many popular and big restaurants situated in different locations.

Product Strategy

Product strategy is one of the key profit drivers for any organization. It is one of the most basic components of any business model. The company aims to adhere to repositioning in conjunction with product strategy.

Repositioning is the attempt of any company to change the perception of

their product/s or service/s in their targeted market. Currently, Chateau Margaux is enjoying a very good reputation for their 2nd Wine. The launch of the 3rd Wine and overlapping areas (in terms of taste and quality) between the features of both 2nd and 3rd Wine put question mark on the need for the underlying idea (the launch of Third Wine). Therefore, the company has brought innovation by adding agave nectar to the composition of the Third Wine, and their marketing strategies basing on repositioning are focused on this innovation. In other words, the CM is intending to develop their product image in the eyes of consumers by unfolding its unique features. On one hand, this strategic approach will make the Third Wine stand apart from their competitors. On the other, it will not let the consumers consider it an inferior counterpart of the former (2nd Wine). Moreover, it will also save 2nd Wine from withering in popularity, as happened with 1st Wine after the emergence of 2nd Wine.

Pricing

Pricing, in one of the simplest manners, can be defined as the strategy involving the setting or changing of price. In case of Chateau Margaux, former (setting a price) is the basic consideration. Latour's Third Wine is one of the closest competitors of the CM's Third Wine. They have priced their one standard sized bottle between \$100 and \$150. CM has decided to price the standard sized bottle of their Third Wine at \$95 to enjoy a competitive advantage (in terms of cost effectiveness) over them. It implies that they are going to compete on price rather than on differentiation, because the company has settled to keep the quality of their third wine equivalent to the

quality of third wine produced by Latours.

Every consideration of product strategy and quality to pricing by the company is the product of extensively feasible business model because it has rationale at its bottom to support its practicality.

Organizational Ability to Follow the Strategy

No business plan works until it is aligned with the cultural and environmental needs of the company. Above explained facts and figures confirm the feasibility of the plan in the light of strategic decisions. Now, it is time to confirm whether or not the company's culture and structure allow the company to put this strategy into action without any resistance.

Differences among top authorities

On each and every step of the formulation of the company's business plan (with respect to third wine) such as pricing, product promotion, branding, and marketing different members of the top management were found to hold different opinions. However, the company has reached ultimate decisions in all terms to form a comprehensive business model. Any emerging failure may lead to great controversies, as the decisions are not based on deep hearted consent shown by different members in the decision making process. Their silence is comparable to the lull before a storm.

Value Segment

Value segment refers to vendors' efforts to keep the benefits offered by brand superior to price in order to create a consumer-friendly environment.

Value segment agenda of the company can be understood by the diagram

given below:

The figure shows that the customer loyalty is directly proportional to the difference between price and benefits where price is assumed lower than benefits. CM has also utilized this formula of value segment for their newly launched brand (Third Wine). They have planned to attract customers by promising a comparatively higher level of benefits by keeping their prices lower than their close competitors (which are dearly popular among wine consumers). As mentioned above, the company is primarily targeting to catch up the market of Latours by asserting the same level of quality and keeping their prices little lower than theirs.

Attitudinal Loyalty

Chateau Margaux has also kept into consideration the emotional priorities of their targeted market of customers and have planned to add emotion-evoking features into their branding and marketing strategy for their third wine. Through this, they will drive the emotional association of their customer with the product, which usually results in long-term loyalty.

Behavioral Loyalty

As discussed earlier that the targeted market of the CM is divided into many categories of consumers. So, the mere association of emotions is no tricky idea until it is complemented with a rational approach. For this purpose, the company has planned to nurture behavioral loyalty as well as attitudinal loyalty among their targeted consumers so that they may be a bond in cemented relation with the company.

Division of Brand Communities

Bench of the company's strategy makers comprises extensively experienced members who are capable enough to identify certain brand communities on the basis of their behavior or attitudinal approach towards the product, and apply the most appropriate corresponding marketing strategy to each of them. So, the company has divided their targeted marketed further into small communities, and has prepared a strategy that is the blend of all requisite elements in order to influence all types of communities or groups of consumers in the best possible manner.

Conclusion

It is evident that there is extensive wisdom lying on the back of launching third wine by Chateau Margaux. Furthermore, the business model prepared for the brand is logically justifiable and flawless (unless the remaining conditions remain constant). Years of experience are at the bottom of every strategy to provide bright anticipation for the projected business model. In a nutshell, it is a complete business model encompassing every consideration in every possible dimension.