

# [The globalization of beringer blass wine estates](https://assignbuster.com/the-globalization-of-beringer-blass-wine-estates/)

The management of Beringer Blass is working to build a strong global presence for their company. Beringer Blass has successfully opened offices in the three key world wine markets – North America, Asia Pacific, and United Kingdom/Europe – and has established distribution networks in the United States, Asia, Europe, and Australia. Beringer Blass’s global expansion is challenged, however, by its lack of products in its wine portfolio; specifically products marketed to Europe.

Beringer Blass is experiencing increased competition in the premium and ultra premium wine business due to the execution of acquisitions and partnerships by large conglomerates. Beringer Blass’s experience, brand recognition, and access to global distribution networks are some of its greatest strengths, and should be utilized in its global expansion.

Alternative solutions for Beringer Blass’s lack of products in its wine portfolio include acquiring an existing company, organically developing new brands, and forming a strategic alliance with an existing company. All of the alternatives suggested would succeed in increasing Beringer Blass’s European presence if successfully executed, but each comes with its own timeline and set of complexities that would have to present an option.

The final recommendation for Beringer Blass is to pursue a strategic alliance with Allied Domecq. Allied Domecq is one of Beringer Blass’s competitors and has access to, and production centers in, Argentina, France, New Zealand, Portugal, and Spain. Beringer Blass would gain access to a large wine portfolio and distribution networks, and Allied Domecq would gain access to Beringer Blass’s Australian networks, wine clubs business, and wine services.

The Challenge of Globalization The management of Beringer Blass has been working since 2000, when the company was formed by the merger of Beringer Wine Estates and Foster’s Mildara Blass, to position their company as a strong global wine business. Beringer Blass’s global strategy is not unique; the majority of their competitors, both large and small, are attempting to operate on a global scale as well. However, there has not been a company that has been able to totally capture the global market.

A successful globalization strategy in the wine industry requires that a company maximize its wine portfolio by developing products that are desired and acceptable to the local markets in which it will compete. A company with global aspirations must also establish an infrastructure that can support such operations, and open foreign offices. Another requirement for a wine company that is expanding globally is gaining access to foreign distribution channels. The merger of Mildara Blass and Beringer Wine Estates gave Beringer Blass access to Foster’s Australian, European, and Asian distribution networks, and Beringer’s United States distribution network.

Beringer Blass also has established offices in the three key world wine markets: North America, Asia Pacific, and United Kingdom/Europe. Beringer Blass is challenged in its global expansion, however, by a lack of products in its wine portfolio; specifically, products marketed to European countries. While Beringer Blass has identified the United Kingdom and Europe as a key wine market and an area of priority for their global expansion, they have not developed their product offerings to maximize their success in this region. Exhibit 6 from The Globalization of Beringer Blass Wine Estates shows that Beringer Blass has two wines that it markets to Europe; while exhibits 10, 13, 15 and 16 show that the United Kingdom and other European countries rank at the top of all nations in wine consumption and importation. The Situation

Beringer Blass is a premium wine company that does business in wine trade, clubs, and services. Globalization was a driving force behind the merger of Mildara Blass and Beringer, and remains a primary focus of Beringer Blass. Beringer Blass’s competitors include stand-alone wineries, both public and private, and large conglomerates. Competition in the premium and ultra premium wine business has recently been strengthened by large conglomerates acquiring and partnering with other wineries. Beringer Blass has strength it its experience, brand recognition, and access to global distribution networks.

The company is weak, however, in its product offering to areas outside of the U. S. and Australia. Potential threats to Beringer Blass’s global expansion include the economic recession, an oversupply of wine in the marketplace, and the increasingly strong competition from conglomerates that are forming partnerships with other wineries and expanding their wine portfolios to assist in their own plans for globalization. Opportunity for Beringer Blass lies in the large worldwide wine market and the three business channels it has to offer – trade, clubs, and services. Alternatives

Increasing the brands in its wine portfolio will require strategic planning by Beringer Blass. Relevant considerations related to the expansion of Beringer Blass’s wine portfolio include how the additional brands will be added to the portfolio, and which countries should be targeted with the additional brands. In evaluating the target areas for the additional brands, the needs of the local market should be seriously considered. The information and exhibits presented in The Globalization of Beringer Blass Wine Estates show that the United Kingdom and other European countries represent an opportunity for expansion – consumption and importation are both high in this area, and it is identified as one of the key wine markets in the world.

Alternative solutions that would increase the number of brands in Beringer Blass’s wine portfolio include acquiring an existing company, organically developing new brands, and forming a strategic alliance with an existing company. With Europe being identified as the area for Beringer Blass to target with its expanded wine portfolio, the alternatives can be reviewed for potential success.

Beringer Blass has been successful to this point in expanding its brands through the acquisitions of other companies. The acquisition solution allows for instant access to additional brands once the acquisition is complete; the acquisition process, however, can require a substantial amount of time to complete and require a substantial monetary investment up front. The implementation of this alternative would involve identifying a company that has a strong European presence and initiating acquisition talks. Beringer Blass could potentially finance the acquisition of a wine company by a common stock offering, which could also increase the amount of time necessary to complete the acquisition.

Beringer Blass also has experience with developing and releasing new brands organically. Creating new brands internally would give Beringer Blass complete control over the characteristics of the wines and the fulfillment of the target markets’ needs. Organic development of brands would, however, significantly lengthen the amount of time before Beringer Blass could get its new brands to market. Ideally, Beringer Blass would work within its current operations to develop a brand that targets the European market, while also looking to expand its European operations. Successful expansion of its wine portfolio in an effort to advance its global presence will require that Beringer Blass increase its production in Europe. The only European country in which Beringer Blass is currently producing wine is Italy. While Beringer Blass has access to European distribution networks, it would be faced with the challenge of starting its operations from scratch in European countries other than Italy.

Forming a strategic alliance with a company that has an established production presence in Europe would give Beringer Blass more immediate access to additional brands and the European market. Beringer Blass would be able to take advantage of its partner company’s European presence, and offer access to its wine club and services business units for its alliance partner. Beringer Blass will also be able to offer its partner company access to its U. S. and Australian presence. Implementation of the strategic alliance alternative would require the identification of a company to approach about forming an alliance. Once a company has been identified, Beringer Blass would have to put together a proposal and engage in discussion with the company to determine interest, and work out details of the alliance. The strategic alliance would most likely involve the sharing of risk and expense between Beringer Blass and its alliance partner, and there would be significant time involved in establishing the relationship.

Solution The best alternative for Beringer Blass to increase its wine portfolio is to form a strategic alliance with Allied Domecq PLC. Allied Domecq is one of Beringer Blass’s competitors with headquarters in London and Healdsburg, California. Allied Domecq produces wine in the U. S., Argentina, France, New Zealand, Portugal, and Spain. Forming a strategic alliance gives Beringer Blass the opportunity to enter new markets in areas where their alliance partner already has an established presence. Allied Domecq gives Beringer Blass the presence it needs in Europe. A strategic alliance with Beringer Blass will give Allied Domecq access to Beringer Blass’s Australian network, as Allied Domecq does not currently have an Australian presence.

Details of the Strategic Alliance should involve the sharing of distribution networks, as well as the sharing of production facilities. Beringer Blass may choose to initially market and distribute its current brands through Allied Domecq’s European networks, and then begin to develop and produce its own brands utilizing Allied Domecq’s European production facilities. Beringer Blass should also partner with Allied Domecq to market its wine clubs to both company’s customers, and market its wine services to both company’s business contacts in the wine industry.

Beringer Blass may be faced with some resistance from Allied Domecq that could challenge the implementation of the strategic alliance solution. Allied Domecq is a competitor of Beringer Blass and they may have some concern about the protection of their brands and trade secrets. This challenge may be overcome if Beringer Blass creates a detailed proposal that outlines the benefits of the alliance for both parties. Of course the appropriate contracts will need to be executed to ensure the rights of both companies.