

Vincor international analysis

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Vincor International goal is to become one of the top five wine companies in the world in terms of earnings. In order to attain this goal they have implemented a corporate strategy that focuses on using their existing powerful position in market to help them developing sales, marketing, distribution capabilities on an international scale. The strategy also includes acquiring new wineries and wine brands in new emerging region in the wine market also called “ New World regions”(Vincor, 2005) throughout the world.

More precisely Vincor International strategy for growing the market shares involved the six following strategic actions: “(1) emphasizing the development, sales and marketing of wines in the fastest growing segments of the market, particularly the premium wine segments; (2) continuing to participate in the premium wine category through the development of premium brands that we own; (3) expanding the sales and distribution reach of our brands into regions which are supportive of New World wines; (4) continuing to complete acquisitions of premium branded wine companies in New World wine regions; (5) expanding the supply of premium grapes and, in particular, Canadian grapes to satisfy the growing demand for premium VQA wines; and (6) developing ice-wine into an international luxury product, capitalizing on the reputation of Inniskillin. ” (Vincor, 2005)

As for the “ New world” (Vincor, 2005) expansions, Vincor strategic actions involve in growing in earnings are to improve operating income by acquiring new wineries and rationalizing and integrating the operations. This will also permits the expansion of the company’s product line and the expansion of the company’s currents brands by providing new distribution opportunities.

Porter’s Five Forces Model Risk of Entry by potential competitors:

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Vincor International should not be overly threatened by the entry of potential competitors in their market. This is because the wine industry is a market with significantly high barriers of entry. In order to start a successful wine producing business a company needs significantly large capital investments. Given the complexity of the wine industry a strong knowledge is also needed in order to produce quality wine on par with competitors and understanding the market. Finally a new entrant will also be faced with a lengthy process in order to begin its business, licensing procedures and requirement are long and land and vineyard preparations make it for a prolonged initial production.

Hence given these multiple obstacles the threat of new entrants for Vincor International is described as low. Intensity of rivalry among established firms: According to the Vincor International information form “ the international wine industry is intensely competitive”. (Vincor International, 2005) This means that there is a lot of producers around the world that competes for shelf space and consumers taste. The rivalry is intense, the businesses in this market need to competitive on price, quality, brand recognition and/or distribution. The leading drivers in the wine industry that will be making the product stand out seem to be product quality. The Intensity of rivalry among established firms is described as high. Bargaining power of buyers:

Vincor international have sales around the world and their principal buyers are consumers, wholesalers, government liquor boards and retail stores. When selling directly to consumers and retail stores the bargaining power lays with the buyer because there are so many wines to chose from. As for <https://assignbuster.com/vincor-international-analysis/>

wholesales and government liquor board the bargaining power of buyer is even stronger because there are so few of them and there is a lot of wine to choose from. Hence, the bargaining power of buyers for Vincor International is very high and the company needs to find innovative ways and strategy to attract and keep its buyers. Bargaining power of suppliers:

The bargaining power of suppliers all depends on the main product of wine, hence the wine grapes. It'll rely on the relationship of demand and supply and demand of those wine grapes for the season. For instance if the grapes or having a good season and there is an unlimited amount of quality grapes then the bargaining power will rely with the buyer, hence the bargaining power of suppliers will be low for this particular season. However if the weather is not cooperating during the growth and there is a limited amount of grapes available to the buyer than the bargaining power will lay with the supplier and will be assessed to high for that season.

Therefore the bargaining power of suppliers can change from season to season depending on the availability of quality grapes. It is also important to point out the bargaining power of supplier will also vary with the kind of wine produce, one kind of grape needed for a particular kind of wine can be abundant but another type of grape needed for a different type can be scarce. A good knowledge of the industry and weather can help a wine producer better manage the uncertainty of the bargaining power of suppliers from season to season. Vincor as tried to minimize the bargaining power by having owning their own vineyard and wineries so they supply their own grapes however they still buy 35% of their needed grapes from suppliers.

Threat of substitutes:

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In the wine industry, the companies are faced with a vast variety of substitute. Basically any alcohol beverages from beer to champagne are a threat of substitutes. Depending on consumers taste wine can lose customer shares to any other drinks. When a consumer has no particular taste preference for wine and consumer will choose another form of alcoholic beverage, a cheaper form if they are a price driven. Hence the threat of substitutes is assessed to high in the wine industry. Impact of the Macro-environment on Vincor International Vincor International is greatly affected by its political and legal environment because they are producing and selling a controlled substance.

Hence in order to produce and sell wine Vincor must follow rules and regulations implemented by the country they are doing business in. Those rules and regulations includes how they produce their product, the distribution channels they utilize, where they sale their product, who they sale their product to and many other restrictions they must obey to. Also since Vincor is an international company it is also affected by the export policy of their home country but also the import policy of the country where they are selling their product. Any changed in taxes, currency value and economic changes in any country where they do business in will likely affect their revenue stream and operations. Another force affecting this market would be the changing demographic.

The consumers are growing older and new consumers enter the market, hence the wine industry is faced with a changing age demographic. Wine has seen a increased in popularity in the younger generation however they have different tastes and it is important for Vincor to keep track of these trends

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and to adapt to the change in tastes of the changing demographic in order to stay competitive. Technological forces also affects Vincor International because the quality of the product plays an important role in their competitive advantage. Therefore they always have to keep up to date on new technology that would improve their wine quality. Technology can also help respond other changes in the outside environment, as we will see in the impact of social forces.

Therefore the technological changes and new innovation must be taken into serious consideration to stay competitive. The social force that would most affect the wine industry including Vincor International would have to be one of the biggest social movements of the last decade, which is the shift towards a healthy lifestyle. (Hill, 2007) Health consciousness is not a positive thing for the wine industry because alcohol is perceived to be harmful to your health. This is why it is important for Vincor to have a strategy to respond to this threat. Many companies in this industry have taken several approach to respond to this health trend and redefined competition.

Strategies have been ranging from funding research to demonstrate the health benefits that comes from consuming wine to producing organic wine and even going as far as developing new wine production processes that aims at lowering the alcohol level in wine and calling it the “ healthy wine”. (Sperling, 2010) On the national level the wine industry including Vincor International will be influence by the macroeconomic forces influencing Canada. The industries will most likely be affected by the growth rate of the economy and currency exchange. Since Canada has a currently good economy and the dollar is going strong Vincor is most likely experience an

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expansion of customer expenditures leading to less competitive pressure because Canadian customer are not currently struggling financially they are more likely to spend money on non essential items like wine.

However the raise in the Canadian dollar compared to the US dollar will work against Vincor International's exports business. A rising dollar will discourage other countries to import Canadian products because they now have to pay more for them. As for the global forces influencing the wine industry, globalization would have to be the main force. The falling barriers to international trade and investment have permitted Vincor international to grow their domestic market further than the United States and Mexico but also to Europe and other markets. Vincor International is therefore part of a global marketplace reaching a much greater consumer base but also leaving room for more intense competition from all the other international wine producers.