

# Preserve the luxury or extend the brand case analysis

Business



Case Study: Preserve the Luxury or Extend the Brand? The case study Preserve the Luxury or Extend the Brand presents a fictional dilemma, based on a real company, faced by Chateau de Vallois, a prestigious and famous wine-producing estate in the Bordeaux region of France. De Vallois is a family owned and run business; part owners are Gaspard de Sauveterre - a 75-year old majority owner, and equal partial owners: Francois de Sauveterre - Gaspard's son and the chateau's CEO , and Claire de Valhubert - Garspard's granddaughter.

De Vallois had fallen into a slow decline under its previous owner, but Gaspard along with Jean-Paul Oudineaux, his estate manager, had restored the chateau and since then de Vallois had been steadily profitable since the 1980s. In 1855 de Vallois had been classified as a Premier Grand Cru Classe (First Growth) in a ranking of Bordeaux wine estates that allowed the estate to command top prices for its wines. The business focused on making and selling two wines, its Grand Vin du Chateau de Vallois and Puine.

The first was considered the greatest of Bordeaux's five grands crus classes, and sold about 150, 000 bottles each year. Puine was made with the best remainder of grapes and averaged about 200, 000 bottles per year. Approximately 70% of de Vallois wine is sold in advance to negociants under a centuries-old arrangement. For Chateau de Vallois, bottles of either of their wines ranged from 100 euros to 450 euros, or on average about 1000 dollars.

The problem or dilemma that de Vallois faces is whether or not they should continue their business as is, selling only high-scaled wines in limited amounts at extremely high prices, or if they should consider entering the “  
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affordable luxury” market for young wine enthusiasts who focused their selection on less expensive wines. The idea to enter this new market was introduced by Claire to Gaspard.

The case provides details as to how the chateau currently conducts business, and includes Claire’s proposal for the new business. Her proposal is to introduce a branded wine at a price of about 20 -25 euros a bottle for the average person, whom she considers is a particularly younger individual. The problem that this proposal introduces, according to her uncle Francois, is that it would add too many unnecessary and uncontrollable risks to the chateau. Such risks include: the need to purchase grapes to make the wine, raising concerns and possibly harming relationships with the negociants, investing in a distribution channel, having to take care of the marketing, insurance, and all other aspects that the negociants already perform for them, and most importantly, it may compromise their Grand Vin and Puine wines as consumers’ and vendors’ perceptions may negatively change toward the quality and reputation of de Vallois. Going through some of the details within the case, I feel that the company would benefit from following Claire’s general proposal, to create a lower-priced brand and enter a new market.

My recommendation is that Chateau de Vallois at least invest time and effort in researching the market and truly investigating the opportunity for growth. This benefit would be present so long as de Vallois conducts a thorough market research before entering the “ affordable luxury” market to gain an understanding of the consumers’ needs and wants, the demand that is

present in the market for those young wine enthusiasts, and to be able to match de Vallois' strengths with these needs.

They would also need to identify where they would want the new label to be positioned, based on the findings from the research and based on an understanding of their potential competitors. It is highly important that de Vallois take the time to understand and perform the data mining that is relevant to their business. To do so, I would highly recommend that Gaspard hire market research team.

I also recommend that Francois and Jean-Paul continue focusing their efforts on the current wine selection offered, and letting Claire focus her efforts on the research for the production of this new wine. If the decision is made to create the wine, distribution and marketing methods should be analyzed to make sure consumers' perceptions are not damaged. The main objective would be to create a wine that would be competitive in price, without compromising flavor and maintaining de Vallois' reputation.