

Robert mondavi and the wine industry essay sample

[Business](#), [Industries](#)



The Robert Mondavi Winery was founded in 1966 in Oakville, California.

Robert Mondavi started the business after he separated from his brother, with whom he had run a winery until then. Only three years later, the Los Angeles Times named Mondavi's Cabernet Sauvignon 1969 as the best wine produced in California.

The Mondavi Winery focuses on three main strategies:

- * produce wine traditionally
- * be innovative
- * educate US costumers concerning wine culture

TRADITION

Concerning wine making Robert Mondavi is "old fashioned", he refuses to adapt modern practices to "design" wines, like adding artificial flavours. He prefers to produce wine the traditional way like most of the European wineries. That means for example no additional ingredients and using expensive oak barrels for aging premium wine.

INNOVATION

On the other hand the Mondavi Winery introduced many new technologies to the Californian wine industry. For instance beginning in 1993 the company cooperated with NASA on a project to apply remote-sensing and digital-mapping technologies via satellite to enhance vineyard management.

WINE CULTURE

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“ People who enjoy food, art, music also enjoy fine wines, and they enjoy them more together.... Wine is more than a drink. It’s a culture.”

This statement from Robert Mondavi shows clearly the importance of the wine culture for him. To share and spread this passion for good wines the Mondavi winery organizes concerts, art shows and other cultural events. These events are combined with winery tours and tasting of new wines. As soon as 1976, Robert Mondavi established the Great Chefs program, the first winery culinary program in the United States.

THE GLOBAL WINE INDUSTRY

Today global wine world can be divided into two halves: the Old World, consisting of European wineries and the ones like Mondavi and the New World, which includes most of the Australian, South African and South American wineries.

These new competitors pose a major threat for the traditional wine-makers. For example the Australian imports to the U. S. have grown around 30% per year since 1995. With extraordinary large vineyards, more machinery and new technologies they can offer quality wine for relatively low prices.

In the following pages we will conduct a branch analysis for the wine sector and a SWOT Analysis for the Robert Mondavi Winery in order to point out the specific opportunities and future strategies for the Mondavi winery.

BRANCH ANALYSIS:

From 1988 to 2002 the Australian wineries raised their world market share from 2% to a respectful 22%. How did they do that, what strategies had and still have they and which weaknesses of the traditional wineries did they identify?

The following fields inhabit problems for the old world and offer chances for the new world:

1. Identification of origin

The traditional identification of origin as a quality mark in Europe, like Chianti, Burgundy, Champagne,..., brings up problems: because of the limited area, the wineries are very weather and season dependent and also restricted in the wideness of the vineyards.

The wineries in the new world abstained from this identification, instead they conducted a "vineyard diversification" to be able to choose the best grapes from different regions and harvest the maximum.

2. Quality Classifications

Another problematic aspect the new world identified in the field of quality classification. In Europe exist lots of different quality marks, nearly every country has its own or even more than one. This alone confuses the consumers. Additionally these quality classification put partly extreme restrictions on the ingredients as well as on the process of wine making. Consequently they produce enormous costs and avoid innovations.

The new world adapted their strategies and also abstained from this quality classification marks.

3. And finally there wasn't hardly any marketing in the wine sector. The traditional wineries thought that it is not necessary if not unethical to "advertise" wine. A good wine sells itself was there opinion.

The wineries of the new world clearly had another opinion and began to use professional marketing.

SWOT ANALYSIS OF MONDAVI

SWOT Analysis

Opportunities

Less state requirements

Export

Not bounded on region

Constant good quality

Solidarity with the USA

Increasing differentiation

Threats

Increasing Imports

Sales to end customer problematical

US Image

Bargaining power

Strenghts

Brand

Image

Quality

Innovation

Economies of Scale

Robert Mondavi as person

Joint Ventures

Weaknesses

Joint Ventures

Distribution

Sales Force

Dependency on US market

Dilution of brands

Production costs

Dimension of Mondavi

Woodbridge (60 percent of sales volume)

Strength/Opportunity Strategy

Export to Eastern Europe

New markets

Strength/Threats Strategy

Differentiation on US market

More intensive marketing

Opportunities/Weaknesses Strategy

Enter new markets to decimate the dependence of the US market

Range of products

Premium and Luxury Segment

Threats/Weaknesses Strategy

Cease unprofitable brands

Optimisation of Sales Force

PROBLEM ANALYSIS

THE COMPETITORS

The hardest competitors in the wine business are the Australians. Their rise of the market shares caused a lot of problems for the US and European winemakers, especially for the winemakers of the Old World.

The big strengths of the Australian were the constant good quality of the Australian wines and the low prices. Australian winemakers have large areas which guarantee rising economies of scale.

To add is that the Australian distribution system is much better structured than the US one. In Australia are only some huge winemakers which are much larger than Mondavi is.

Another advantage is that they introduced new brands and quality standards. They abstained from the indication of origin which was good accepted from the customers.

Other hard competitors are the Europeans who are noted for their good wines. Furthermore Europeans do not really accept wines from US winemakers, so it's very difficult to export wine to Europe, especially to countries like Italy or France.

THE COMPANY

Though Mondavi has a lot of brands, Mondavi has problems with the distribution. All brands of Mondavi and the Joint Ventures of Mondavi are

distributed separately which is complicated and intransparent on the one side and noneconomical on the other side.

To add is that the production costs are very high because of the utilisation of very expensive oak barrels which shall not used again to produce low priced wine.

POSSIBLE SOLUTIONS

Solution 1

Mondavi can produce a wine in the lower segment to reduce the production costs, because the oak barrels can be used a second time and to be competitive to other winemakers who produce cheap wine too.

On the other side Mondavi will not long be competitive because for example the Australian can produce more economic than Mondavi and the ROI and the Image will decrease. One solution for that problem can be that the cheap wine doesn't bear the name of Mondavi.

Solution 2

Mondavi can produce and sell the same wine with the same quality like now but for a lower price. Advantages are that Mondavi will get a high ROI and maybe sells more wine for a certain time but in the long run this will not be the best strategy because many others can produce more economic and will make better prices than Mondavi.

Solution 3

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Mondavi can reduce its range of products and should do more for the marketing of its brands. Mondavi should use the patriotism of the US people, so that they prefer drinking US wine than drinking wine from Australia. Furthermore Mondavi should increase the exports to decimate his dependence of the US market.

OUR STRATEGY

We think that Mondavi first should simplify and structure the distribution network to reduce distribution costs. Furthermore Mondavi should produce one brand for about 5 Dollars which doesn't bear the name Mondavi to be competitive to the prices of the Australian low priced wines and to be able to reduce the production costs.

Mondavi needs a more intensive marketing related to the image of the company and especially to the image of Robert Mondavi as a person known by wine drinkers.

We don't think that Mondavi should change his philosophy and enter the New World of winemakers - quite the contrary - Mondavi should show and market that the wine of the Old World is the better and more traditional wine.