

Chilean wine case study

Business



The percentage of Chileans beyond the poverty line was only 11.5% back in 2009. In addition, 64% of the population benefits from government welfare programs, which include poor people and those in risk of becoming poor. Nevertheless, the income distribution is still far from being equal, as shown by the GINI Index of 0.503 (2011). This index hasn't varied much for the past 20 years.

V. Approach to International Trade: Since early decades after Independence, Chile has always had active involvement in international affairs.

Consistent economic policies since the 1980s have contributed to a steady economic growth, much of it thanks to its international trade. It currently has the highest degree of economic freedom in South America (7th in the world). In the past 15 years Chile has also signed free trade agreements with more than 10 countries (including Japan, US, Mexico, Australia and Canada).

In addition, it has economic association with the European Union. Copper is the country's biggest export, accounting for 36% of global supply.

Developing or developed? Chile was considered an emerging middle income country until, as mentioned before, the World Bank changed its rating in July 2013 to high income country, thus becoming a developed country since then. Nevertheless, it's still far from the level of development of West European or North American countries.

2. Political Environment: Chile is a presidential democratic state with several autonomous regions integrated in a central government. Its Constitution was approved in 1980 (when the country was still under dictatorship). It has

separation of powers, with a three branch division (legislative, executive and Judicial).

From 1990 (beginning democracy) until 2010.

Nouveau Mayor" was In power, which helped maintain stability in the country, thus encouraging economic growth. Nowadays, the president is Sebastian Pincer, from " Lillian" (main opposition party in last 20 years). 3. Economic and consumption trends: Consumption patterns In Chile have undergone huge transformations during the past decade. People are shifting from locally produced staples to more expensive branded products, and are incorporating processed packaged foods in their diet chart.

Improving health awareness will continue to boost demand for " diet" and " light" foods and beverages.

In addition, due to this health awareness, the demand for drinks Is shifting from carbonated to non- carbonated. At the same time, consumption of convenience food is rising with 1 OFF Increasing mummer AT women Jogging ten workforce Ana ruling average working hours. Finally, as demand for convenience eating practices is increasing and young Chilean are adopting the US eating habits, fast food franchises are particularly growing well. With these shifts and other factors, the food and beverages retail sales is expected to reach IIS\$ 26. 5 billion in 2013.

4.

Import regulations: Chile uses he Harmonize Tariff System (TTS) for classification. Most items are subject to a 6% duty rate. Duty rates on some <https://assignbuster.com/chilean-wine-case-study/>

items vary, such as agricultural products, luxury products, motor vehicles, electronic equipment, and goods from countries with which Chile has a trade agreement. Imported goods are subject a 19% value added tax (VAT) applied on CIF value plus duty and any other charges.

Imports over 3,000 USD require an import permit issued by Chilean Customs authorities, and goods must be shipped within 30 days from the date the permit is issued.

Commercial banks may authorize imports valued at less than 3,000 USD. Used passenger cars and cargo transportation vehicles and importation, manufacture, distribution, sale, and/or application of agricultural pesticides containing phenolphthalein are prohibited. Regarding meat, unprocessed poultry is prohibited and beef imports may be subject to restrictions. Wine Industry Success Drivers (1990-present) There are several reasons why the Chilean wine industry has experienced a big growth in the past 20 years.

The starting point for this growth was the shift from dictatorship to democracy in 1990, which brought major foreign investment to the entry and allowed Chile to start gaining market share across the globe as well as modernizing its infrastructure.

Therefore, the number of vineyards grew sharply from 1990 until 2000 (80% growth). Today it's still growing, but at a slower rate. However, this investment by itself wouldn't be sufficient for achieving success. It has been supported by high-quality cluster governance, which is influenced by three main variables: I.

Trust between producers and suppliers, which lowers transaction costs.

It. Leader firms investing in collective sources have positive external effects on other minor companies. li. Knowledge intermediaries, such as training centers, universities, R&D institutes and public agencies provide valuable market information which can be used by wine companies to increase competitiveness and improve their products. Moreover, as Chile is less developed than historically known wine producing countries, it has been able to set prices at a much competitive level, even for quality wines.

Countries like France, Italy or Spain are struggling to meet this prices, as their production costs are higher. In addition some companies are moving closer to the market by eliminating intermediaries. This has been achieved through countless mergers and acquisitions in an attempts to gain more power visit-visit the major retailers and to shorten the logistics chain.

Companies like Conchs y Tort (one of the largest Chilean wine companies) have implemented this strategy with success in growing wine consumption companies like I-J, hence gaining market share in detriment of European producers.

Finally, it's worth mentioning that tradition has been a historical success driver for European wine, but now many new wine drinkers feel confused about all the wine choices, especially the intricacies of foreign appellations.

Chilean companies are doing very well on focusing part of its marketing efforts towards this new generations. Today's Performance According to 2012 data, Chilean wine achieved 754 million liters in exports (compared m on USED In value (compared to USED in 1992).

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However, there was a slight decrease in value compared to the previous year. Chile traditionally exports both bottled and bulk wine. A large number of wineries are making a big effort to increase premium-bottled wine exports.

Currently, there are more than 70 Chilean wineries exporting. Over 60 percent of Chile's total early production is exported, supplying more than 150 countries. The exported volume of bulk wine increased over 36 percent in 2012, which made the value of bulk wine increase 32 percent in 2012.

The United States is Chile's main wine export market, followed by the I-J. Exports of bottled wine to China increased almost 83 percent in 2012 which made China the third largest wine export market in volume and value. Constant improvements in quality and a good price/quality relationship have helped to keep or increase exports levels.

Regarding real domestic farm gate wine prices, in 2012 the average was 0. 2 USED per liter (compared to 0. 33 USED per liter). Total domestic wine consumption in Chile is more or less stable.

In terms of domestic consumption, statistics shows that average per capita has been recuperating slowly from a low of 13 liters in 1994 too little over 17 liters in 2012. This is very low compared to other exporting countries like France (55 liters per capita) or Argentina (40 liters per capita).

Country of Origin Effects There is no big country of origin effects for Chilean wine, as the country is mainly known for their exports of raw materials, especially minerals. However, as the wine comes more and more famous in

the world stage, it is starting to rise country awareness, which can be very beneficial for future years.