A strategic approach to the analysis of global wine industry positioning

I want to submit an abstract for:
Conference Presentation

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Keywords
Wine trade statistics, analysis of imports, winners and losers, Google Motion Charts

Research Question
What does the analysis of global wine import statistics reveal regarding the way the top ten producing countries have positioned themselves in the top seven wine markets 1996-2014

Methods
Analysis of UN Comtrade statistics using Google Motion Charts

Results
We show the way the top ten countries have positioned themselves in terms of Volume, Price and Total Value and how these positions have changed over the period 1996-2014

Abstract
Bordeaux Conference, 2016

A Strategic Approach to the Analysis of Global Wine Industry Positioning

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Abstract
Introduction
At the 2013 AAWE we presented a novel analysis of trade statistics to explore the reasons behind the crisis in the Australian wine industry (Lewis, Zalan and Schebella, 2013). In this paper we present updated and expanded data to gain insights into the way the major wine producing countries have positioned themselves in the top seven markets of the world. We focus particularly on recent developments in the China market. We bring a competitive strategy perspective (Ghemawat & Rivkin, 2010) to the issue of competition in international wine markets and are concerned with how, over time, the major wine producing countries have traded off market share and price in an attempt to maximise total value.

Our approach to the analysis of international competition in the wine industry is novel in several ways. From a competitive strategy perspective, the value, volume and, importantly, the unit value of imported wine is a function of an exporting country’s competitive advantage in a particular market. For this reason, we collected data on imports rather than exports, as is customary in wine industry research. We look at import data because we are interested in in-market prices and total value, excluding exchange rate effects. For the Stellenbosch conference the import data was for wine producing countries of the ‘New World’ (Australia, Argentina, Chile and the U.S.) and ‘Old World’ (France, Italy and Spain). The data (volume and value of imports) were collected for the period 1996 to 2012. Total Value and Unit Value were calculated in local currencies to avoid foreign exchange effects. We took a granular approach by breaking down the imports into separate wine categories to differentiate between bottled, sparkling and bulk wine.

For the Bordeaux conference dataset has been expanded to include the top ten producer countries and top seven markets: Germany, New Zealand, South Africa and the following markets: Germany, Canada, Japan and Australia. The time frame of the dataset has been updated to include data for 2014.

The secondary methodological innovation is the method used to analyse the data. Rather than using conventional statistical techniques we have used ‘motion charts’ that enable us to examine the dynamic interplay between the competing countries in terms of Unit Value, Volume and Total Value.

Data Collection
For the Stellenbosch presentation the data extracted were for the years 1996 -2012 from USITC (the U.S.), Eurostat (the U.K.) and UN Comtrade (China) using the 6-digit Harmonized Commodity Description and Coding System (HS) codes (220410, 220421, 220429 and 220430) as well as 4-digit HS code of 2204 (which is a summation of the four 6-digit HS codes).

Data on Volume and Total Value was collected (and Unit Value could then be calculated) for:
• All wine HS code 2204
• Bottled wine HS 220421
• Bulk wine HS 220492 (>2 litres)
• Sparkling wine HS 220410.

For the Bordeaux presentation we found that all the data could be extracted from the UN Comtrade database. This will presumably enhance consistency. We also included Honk Kong and Macua (excluding re-exports) in the China market data.

UN Comtrade database provides the data in US dollars. The values were converted into the local currencies using the Pacific Exchange Rate Service (http://fx.sauder.ubc.ca/data.html), a service designed by Prof. Werner Antweiler, the University of British Columbia Sauder School of Business.

The data was then transferred to Google motion charts, which were used to do the analysis (see Figure 1 for an example chart, in this case ‘All wine’ into the U.K. in 2012).

Figure 1: Example of a Google Motion Chart

The motion charts allow the dynamic interplay between Unit Value, Volume and Total Value to be observed over time. Changes in positioning – Unit Value (effectively price) and Volume (effectively market share) and impact on Total Value - can be readily observed.
The Google motion charts are available to other researchers at http://23inhouse.com/wine-data/charts.html. Our dataset will be freely available to interested researchers on request.

Analysis and Findings
We will present a detailed analysis of the way the top ten producing countries have positioned themselves in the seven markets during the period 1996-2014. The detailed market-by-market analysis will be synthesized into conclusions regarding the positioning strategies of the ten producing countries, and a chart of ‘winners and losers’ will be presented. For example, while significant changes in strategic positioning occur during this period, the analysis suggest that France, and to a lesser extent Italy, are the only two countries that have consistently pursued positioning strategies that generate sustainable value. Other countries have been inconsistent in their positioning strategies and have failed to sustainably create value.

References


Endnotes