Chapter 15

A Strategic Analysis of the Competing Factors in the Global Wine Trade and the Development of a Model to Facilitate Foreign Country Entry Mode

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ABSTRACT

This chapter investigates the crucial components that facilitate export competitiveness in the global wine industry. These components can be described as “determining factors” considered central in the wine trade as they facilitate growth and sustainability of the wine industry on the global level. The chapter analyzes published literature, applies desk and field research, and proposes a framework that includes a sample SWOT analysis as well as a model to determine potential competitive elements based on LONG PESTLE analysis, a sample competitive grid, and an industry analysis inventory. The chapter contributes to the body of knowledge of strategic management, strategic marketing, globalization of the wine business, wine trade growth strategy, and international business. The results will benefit all stakeholders in the global wine market and especially companies directly involved in the wine trade.

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INTRODUCTION

Within the context of wine market globalization, we define “competitiveness” as the capability to sustain trade and gain market dominance in the global environment and “globalization” as all economic activities in the global wine market place, that allow stakeholders to export and import wines across the world. The global wine industries and firms are considered competitive when they are able to sustain trade globally, producing quality wines at prices that are competitive yet delivering above average returns. Simultaneously, they are able to attract sufficient sources of capital, land, labor, technology, and marketing management from other competing economic activities.

Determining internal and external factors which affect the global wine trade include tactical efforts such as devious price wars, competitors’ leverage of product quality and unique characteristics according to the country of origin (e.g., Italy’s autochthonous vines, France’s Appellations, Germany’s traceability law, California’s favorable climate, global brand recognition), and the ease of entering and trading in a foreign country. Lately, marketing tools such as social media and other global communication channels have positively contributed to the long-term strategic planning of competing players. To be competitive in today’s global wine market, firms must continue to be in a position to market their products successfully by creating core competencies using all resources and capabilities available. Therefore, long-term competitiveness may be sustainable by formulating and applying well-defined marketing strategies.

The evolution of globalization is not new. The wine industry first entered the global marketplace around 1850. Since then, the trade faced shipping and preservation was threatened by wars and parasites such as phylloxera which destroyed most of the European viticulture in the early 1900s. More significantly, wine traders were not able to generate lucrative profits (Pinilla & Ayuda, 2007). The current wine globalization began a few decades following World War II, the same time as many other industries such as hotels and airlines. Hence, the recent wine trade became global due to the economic conditions in local production and consumption, potential local market saturation, the increase in demand by emerging economies such as China, and overall shifting consumer behavior patterns.

This trend has opened new opportunities for many wine exporters across the globe. However, the industry remains largely fragmented with not one major player. In addition, wine research remains a topic of great interest. The phenomenon has attracted and continues to attract scholars across the globe who specifically research into wine and globalization. Hence, the topic of global wine business continues to be a complex and fruitful field to study, which, regardless of the challenges, has proven to make significant contribution to the body of knowledge about the globalization of wine markets and wine culture (Orth, Lockshin, & d’Hauteville, 2007).

This study investigates the crucial components which facilitate the export competitiveness in the global wine industry. These components can be described as “determining factors” considered central in the wine trade as they facilitate growth and sustainability of the wine industry on the global level. The study analyzes published literature, applies desk and field research and proposes a framework that includes a sample SWOT analysis as well as a model to determine potential competitive elements based on LONG PESTLE analysis, a sample competitive grid, and an industry analysis inventory. The results will benefit all stakeholders in the global wine market and especially companies directly involved in the wine trade. The chapter is organized into the following sections: 1) Introduction, historical background and current issues of global competitiveness; 2) methodology including data collection, analysis, and discussion; 3) hypothetical scenario and tools for analyzing
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