

Chilean Wine Industry : How we compete

- Chile represents 2,2% of total wine world production and 6,2% of total wine export (2004)
- At present : The message is “Good quality wines at the premium price range”
- In the 80’s and 90’s – it was “good value for money”
- We have to change the perception of the consumer from “good and cheap” to “good quality”.
- A minimum number of “good quality wines” are required to achieve this change
- As far as perception of the consumer, we are in a transition period

Chilean Wine Industry – generic strategies

- Small domestic market (15,5 million people – 16,2 liters per capita consumption)
- Focused on export - 75% of the yearly production (2004)
- Generic promotion of the category (Chile) in selected markets
- Each company develops a “story” around its products, to achieve differentiation that appeals to a certain segment of consumer : tradition, novelty, consistency, flexibility, organic, technology, new terroirs, etc.
- Quality at each price level / competitive pricing
- Global brands : Casillero del Diablo & Gato - at a low price range
- Main weakness : niche player with no strong brands – more difficulties finding distribution

Chilean Wine Industry – differentiation

- Geographic characteristics – mountains, climate, soil, orientation : many different “terroirs” (already know and to be discovered)
- Viticulture “paradise” : foothills, drip irrigation, clone selection, clean environment
- Possibility to produce interesting wines with unique characteristics : different wines appealing to the consumer
- Good quality at the US\$ 15 to US\$ 25 price range, where are fewer competitors :
 - Old world is low price/ high volume or low volume /high price
 - California, for the same quality is at higher prices, forced by higher costs
 - Australia is market driven, with easy to drink and low price branded wines, with a few very good wines at high prices. It is not targeting the above price segment

Casa Lapostolle's strategy

- Produce high quality wines, with its own and distinctive style, from Chilean terroirs
- Less restrictions allow to produce different/differentiated wines
- Better quality normally means higher costs – Chile's cost advantage is more important
- Demand is shifting to consume better quality wines
- Less competition (through differentiation) means higher margins
- Brand building around the personality of the owners
- Take advantage of the association with the “Grand Marnier” brand name to enhance brand recognition