

BMGC Report Case French Wineries

Made by Aleksanyan E.

SMART goal: choose an *optimal business model* for the winery, research ways of using this business model to *increase its KPI (profit margin, APV, ACL)*, come up with a *modified product* that will meet the expectations of the target audience, and highlight *key steps* to achieve such results.

Industry analysis:

Nature and overview of industry: French wine industry has biggest impacts on the history of winery. Most of *terminology and methods in this industry are originated from France*. France is selling not much wine, but their wine is much more expensive than others. While in world lower and middle segment now preferring to buy cheaper wine from Spain or Italy, *France is a main exporter of luxury wines*. France was third world wine exporter in terms of per-bottle-of-wine with a market share of 14%. France was first world wine exporter in terms of net export surplus with a market share of 40% and 11.8B of dollars' worth.

Limitations and risks: Every year more and more arable land is diminishing because of *climate change, erosion, and pollution*. Water supply with increasing temperature and droughts during summer makes water supply a very expensive and important thing. And now, despite of high prices and demand on high-priced wine, profit margin of companies is decreasing.

Government regulations and forecast: More than 360 million of euros were to compensate companies in destruction of vineyards. This will help to reduce companies' expenses on land and decrease market supply, making their wine more expensive. So, despite industry is declining, this can change in horizon of 5-10 years, with France wine industry changing its course to luxury wine, and by so returning to growing net export value.

Unique position in history: History of French wine industry made names of French regions world famous brands, giving France *monopoly on names of wine*, such is Champagne; but regulations in EU place a burden over companies' bureaucracy and budget. Basic EU regulation was put in the year 2000, and then expanded in 2013, with the last implementation in 2019.

Trends of the industry:

Alcohol-free wines: Health-consciousness has grown as a result of which wines without have appeared, consequently a new market for non-alcoholic wines has

appeared; these wines do not compete with alcoholic ones and their target audience is people who do not drink alcohol.

Alternative wine containers: Carbon emissions are advertised as a major cause of global warming and climate change, we are witnessing a massive shift in many consumer goods and services towards zero carbon emissions; hence, a lot of alternative packages appeared for example cans, boxes, pouches and even kegs, that are both convenient/portable and reduce wine industry's carbon footprint.

E-commerce: The convenience of purchasing wine online, coupled with access to a broader selection and competitive pricing, has fueled the growth of online wine sales; Moreover, digital marketing and social media have allowed wineries to connect directly with their consumers, share their stories, and build brand loyalty. E-commerce has made it easier for wineries to reach a global audience, creating a more interconnected wine community .

"Natural" wine and sustainability: Emerging trend of bio and environmentally friendly produced products had a great impact on wine industry. Wines labelled as "bio," "eco," "organic," "biodynamic," and others find unconditional acceptance among dedicated followers of the natural wine movement.

Emerging of the new "terroirs": Due to climate change, winemakers have begun to look for new lands to grow wine earlier, exploring these lands considered unsuitable for growing grapes today, creating the potential for new terroirs. The concept of "Emergence of New Wines" ensures the sustainability and adaptability of the wine industry and the constant expansion of the range of wines with diverse tastes and histories.

SWOT analysis:

The interconnection of characteristic

Strengths > Opportunities:

- Diverse Terroirs and Grape Varieties: Leverage uniqueness for global market appeal.
- Craftsmanship and Tradition: Utilize for effective storytelling in direct sales.
- Wine Tourism: Showcase sustainability to attract Eco-conscious tourists.

Weaknesses > Threats:

- Vulnerability to Climate Change: Invest in climate-resilient practices for quality consistency.

- Limited Scalability: Crucial to implement efficient systems against economic uncertainties.
- Complex Distribution Networks: Streamlining needed to meet regulations and compete globally.

We believe that AI is a certain trend now. This can be confirmed by the research of GrandViewResearch, Omdia, MIT Sloan Management. As of the latest available data from 2022, the global AI market is worth \$136.6 billion ([GrandViewResearch](#)). A lot of brands nowadays use AI to promote and raise attention to their product. For example Coca-Cola has partnered with Brand & Company and OpenAI to create a campaign that allows consumers to “taste the future.” This campaign raised a huge wave of attention in social media: a lot of influencers praised this product and many famous journals wrote about Coca-Cola 3000.

Many brands from all industries use collaborations as an instrument to expand their target audience and increase their profits. Some of them collaborate within the industry (H&M x Karl Lagerfeld), but others take a step into other spheres - for example cinematography: Pandora came up with 12 jewels that are inspired by Game Of Thrones series, which now takes a new wave of popularity. This line of jewels is incredibly popular and a lot of GOT fans bought it - thus, increasing profits of Pandora.

Wine is common in this GOT, as all characters drink it during the show. Moreover, in books wine take even more attention - there are different sorts with description of taste and history of each sort. Thus, such a campaign wine would raise attention to South Winery and greatly increase its profits.

Consequently, it will be quite interesting to combine AI and Game of Thrones. As we chose the combination of cinematography and AI – which are both very popular topics among people now, it is clear that it will be more convenient to choose a development strategy towards the mass market. So we need to focus on the middle class, since they will be the main buyers, accordingly, we need to keep an affordable price.

Thanks to AI it is possible to generate unique wine recipes given the description of each wine sort from the books. Moreover, AI could also generate the design of bottles, to make them more authentic and modern.

Beside classical distribution channels, this kind of wine collaboration can be distributed directly to special events for fans of pop-culture, for instance - comic con. It will increase the recognition of company and their product among target audience.

Risks:

Legal Risks: Winery must ensure that all rights to use Game of Thrones trademarks and images have been obtained.

Reputational risks: Collaborating with a well-known brand such as Game of Thrones may attract public attention. In the event of a negative review or scandal associated with the series, the winery's reputation may suffer.

Competitive risks: The wine market is already saturated with different brands and competition can be very fierce.

Technological risks: Collaborating with AI to develop unique flavors and aromas can also have its own technical risks. It is necessary to ensure that technologies work reliably and without failures.

Overall, releasing such a wine is not an easy task, but since we want to focus on trends, after considering the risks, we can release a truly successful product.