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# Internationalization Plan for *Bodegas JBC*. Market study, new trends and challenges

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## SOMMARIO

La globalizzazione è un fenomeno sempre più presente nella nostra vita quotidiana. Dagli anni '90 ha influenzato tutti gli aspetti della società moderna, dalla cultura alle relazioni economiche. Soprattutto dopo la creazione del mercato comune europeo, le barriere commerciali sono scomparse e i concorrenti sono ora costretti a competere a livello internazionale. Per questo motivo, le piccole aziende agricole subiscono la competitività dei prezzi dei grandi produttori e spesso sono spinte fuori dal mercato.

Allo stesso tempo, la globalizzazione favorisce la conoscenza di alcuni prodotti oltreoceano, come nel caso del vino. Per questo motivo i mercati tradizionali si stanno saturando mentre i consumi e le vendite fioriscono sui mercati esteri. Con queste prospettive, le aziende europee sono spinte a internazionalizzarsi per affrontare i nuovi competitor, oltre che a sfruttare i mercati esteri.

Per quanto riguarda i piccoli produttori di vino, questi hanno due opzioni: o smettere di produrre, scappare e perdere gli investimenti fatti, o in alternativa, investire più risorse per diventare competitivi e sfruttare questa posizione a livello internazionale.

In questo report analizzerò la seconda opzione applicata a una piccola azienda vinicola spagnola chiamata *Bodegas JBC*, fornendo una ricerca dettagliata sul mercato, un'analisi del prodotto e una proposta strategica per la sua immediata implementazione.

## ABSTRACT

Globalization is a phenomenon still more and more present in our daily life. Since the 90's it has been influencing all aspects of modern society, from culture to economic relations. Especially since the creation of the European Common Market, trade barriers have disappeared, and competitors are now forced to compete at an international level. For this reason, small agricultural companies can see how big producers offer very competitive prices that push them out of the market.

At the same time, globalization favors the knowledge of certain products overseas, like in case of wine. For this reason, traditional markets are becoming saturated while consumption and sales are flourishing on foreign markets. With these outlooks, European companies are driven to internationalize to face the new competitors, as well as to exploit foreign markets.

As far as small wine producers are concerned, these have two options: either to stop producing, escape and lose the investments made, or alternatively, to invest more resources to become competitive and to exploit this position at an international level.

In this report I will analyze the second option applied to a small Spanish winery called *Bodegas JBC*, providing a detailed research on the market, product analysis, and a strategy proposal for its immediate implementation.



*To my family and girlfriend who encouraged and helped me to develop this project. Posthumously, to my grandfather and uncle, who contributed to the creation of the winery.*

*A mi familia y a mi novia por haberme apoyado y ayudado en la realización de este proyecto. De manera póstuma, a mi abuelo y a mi tío que contribuyeron a la creación de la bodega.*

*Alla mia famiglia e a mia fidanzata per avermi supportato e aiutato con questo progetto. In modo postumo, a mio nonno e a mio zio che hanno contribuito alla creazione della cantina.*

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## PROLOGUE

The idea to develop my Master Thesis about this topic occurred when I repeatedly heard that a small Spanish winery cannot be a profitable business. According to this approach, the best decision for an investor in the wine industry is to escape from it. However, I have always had the impression that the industry can be very profitable because in general, Spanish products are good enough to compete in quality. Therefore, I started investigating about the international panorama of this industry to better understand the situation. After some quick research I realized that the Spanish wines are sold several times cheaper than French ones, and, according to my humble opinion, French wines are not several times better than Spanish. Therefore, there is something in the internationalization process of Spanish wines that is not working well.

Looking at the passion and resources that some of my direct ancestors dedicated to build a winery and to start producing high quality wine, I feel the duty to contribute to the development of it with this Thesis. For this reason, in this report, I try to propose a solution to internationalize Bodegas JBC, the winery where some of my relatives are still involved as shareholders. After considering different alternatives, I focus on one market candidate and I try to be as precise as possible in explaining with details why, whom, and how to export our wine.



## 1 INTRODUCTION: BODEGAS JBC

The name of this winery comes from a hill that is located nearby, Mount Jabico, which is 1545m high. This hill is the geographic reference that is visible from any point of the surroundings, where the different vineyards are located. Bodegas JBC is located in a privileged place, just in the middle of four National Parks, in an area considered as one of the less polluted in Europe. The environment around is characterized by intense sun radiation, thanks to the low latitude (37°) that the South of Spain offers. Moreover, the wine fields are naturally protected against several plagues and insects due to the high position in which they are located (>800m.a.s.l.) and to the thermal changes that exist between day and night. These fields belong to up to 19 different owners that share the same illusion of elaborating high quality wine. They reunited in 2001 to invest their capital into the wine business. That is how the creation of this company started and, later in 2007, the former inauguration of the winery took place. [1]



This is *Catenaccio*, the star product of the winery. It is **the most premium of the red wines catalogue**. It is elaborated from varieties of Tempranillo, Cabernet Sauvignon, and Grenache. It is aged 12 months in American oak barrels and its production is limited to 100 barrels. **It belongs to the Spanish aging category of crianza**, which requires 6-12 months of oak aging plus 15 more months in the bottle before its selling. Its production costs are the highest, so this is reflected in the selling price of each bottle, which is 8€. Moreover, in different **years it has ben awarded with gold, silver, and bronze in Mezquita Prizes**, a wine competition that takes place in Andalusia.

Figure 1a – Wine bottles of Catenaccio [1]



Jovial is the red wine produced from Tempranillo, Merlot and Grenache varieties. It is the only bottled red wine that is not aged in oak barrels during its elaboration. Therefore, it is addressed to the mass market, those segments of drinkers who do not require special aging processes that result in higher price. For this reason, its selling price in the winery is 5€ per bottle.

Figure 1b – Wine bottles of Jovial [1]



*Novel* is the third red wine that Bodegas JBC produces. It is produced with Tempranillo, Merlot, and Grenache varieties. This is aged for 6 months in the oak barrels, half of the time of the previous one. As a result of that, production costs are a little lower. This wine has been introduced in the last few years to cover the space between Catenaccio (12 months in barrels) and Jovial (no aging in barrel). This intermediate level allows to offer a product **addressed to the intermediate segment that prefers aged wines but is not willing to pay much**. For this reason, its selling price is 6€ per bottle.

Figure 1c – Wine bottles of Novel [1]

*Benzin* is the name of the only white wine that is elaborated by Bodegas JBC. It is produced from Macabeo variety vineyards, with the age of more than 200 years that grow in the altitude of >1,000m.a.s.l. This height has naturally protected the vineyard from plagues until nowadays, **the variety is already discontinued given its scarce production**. It is so low since it is one of the few pure European native species that survived the American phylloxera plague during 1870, when all vineyards of Europe collapsed.



Since then, all wine varieties in the world first need the roots of the American grapevine specie, which is the only resistant to the plague. Subsequently, a graft with the variety in (European) production is done to ensure the fruits are in the desired variety. This way, almost all vineyards in the world outside the pure American specie, are grown in two phases in order to be protected against the plague. And therefore, **this wine is produced from one of the few pure native grapevines that do not need the graft because they are naturally protected against phylloxera**. For this reason, the production of this fresh and smooth yellow wine is limited to 6,000 liters per year.

Figure 1d – Wine bottles of Benzin [1]



Rosa is the newest product of Bodegas JBC, launched a few years ago, and especially addressed to cover the segment of urban wine consumers. It is elaborated from Grenache variety.

Figure 1e – Wine bottle of Rosa [1]



The last product is sold in the format of bag-in-box. This has become trendy in the last few years due to its easy and handy way of use. It is sold in bags of 5 liters at a much cheaper price than bottled wine. It covers the market niche of people who want to prepare mixed drinks such as *Tinto de Verano* or *Sangria*.

Figure 1f – Samples of bag-in-box [2]

## 2 REASONS TO EXPORT & MARKET SELECTION

### 2.1 WINE CONSUMPTION IN SPAIN: CONTEXT AND TENDENCIES

In the last decades, Spanish society has transformed the same as the other European countries. After the entrance to the European Union and the general increase of the general purchasing power, the population of Spain increased by more than 6 million people in absolute numbers during the last 20 years. This population growth was essentially motivated by the immigration, which reached its highest number in the year 2009. As it can be seen in the graph below, corresponding to the population pyramid by group of age, most of the immigrants were between 25 and 50 years old, with a peak between 25 and 40. Another remarkable factor in this graph is the absence of immigrants in elderly age (>60 years old) and the fact that many of them immigrated to Spain with their children, as it can be observed in the groups that form the basis of the pyramid (less than 20 years old).

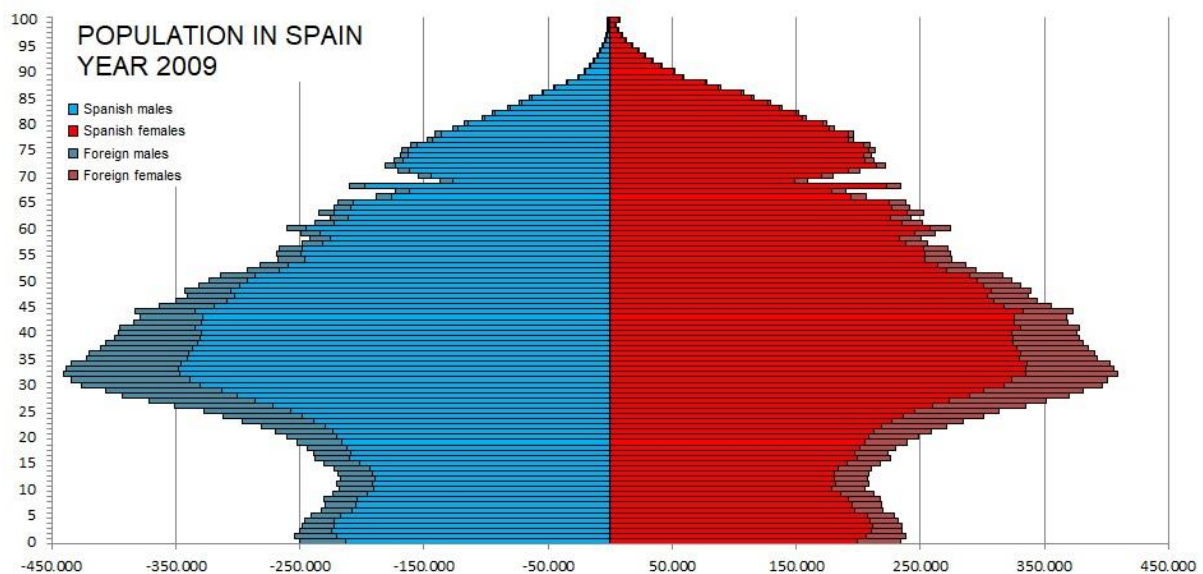


Figure 2.1a – Spanish population pyramid [3]

After this consideration about the demographic changes in Spain, a similar growth in the wine consumption could be expected. However, the data show it has not been so. Actually, the wine consumption figures in Spain demonstrate that it has sunk. In fact, **in 2018, wine consumption represented less than 60% of the total amount consumed thirty years ago**. If the focus is put on the last twelve years, Spanish wine demand has dropped by around 30% (and more than 40% if the comparison is performed with the figures of the early nineties). According to the graph below, it is easily noticeable how the demand had sunk at first, and later stabilized at around 10 million hl since the year 2007. The fall and stabilization of the national demand demonstrates that **the Spanish market is oversaturated and the only possibility for wineries to grow is to sell abroad**. In fact, as it can be clearly observed in the graph, the permanent saturation of the Spanish domestic market provokes an increase of the exports on the other hand.

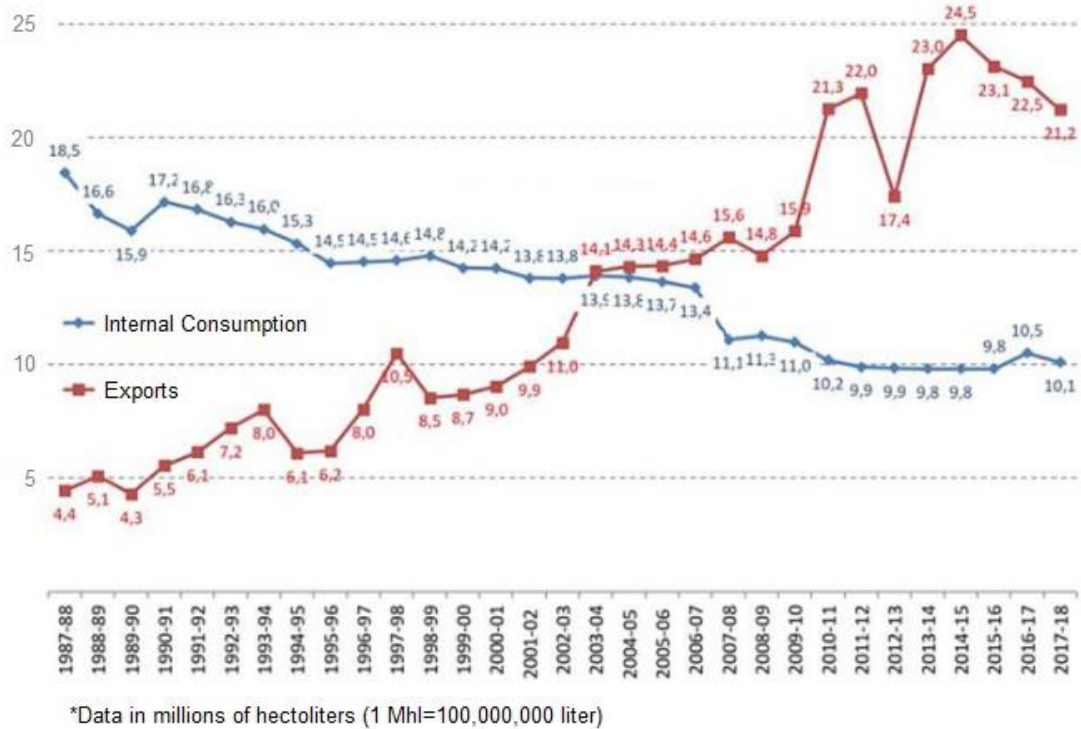


Figure 2.1b –Evolution of internal consumption and wine exports in Spain [4]

The reduction of the demand (especially in the nineties) has been influenced by different factors, noteworthy among which is the change in drinking habits and the progressive reduction of the tolerated driving alcohol rate in the late nineties. The increase of beer consumption in exchange of wine is even more pronounced in the South of the country. **In Southern regions like Andalusia, where there are higher temperatures than in the rest of Spain, consumers tend to drink much more beer than wine.** This happens since beer serves as a refreshing drink because of its high content of water, less alcoholic graduation, and cold way of serving.

### Consumption of beer in Spain

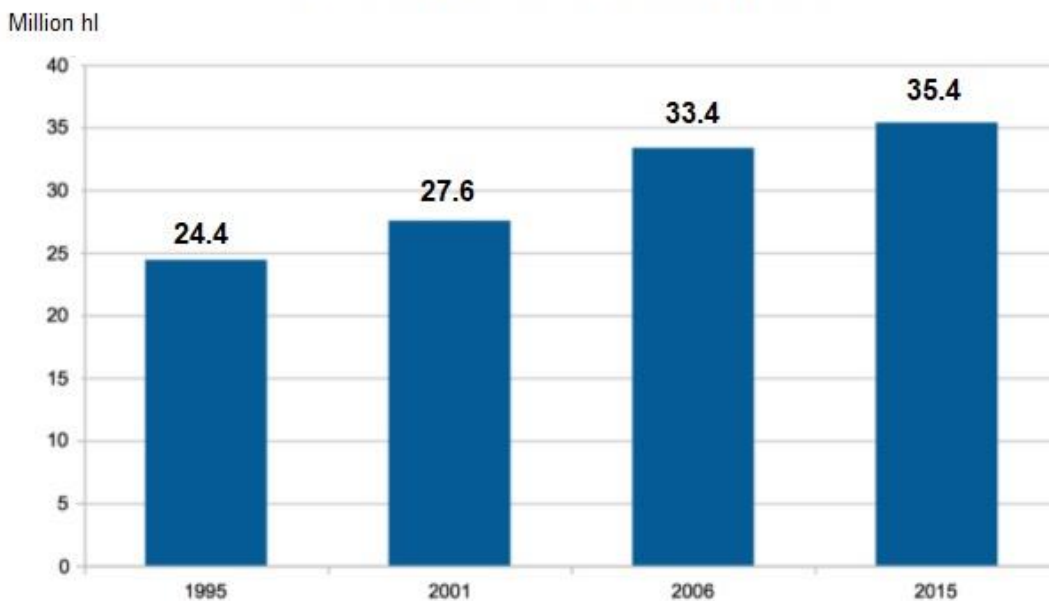


Figure 2.1c –Evolution of beer consumption in Spain [5]

Apart from beer, on average, the data per capita show that **each Spaniard drinks about 14.3 liters of wine per year**. In order to study the wine consumption in Spain more in depth, a radiography of the most relevant features becomes very useful because it helps to understand better who and where the main consumers are.

**Deviation per groups in consumption of wine with respect to the national average\* (%).**

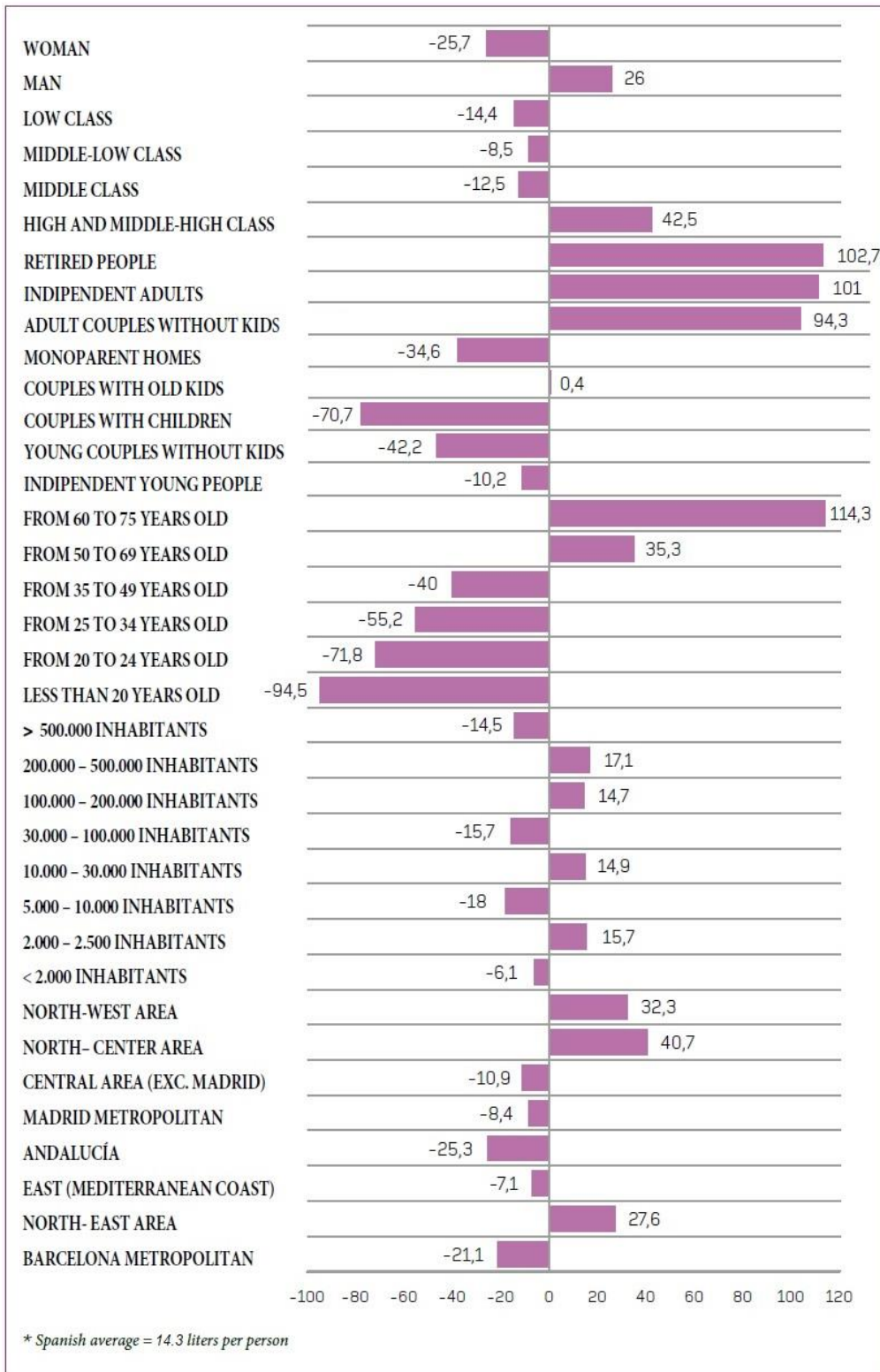


Figure 2.1d – Wine consumption in Spain. Deviation per groups with respect to the average [6]

From the last table it is easy to conclude that wine drinkers are more likely to be men and that the age of the consumer is crucial: the older a person is, the more wine he/she consumes. Also, most of the consumers are adults who live alone or in couples. Another important fact is that if the attention is paid on the geography, cold regions (North) drink more wine than the warmest areas like the South or the Mediterranean Coast.

## 2.2 NEED TO EXPORT & STRATEGY: QUALITY POSITIONING INSTEAD OF PRICE

Spanish wine production (mill. of hl)

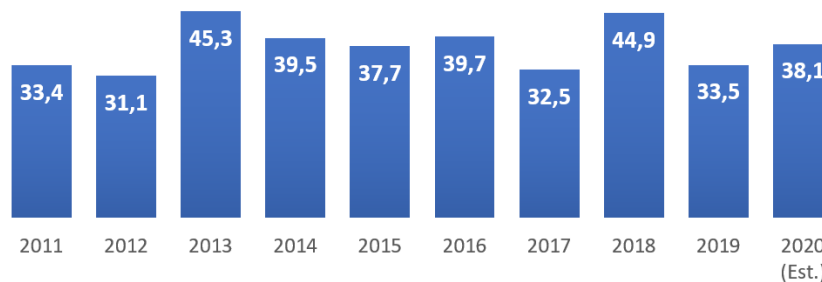
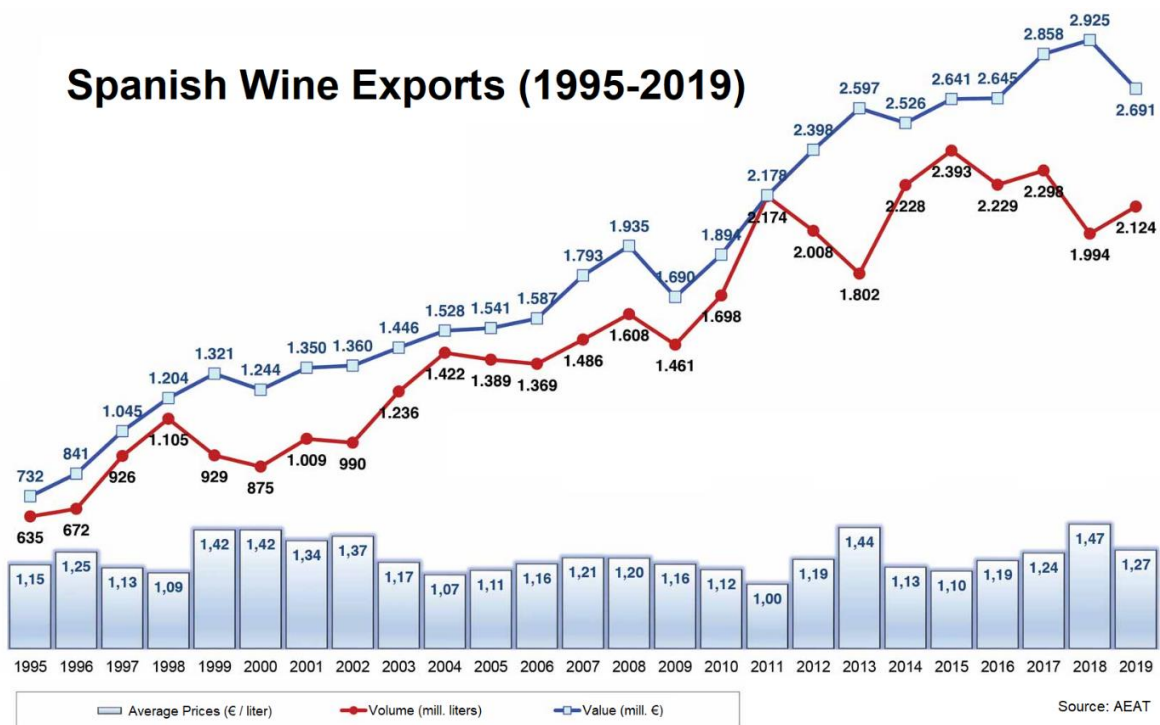


Figure 2.2a –Production of wine in Spain [7]

As explained before, the Spanish market is oversaturated and the only possible solution to grow the business is to sell abroad. This is the path that many wineries have already chosen, especially during the last two decades, when **the volume of export has grown by 228%**. This growth in volume has been higher than the growth in value, which is 204%. This means that, after all this huge increase of exports and penetration in foreign markets, the **Spanish wine continues to be a very cheap wine**. As the graph below indicates, both curves of volume and value in absolute numbers have grown continuously (notice: the years with negative growth are due to reduction of total production as a result of less harvest). But the average price of the exports has not changed much.

Figure 2.2a –Evolution of Spanish wine exports [8]

Spanish Wine Exports (1995-2019)



Source: AEAT

The data does not improve if inflation is considered as well. For example, if the comparison is between the most recent year (2019, with an average of 1.27€/l) and twenty years ago (1.42€/l for year 1999) there is a clear reduction in the average price by 15 cents. However, if the inflation rate between those years is considered (which is 1.73% per year on average, so 42% cumulated between 1999-2019), the average price of the Spanish exported wine should be at least 2.02€/liter, in order to maintain the same price level of the year 1999. As it is not so, it is correct to consider that **after twenty years of continuous growth in the exports, the average price has sunk by 37%**, i.e. from 2.02€/liter to 1.27€/liter.

In order to understand this paradox in the prices, a more in-depth analysis is needed. If the attention is paid on the kind of wine that Spain exports, it is very easy to recognize the main reason why the average price is so cheap. The reason is that bulk wine represents more than a half (55%) of the exports in volume, with 1168 mill. liters exported in 2019 from the total amount of 2124 mill. liters. And **bulk wine is sold at 0.405€/liter on average**, which drives the average price of wine down. On the other hand, the wine that is sold in bottles, accounts for 956 mill. liters, that are sold for 2216 mill. €. This makes **an average of 2.31€/liter of wine exported in bottle**. The difference is clear. [9]

After understanding what the general situation of the wine sector in Spain is like, and before starting to compare the international candidates, it is convenient to point out in which position the Bodegas JBC's wines are. In general terms, **Bodegas JBC is still a small winery in terms of production and sales, with 80,000 liters/year**. However, the capacity is nearly 400,000 liters/year, so there is no problem if rising the production is eventually needed.

The main products by importance are red wine, white wine, rosé wine, and bag-in-box. The last one is a way to sell the red wine that is not considered 'premium' and is sold in this form mainly to make it cheaper and more feasible to prepare derivate drinks like *Sangria* or *Tinto de Verano*. There is only one type of white and rosé wine. Meanwhile, the red wine that is sold in bottles is composed by three different products: *Jovial*, *Novel* (aged in American oak barrels for a period of 6 months), and *Catenaccio* (this is the best product that the Winery offers because it is aged in American oak barrels for a period of 12 months).

### 2.3 INTERNATIONAL MARKET CANDIDATES

Before studying each market in depth, a selection of the potential candidates is needed. As the JBC Winery is a small winery that does not have relevant experience in exporting, plus, the resources are very limited, **it is convenient to focus on markets where the product is already known by the final customers and big marketing campaigns are not needed**. For this reason, the potential candidates will be those markets that import most of the Spanish wine. In the graph below, the top 10 countries that received most of the wine (in volume) in 2019 are displayed. Moreover, it is convenient to make a distinction between wines with(out) Protected Designation of Origin in order to separate "high class" wines from the rest.

### Main importers of Spanish bottled wine in volume (million liter)

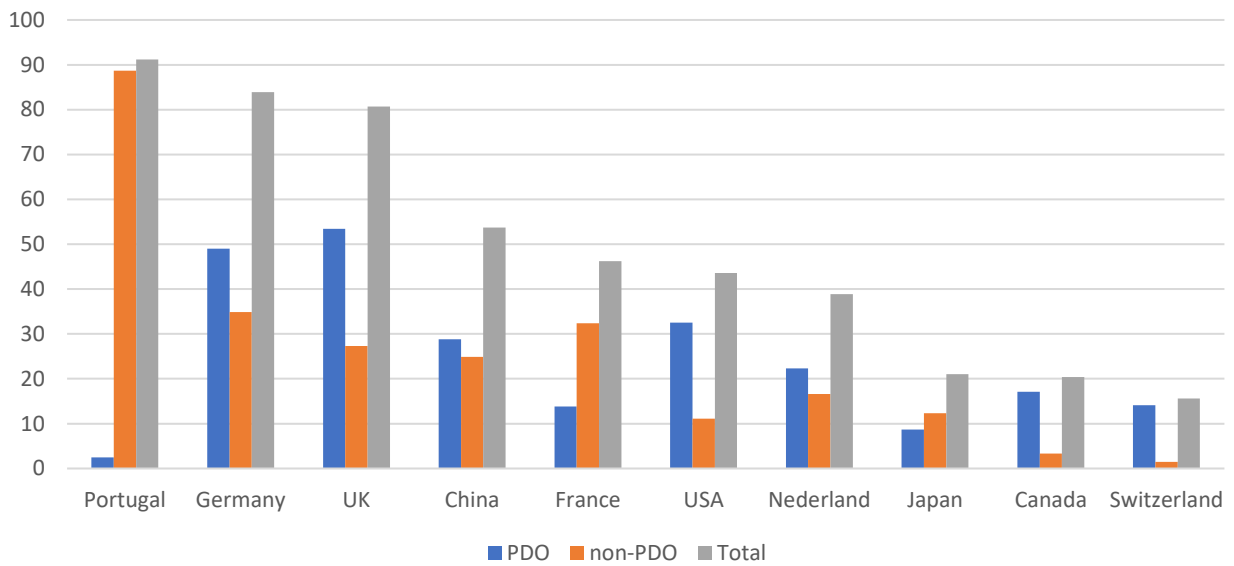


Figure 2.3a –Main importers of Spanish bottled wine (in volume). Elaboration from OEMV data [9]

Furthermore, to understand how much every country spends in Spanish wine, a similar research has been conducted in the graph below (with the data in value).

### Main importers of Spanish bottled wine in value (mill. €)

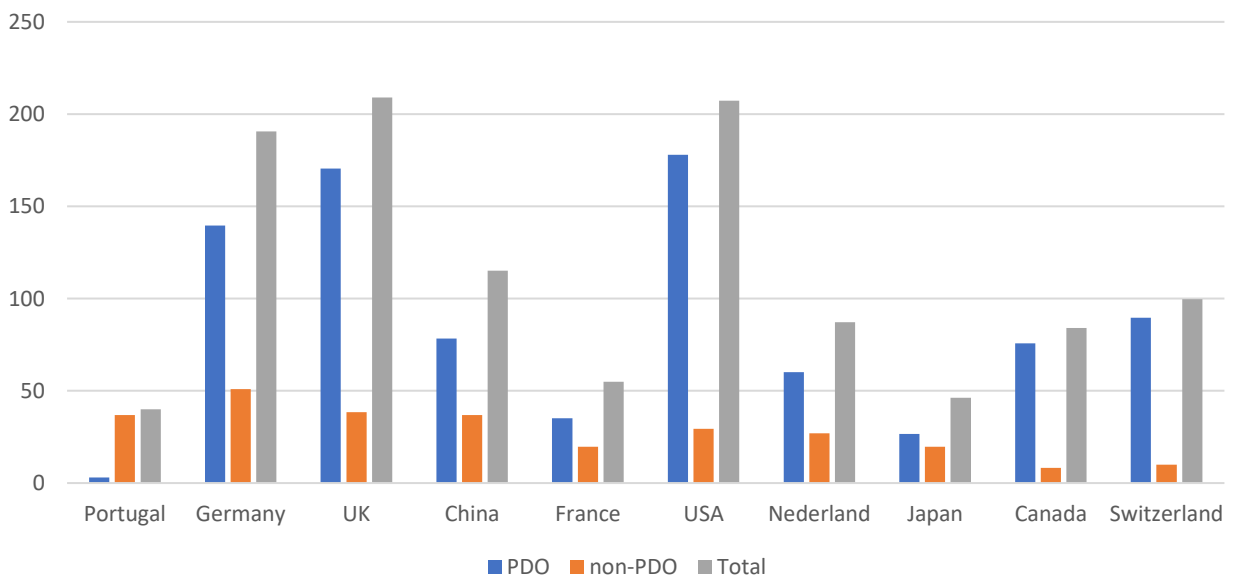


Figure 2.3a –Main importers of Spanish bottled wine (in value). Elaboration from OEMV data [9]

After seeing both graphs, the differences among countries between imported volume and paid value are easily noticeable. For this reason, it is convenient to cross both data to see the unitary cost per country, which is shown in the graph below.



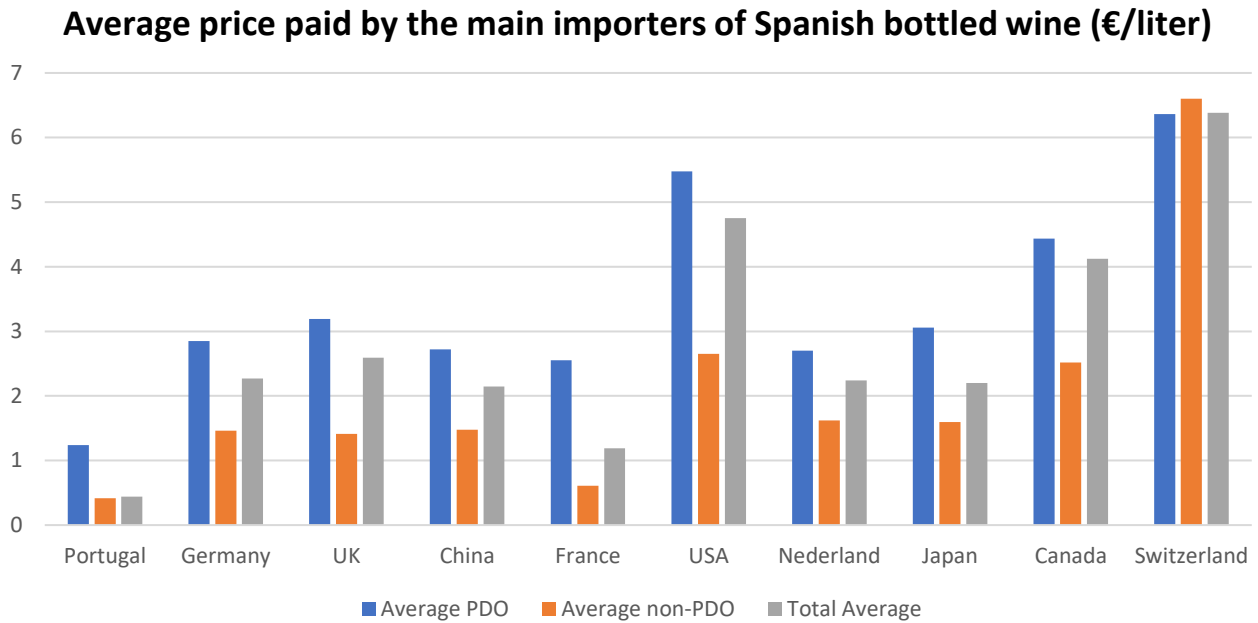


Figure 2.3a –Average price of Spanish bottled wine by country. Elaboration from OEMV data [9]

After this overview with the data of volume and price only, a more exhaustive research will be done for each case. This will help understand what market the best for Bodegas JBC is to start exporting.

### 2.3.1 PORTUGAL

This neighboring country is the leader of the importers ranking with more than 90 mill. liter per year. Especially in the field of non-PDO bottled wine, it has increased its import in volume from 22.8 mill. € to 36.9 mill. € during the last 10 years. The record was reached in 2018 with 44 mill. €, following a record in the Spanish general wine production. This positive growth in value, keeping the volume static around 63 mill. liters, allowed an increase of the unitary price from 0.36 to 0.69€/liter. However, this trend changed in 2019, when the average price sunk to 0.42€/liter.

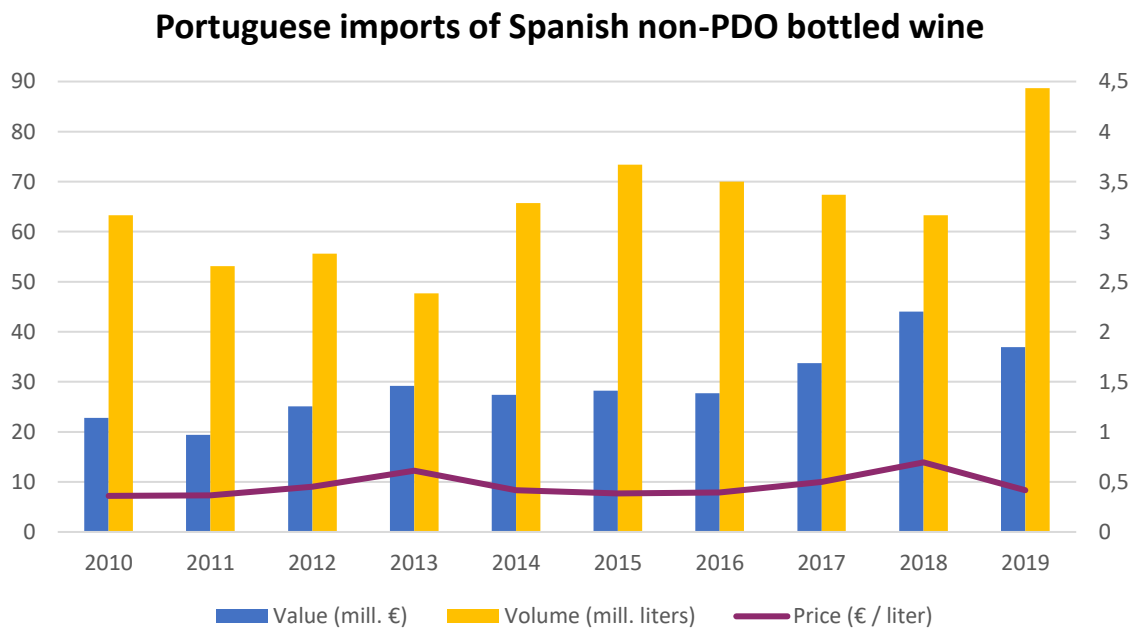


Figure 2.3.1 –Spanish exports of non-PDO bottled wine to Portugal. Elaboration from OEMV data [9]

After all, Portugal is a stable market with certain economic potential that could be interesting only if the distance and the low cultural barriers are considered. But on the other hand, the **Spanish bottled wine suffers extremely low prices which makes the task of market penetration very hard for the newcomers**. This is a clear example of market oversaturation and, in this case, gaining market quote becomes impossible for a small winery that cannot achieve low and competitive production costs. For these reasons, Portugal can be discarded from the candidates list.

### 2.3.2 GERMANY

Germany is one of the most important importers of wine in the world. In 2019, it imported €2,472 million of all kinds of wine [10], with a fall of 9.1% compared to the previous year 2018. The Spanish exports of wine (including derivative products) account for €348 million, with a fall of 7.4% with respect to 2018. This retreat of the Spanish exports is generally present in almost all the markets because it is due to the bad harvest of that particular year, as it had already been mentioned before. So, it is remarkable how the Spanish products are resisting and decrease less than the average products. However, these data are very poor if the comparison is done with the French exported wines that increase its value up to 7.5%.

The German country represents the main market in value for Spanish non-PDO bottled wine and the second in total volume, just behind Portugal. Germany imported 51.3 mill. liters both in 2016 and in 2017. But during the last years the trend is that the volume is reducing and, in 2019, the amount sunk to just 34.9mill. liters. Nevertheless, **this market is very attractive especially because the average price is rising every year**. This is a clear signal that in Germany, **the demand of Spanish wine is switching from cheap to higher quality and more costly wines**.

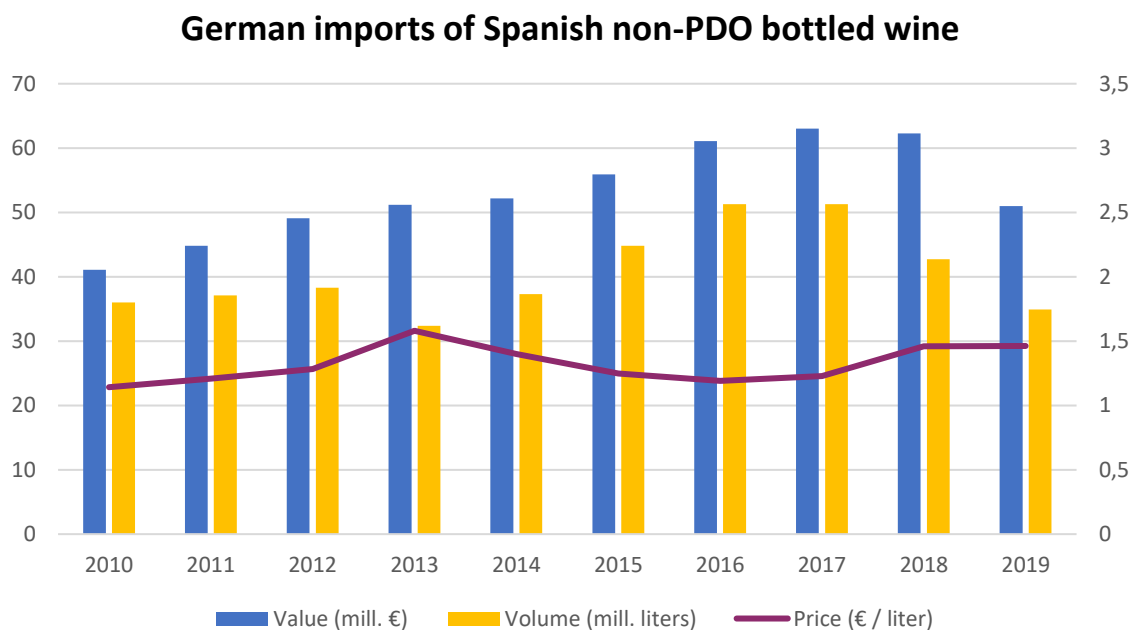


Figure 2.3.2a –Spanish exports of non-PDO bottled wine to Germany. Elaboration from OEMV data [9]

Spanish wines are already positioned in the country and enjoy a positive trend in the price. Moreover, there are no custom duties between members of the European Common Market and the German taxation does not discourage wine consumption (still wine is exempt from special taxes). These drivers apparently should motivate Spanish wineries to enter the market. However, **competition is very tough in all segments**. If the focus is on middle to premium segments, which are those in line with Bodegas JBC’s products, they are mainly sold on-trade (restaurants, hotels...) or by specialist retailers. On-trade sales represent the double of specialist retailers and have an average price of 25€/liter (retailer’s price

is around 3.50€/liter) that makes them the target of Bodegas JBC. Therefore, it is important to define a clear strategy for positioning and to face competitors.

Around 60% of German wine production is white wine. And national production covers around 45% of total consumption. As **German consumers still drink more red than white wine, foreign wines have a wide potential, especially the foreign red wines.** Among competitors of red wine, most of them are Italian. These are more extended in the Southern regions given the proximity to Italy.

The penetration strategy for Bodegas JBC should be to start selling the red wine that already has several labels. The labels are very appreciated among the German customers, and also, the history of the wines or other distinctive aspects should be mentioned in the bottle. Below, there is a table with the level of appreciation that some ‘features’ have. If the attention is paid on the low-volume segment (where Bodegas JBC competes) **it is remarkable how important the labels of quality, fair trade, and organic logos are for the German consumers.**

	Organic	Fairtrade	ISO quality	ISO social	Screw cap	Bag-in-Box	Bulk wine	Online sales
High-volume segment	+++	-	++	+	++	+	+++	+
Low-volume segment	++	++	+++	++	+	--	-	+++

Figure 2.3.2b –Table showing the relevance of different aspects of wine for German consumers [11]

The online sales are also important for the consumers of middle or high-quality wine. According to the GfK data, 5% of total wine sales in 2014 came from online market. This is still a low number but an estimated 15% of regular wine drinkers already purchase wine on the internet. This is a very interesting number that is expected to grow more and more in the upcoming years.

### 2.3.3 UNITED KINGDOM

In 2018, each British consumed 23 liters of wine on average. This figure is in line with the numbers of Spain (27 liter/person), Germany (28 liter/person) and far from the American or Canadian ratios (11 and 16 liter/person respectively). Altogether, Great Britain consumed 1,259 mill. liters during 2019 and this number has been static in the last fifteen years. However, the British production is far from satisfying the domestic demand with only 7.8 mill. liters, which covers only 0.6% of the yearly demand. This inability to satisfy the national demand leaves the United Kingdom as the second biggest importer of wine in the world, right after the USA. **The country imports almost every bottle of wine that it consumes, which in value accounted for GBP 3,313 million in 2019.** In Euro, it would be around € 3,750 million (£1=€1.13). As shown in the graph below, UK’s imports of wine are quite stable during the last years, with values between 3,500 and 4,000 mill. Euro and there is a slight trend to rise in the recent years.

### Value of UK's imports of wine

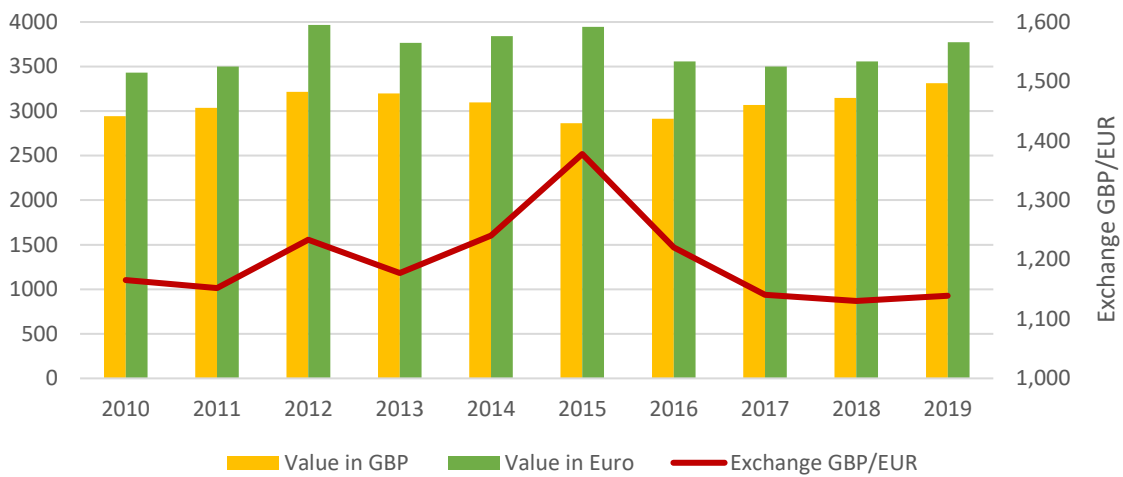


Figure 2.3.3b – Value of UK's imports of wine. [12]

More specifically, Spain is the 5<sup>th</sup> biggest exporter of wine to Great Britain (£244 mill. in 2019), with very close distance to Australia (4<sup>th</sup> with £245 mil) and to New Zealand (3<sup>rd</sup> with £249 mil). If the focus is placed on the Spanish non-DPO bottled wine that the UK imports, the table below shows the record of prices in the years 2018 and 2019, with 1.38€ and 1.41€/liter respectively. This trend demonstrates that the **Spanish wine is rising prices** and, as in the German case, the demand is moving from high volume and cheap-price wines to lower amounts but higher prices (and quality). **This coincides with the positioning strategy of Bodegas JBC wines.**

### UK's imports of Spanish non-PDO bottled wine

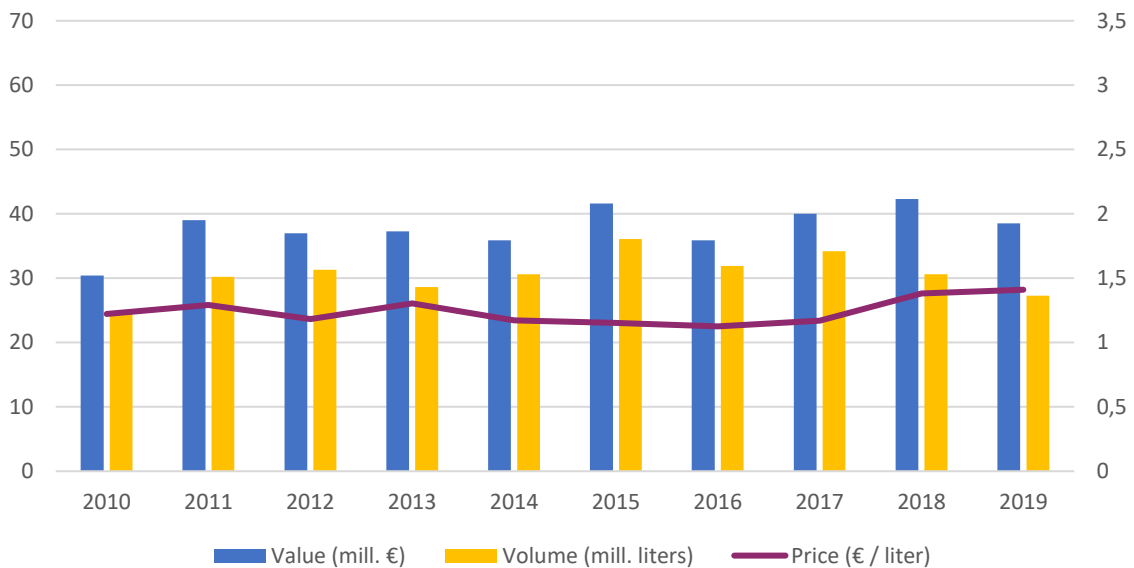


Figure 2.3.3b –Spanish exports of non-PDO bottled wine to the UK. Elaboration from OEMV data [9]

The British case shows that the duties on wine are much higher than in other European states where they almost do not exist. On average, wine duties are around €3 per liter in the UK, while in Belgium, Netherlands, Germany, or France the maximum is €0.8. These duties, in the case of Great Britain, serve as a discouraging factor for consumption of a drink that is produced entirely abroad, causing damage to foreign producers. Obviously, this damages especially bulk wine imports that are addressed to mass-market. In the low-volume segment, the impact is more limited because instead of price, other aspects like quality or image are more relevant for the final consumer. For this reason, **UK is still one of the most promising candidates.** [13]

**2.3.4 CHINA**

China produced more than 930 mill. liters of wine in 2018 and has the second largest vineyard area in the world, just behind Spain. Imported wines account for 40% of total consumption, with more than €2,500 mill. in 2018 and 8% of growth in 2019. This increasing trend leaves the total growth at more than 80% since 2013. Besides that, **nearly 80% of the imported wine is bottled.**

China is moving from quantity to quality. According to the data from the last years, the volume of imported wine is stable and, in the last years, it has slightly decreased. However, the value of the imports that account for 40% of total consumption has risen by only 7% between 2016-2019, compared to 26% between 2014-2016. In data per capita, the fall is from 1.3 liter/person in 2017 to 1.2 liter/person in 2018. Therefore, the conclusion is clear: **the market is getting mature, consumers are willing to drink better wine and pay more for it.**

Another clear trend on the Chinese market is the e-commerce, which nowadays reaches up to 40% of consumers across most segments, including the older drinkers (40-55 years old). Nevertheless, this data does not mean that 40% of sales are online but that 40% of consumers “have bought wine online at least once”. Still, the data are quite poor in value since Internet sales account for only 5%.

From the sociological point of view, Chinese imported wine consumers are typically men between 30 and 40 years old who live in the main cities and spend between 10 and 35 euros per bottle. However, the market is very segmented and there are all kinds of profiles. Normally, the youngest are willing to try new products and pay from 6 to 12€/bottle. On the other hand, older profiles already know the product and consume it mainly due to the prestige and the image derived from it. These consumers typically pay more than 20€/bottle, but this can exceed much depending on the context. [14]

As far as the location and habits are concerned, it is important to remark that wine is consumed in big cities located in the areas of East coast (Shanghai), in the North (Beijing), and South (Hong Kong and Canton). Especially in Beijing, wine is not consumed among the middle class due to political and historical reasons. On the other hand, in Canton and Shanghai, temperatures are higher, so consumers tend to drink more fruity and fresh white wine.

If the focus is on the Spanish exports, in 2017, the top record year for Spanish wine, the exports to China accounted for 190.2mill. €, being the 4<sup>th</sup> biggest exporter. Since then, after two years of volume reduction, the average price increased to 1.48€/liter in 2019.

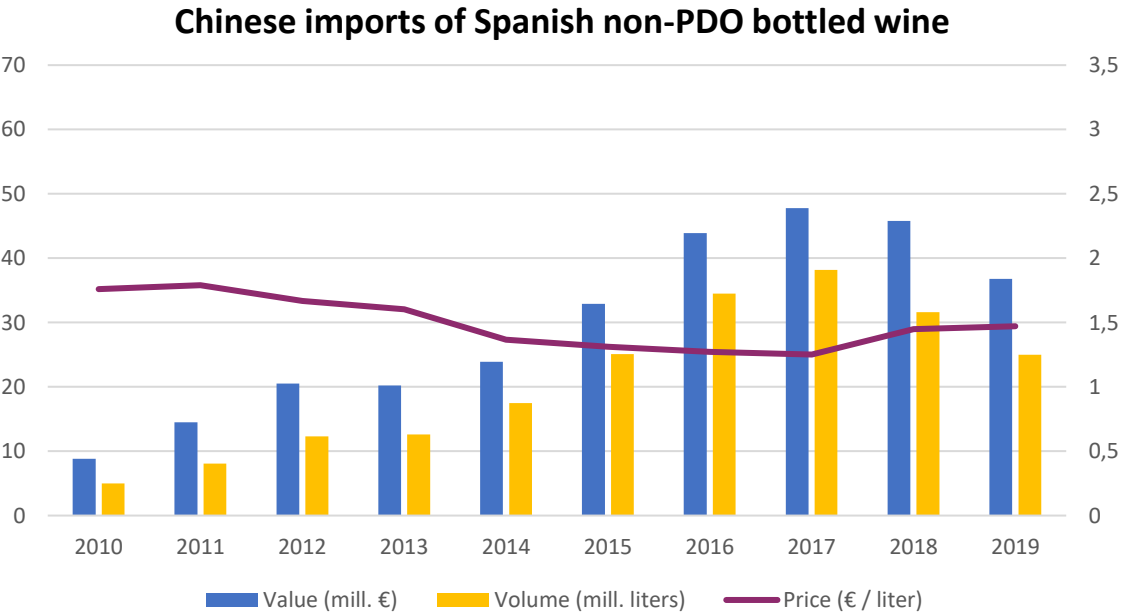


Figure 2.3.4 –Spanish exports of non-PDO bottled wine to China. Elaboration from OEMV data [9]

One of the top 5 most imported wines in China is “Sangre de Toro” with around 6 mill. bottles sold and a price offer that multiplies 6-10 times compared to the European price. After this data it may seem that there are big opportunities for Spanish wineries. Nevertheless, *Sangre de Toro* is present for more than 20 years already on the market, and its winery has established as a chain of wine shops where to catch all the margins from so this example is rather just an exception from the norm.

**The process of exporting wine to China is everything but not transparent** and there are not many data available. Starting from the main importer which is the COFCO, a state-owned company that has inherited a monopoly now with a few private importers that operate by regions. These importers are willing to import PGI and PDO wines at prices around 1.3-1.6€/liter. **Apart from this low price, together with little bargaining power because of tough competitors, a 14% of custom duties must be considered.** Moreover, the shipping price of a 40-foot container from Spain to China reaches 2,500€ and another 2,000€ are needed for customs clearance. Subsequently, the importer multiplies the price paid to the producer by 3 to 4 times in the case of business-to-business sales, or by 5 to 10 times in business-to-customer (consumer) transactions. In the case of business-to-business, merchants’ and restaurants multiplications are 2 to 5 times. Altogether, a Spanish wine can easily range from 13 to 40 euros on the Chinese market, out of which less than 2€ go to the Spanish winery. For this reason, in the case of Bodegas JBC, **China does not seem to be a good candidate where to make the first move** in the international exports. Especially **given the low margins, low transparency and high production costs** that this small winery has.

### 2.3.5 FRANCE

France is the second largest wine producer in the world, the third exporter in volume and the first exporter in value. French people are traditional, and wine is a widespread drink there. More than 80% of the population over 18 years are wine consumers. Moreover, France is the main importer of Spanish wine with around 70% of imports in volume in the year 2018. Especially, bulk wine represented 434 mill. liters out of the total amount of Spanish exports of 614mill. liters. Spain is also the third biggest exporter of bottled wine to France. If the focus is put on the non-PGO bottled exports, **Spanish exports are high in volume but with much lower price than in the neighboring markets**, such as Germany, Great Britain, or the Netherlands. [15]

**French imports of Spanish non-PDO bottled wine**

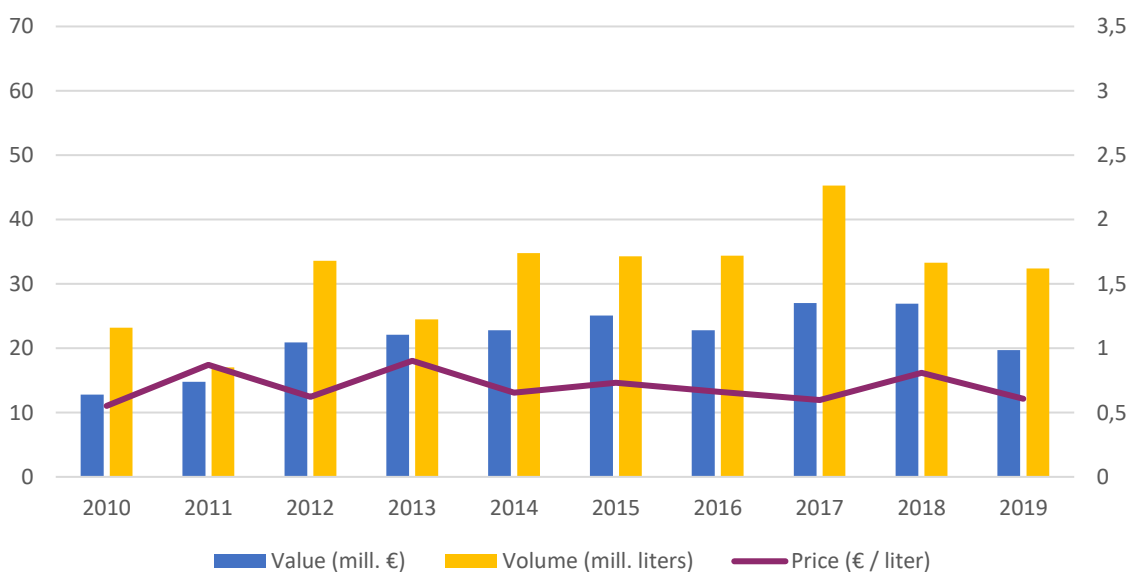


Figure 2.3.5 –Spanish exports of non-PDO bottled wine to France. Elaboration from OEMV data [9]

The same as in other producer countries, there is a general preference for national products. But in France, this trend to buy national wine reaches 93% of total consumers. Although the young consumers are those willing to explore new products and are more open to imported wines, this segment is also looking for a good ratio between price and quality. The trend leaves a small niche of market for Spanish producers who can offer PDO wines at a cheap price. Nevertheless, other advantages of French market such as small distance or relatively low duties are neutralized by the presence of competitors. **The domestic competitors, together with the already significant presence of Spanish good and cheap wines, do not leave any option for small wineries like Bodegas JBC.**

### 2.3.6 USA

In absolute terms, USA is the main consumer of wine in the world with 3,300 mill. liter in 2019. [16] In data per capita, the consumption is diluted to 11 liters/person, much lower than Spain (21 liter/person), France (40 liter/person), or Italy (34 liter/person). However, the **consumption is very concentrated in a group of wine consumers** that are those who represent only the 17.4% of the population and drink up to 92% of on-trade wine (in volume). This group is typically located in big urban areas of the East and West Coast. And almost one fourth of them prefer imported than national wines. Surprisingly, in the USA, **60% of wine consumers are women** (according to the data from the Wine Market Council in 2013). Moreover, by age, the millennials represent the biggest demographic group with special importance of the women between 30 and 40 years old. These women are usually the ones who shop and are more sensitive to added value and the price-quality relation.

In volume, around 80% of wine is sold in supermarkets and shops and 20% is sold on-trade. If the focus is on restaurants, half of the wine that is served there is sold in glasses, with prices between \$8 and \$18 per glass. As a bottle can produce, 6-7 glasses, the final sale prices per bottle are much higher than in other countries. If the focus is now on the Spanish non-PGO bottled wine, **the average price has decreased progressively during the last 10 years**, as the graph below shows. It has been fluctuating between 2.6€/liter and 2.9€/liter. Moreover, in 2018 Trump’s government approved custom duties for Spanish wine of 25%, which has consumed the average profit margin that producers used to have before. However, it is expected that the new government will definitively eliminate this measure during 2021.

**American imports of Spanish non-PDO bottled wine**

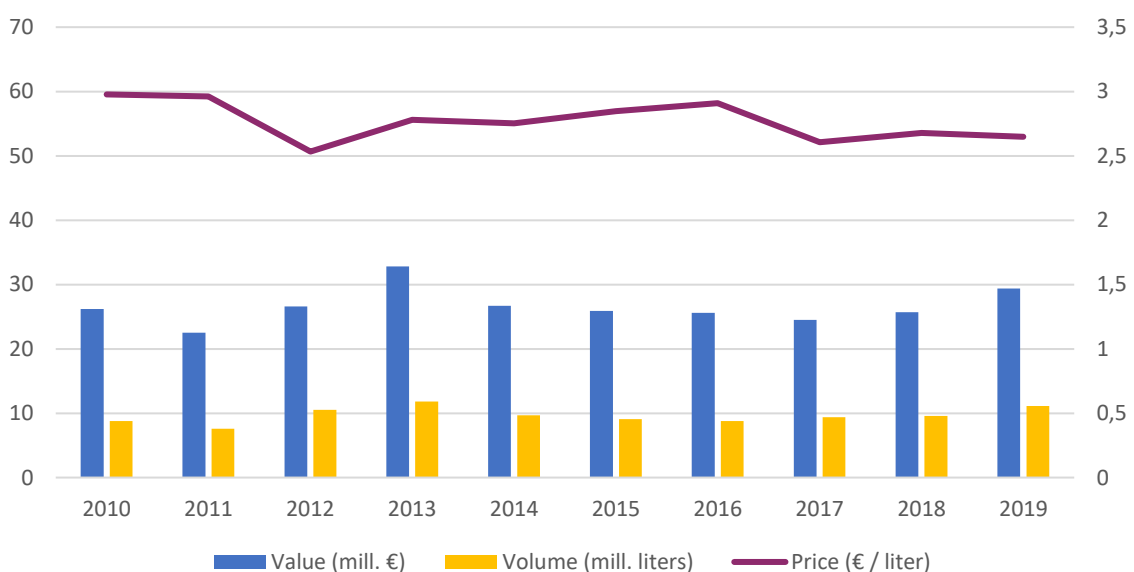


Figure 2.3.6 –Spanish exports of non-PDO bottled wine to the USA. Elaboration from OEMV data [9]

The wine market in the **US is especially characterized by a “three-tier system”**. This consists in a clear distinction of three agents, a producer, distributor (wholesaler) and merchant (retailer). The agents cannot be involved in more than one level, so vertical integration is strictly forbidden. And each tier has its own regulations and licenses. In the first tier there is a producer and an importer. As the average price for imported wine does not leave much margin, **many wineries are established also as importers in the USA**. In the case of Bodegas JBC, the company already has a license to export there but cannot work as an importer since more resources are needed to formerly establish there (physical warehouse, local employees... ).

**2.3.7 NETHERLANDS**

Wine consumption in the Netherlands is increasing every year and amounts to approximately 20 liter/person, a bit below the European average of 24 liter/person. Around 50% of sold wine is red, while the white represents about 40%. This proportion is stable, and no changes are forecasted. In contrast to the German case, in the Netherlands, online wine market represents only 3% of total sales. The same happens with fair-trade sales that are only 1% of total. Less than 10% is organic, however, this market segment has a growing tendency and can become interesting in the future. Nonetheless, **the organic niche is limited, and consumers expect low prices**, so it is convenient to enter only if the cost of transition to organic is low. Another characteristic of the Dutch market is that given the little surface of the country, **most of the distributors require exclusivity**.

As far as the Spanish wine is concerned, Spain represents the 5<sup>th</sup> country in value of wine imports, with 122 mill.€ in 2019, just after Italy. Particularly, in the Netherlands, only 6.6 mill. liters out of a total volume of 45.5mill. liters comprised bulk wine. This demonstrates that Spanish bottled wine is well positioned and appreciated. In the case of non-PDO bottled wine, Spanish exports have been increasing non-stop during the last years. Since 2013, the growth in volume has reached 18%, from 1.2 to 3.3 mill. liters. However, the bigger presence of Spanish competitors, the more “adjusted” the prices are. **Average prices have moderated and seem to stabilize at around 2.35 and 2.60€/liter**.

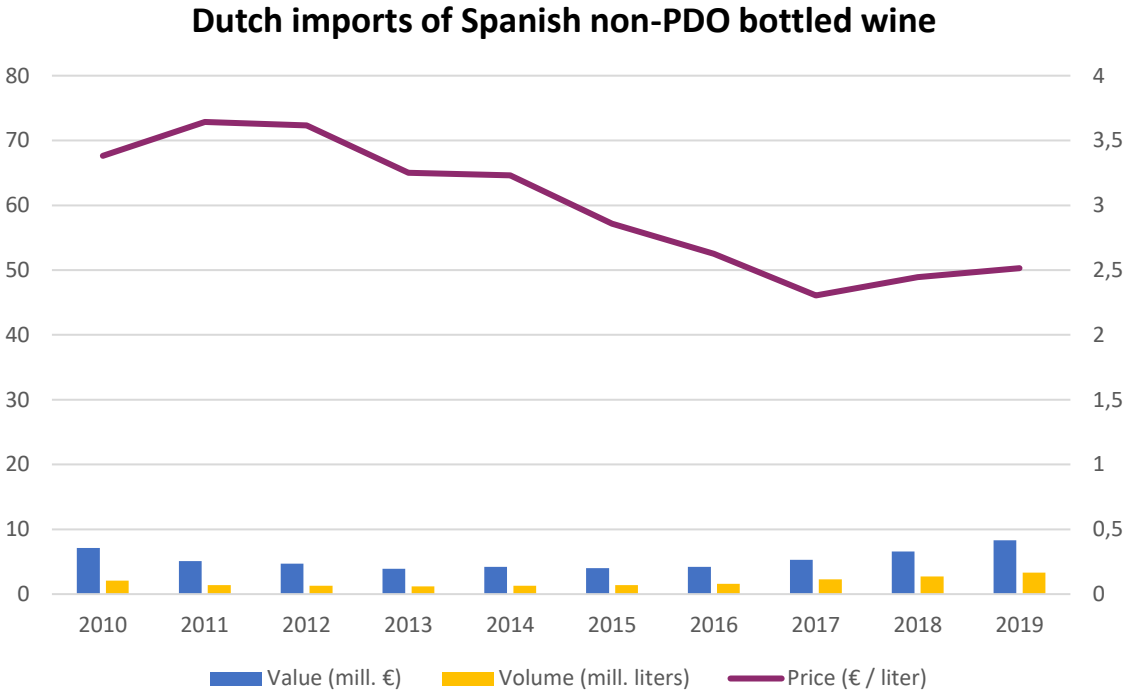


Figure 2.3.7a –Spanish exports of non-PDO bottled wine to Netherlands. Elaboration from OEMV data [9]



By far, pricing is the most important driver on the Dutch market. Generally, consumers prefer off-trade market channels because the prices are lower, and they also demand low prices in the on-trade channel. The table below shows the average prices per bottle by channel.

Trade channel	Price indications per bottle
<i>Off-trade</i>	
Supermarkets	€2.92
Specialist retailers	€6.00
<i>On-trade</i>	€20.00

Figure 2.3.7b –Table showing average price of a wine bottle in different channels in the Netherlands [17]

In the case of Bodegas JBC, the **Dutch market offers certain opportunities, such as the easiness of trade (no custom duties), low transport costs and stable and strong position of the Spanish wine.** In order to start exporting, the wine can be sold on-trade only, so Dutch importers for on-trade must be contacted. The exclusivity of the distributors should not be a problem given the volume that this winery manages. However, the **margins for pricing are very limited**, given the competitive position of a small producer and the significant presence of similar competitors. Alternatively, cash & carry stores can be a valid option from where to serve restaurants and bars instead of on-trade importers.

### 2.3.8 JAPAN

Japan is a country with little wine industry that does not reach to cover 5% of the entire demand. For this reason, imported wine is widespread and consumed in Japan for several decades already. Since the introduction of wine in the 80's and 90's, Japanese market has growth and nowadays is the most mature in Asia. This market comprises around **30 million regular wine drinkers**, among which a half is more than 55 years old. The older consumers prefer European wines while the younger are more open to new trends and products. Approximately **2/3 of the total sales of wine are on-trade sales.** Moreover, **Japan is the country with most sommeliers in the world after Italy.** These people play a very important role in promoting and recommendation in person to the restaurant customers. [18]

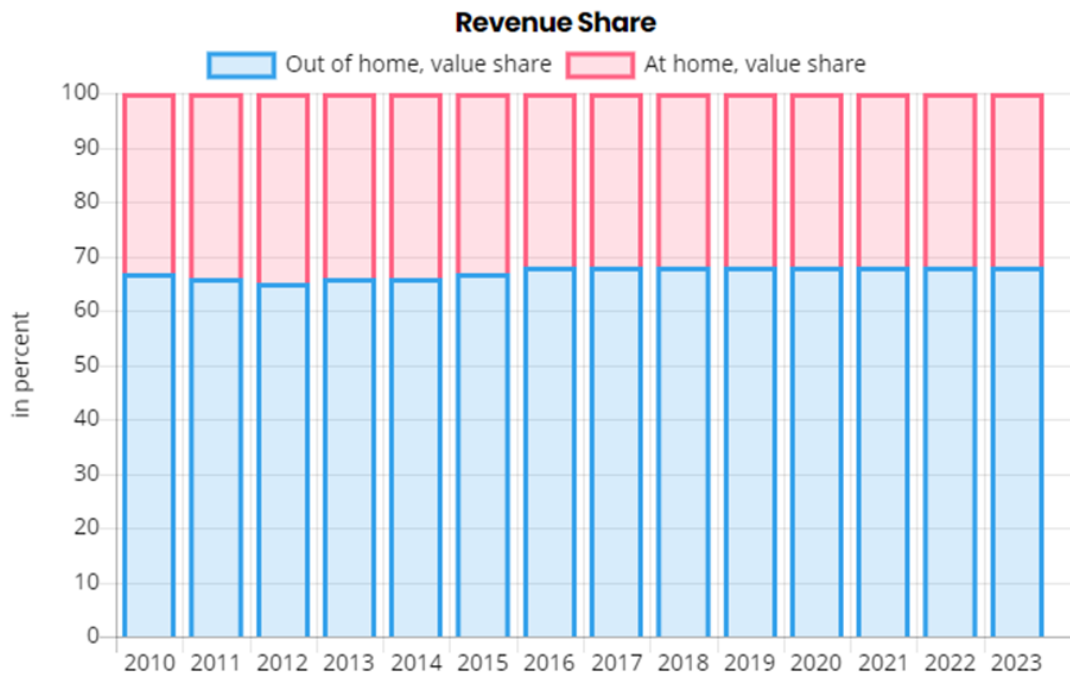


Figure 2.3.8a –Graph showing value share by place, with respect to total wine revenues in Japan [19]

Red wine is the preferred option in Japan, followed by white. **Media play a significant role in influencing the society.** For example, after the publication of a scientific research which concluded that red wine has a positive impact on health, wine consumption increased significantly. Despite the growth from 1.9 to 2.4 liter/person during the period of 2010-2019, consumption is still very low in the country. However, the consumption is not homogeneous and there are big differences between big and small cities. Especially in Tokyo, where the average consumption is 8.1liter/person.

If the focus is on the Spanish exports, non-POD bottled wine increased by 30% on the Japanese market in 2018-2019. This big increase is generally observed among all the European exporters because the agreement of free trade EU-Japan took effect in February 2019 and eliminated all existing custom duties. This increase in exports does not affect price per liter, which remains unchanged and stable around 1.40€/liter and 1.60€/liter as it is shown in the graph below.

### Japanese imports of Spanish non-PDO bottled wine

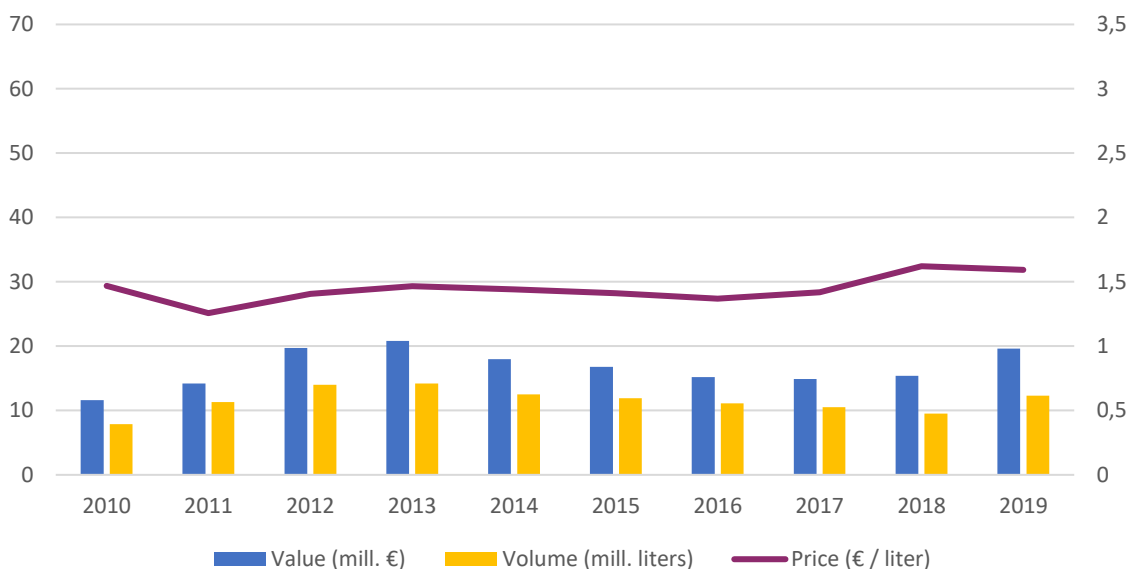


Figure 2.3.8b –Spanish exports of non-PDO bottled wine to Japan. Elaboration from OEMV data [9]

In general, Japanese market offers certain advantages since it is a market with stable growth, lower pressure of competitors and very accessible conditions (no custom duties). Special attention is put on the fact that almost 70% of total consumption is consumed on-trade and the role that sommeliers play there. Nonetheless, it is a market geographically remote and there are not many trade relations. English is not widespread in the population and this can be a barrier when accessing and understanding final consumers. In general terms, **it can be an interesting market for Bodegas JBC if some experience in exporting is gained previously** (Japan seems too risky for a small winery as the first option where to start exporting).

### 2.3.9 CANADA

Canada is also one of the main importers of Spanish wine, which occupies place number 5<sup>th</sup> in the ranking. Imported wines represent 70% of the total consumption (75% in the case of red wine), and the Canadian average consumption is 16.3 liter/person. [20] Nevertheless, it is not geographically uniform country and there are big differences among different areas. In particular, **Quebec comprises 28% of Canadian population and drinks 38% of the wine.** [21] The figures per capita in this region are the highest in the country with 22.6 liter/person. [22] Also, **in Quebec, most of the imported wine is European** with special importance of France and Italy, while in the English-speaking provinces, most of the imported wine is from the USA (position reinforced after the USMCA trade agreement in 2020).

In Canada, **less than 20% of wine is consumed on-trade.** Yet, beer is the top favourite alcoholic drink, its position is being reduced by wine. Beer represented 48% of alcoholic sales in 2005 and 42% in 2015, while wine has grown from 26% in 2005 to 31% in 2015. If the focus is on the Spanish wine, volume of bottled non-POD wine has increased significantly during the last decade. On the other hand, **average prices have decreased significantly** from 3.60€/liter in 2011-2012 to 2.50€/liter in 2020.

#### Canadian imports of Spanish non-PDO bottled wine

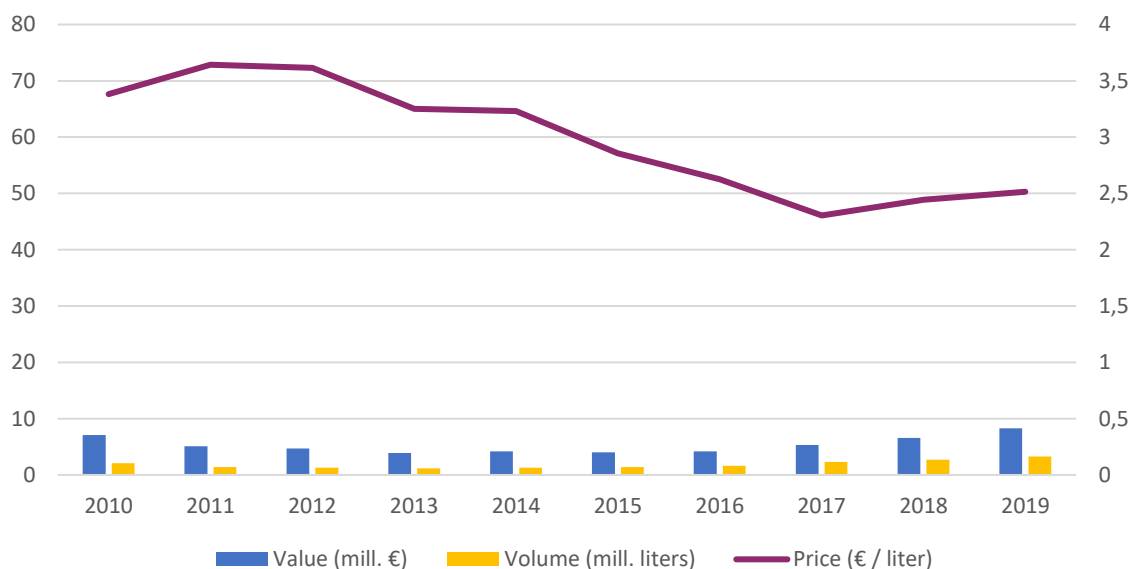


Figure 2.3.9 –Spanish exports of non-PDO bottled wine to Canada. Elaboration from OEMV data [9]

As the volume and sales of wine are growing progressively, Spanish wines have potential and customers are open also to try new wines from other countries. In the case of Bodegas JBC, the focus should be the Quebec province, since it is the one more willing to buy European wines. Here, Spanish products are a valid alternative to Italian and French wines, and at the same time Australian and USA's competitors are not as tough as in the other regions. However, one of the main inconveniences is that **imported wines are controlled by regional liquor boards that perform strict regulations** and private importers are not permitted, which does not leave much bargaining power for the producer.

### 2.3.10 SWITZERLAND

Wine market in Switzerland is characterized by local producers, which are accountable for more than a third of the total wine consumed, and imported wines among which Italy, France and Spain are the leaders. Swiss wines are sold in a range of 10-22€/bottle in the supermarkets, where they represent 2/3 of the offer in that range of prices. The **foreign wines are present in the low-price segment** (less than 8€/bottle), where there are almost no Swiss competitors, and in the premium segment (top quality wines). This is because **purchasing power is very high in Switzerland** and Swiss products are automatically perceived as high quality that deserve to be expensive.

As far as the Spanish wine is concerned, it represents more than 12% of total sales in the country. Despite the fact that Switzerland is not a big producer of wine, the product is well-known and a perceived as a traditional drink, so consumption is relatively high. In the case of Spanish non-PDO bottled wine, as it is shown in the graph, **the average price has risen in the last years** mainly due to the increase of the purchasing power in the country.

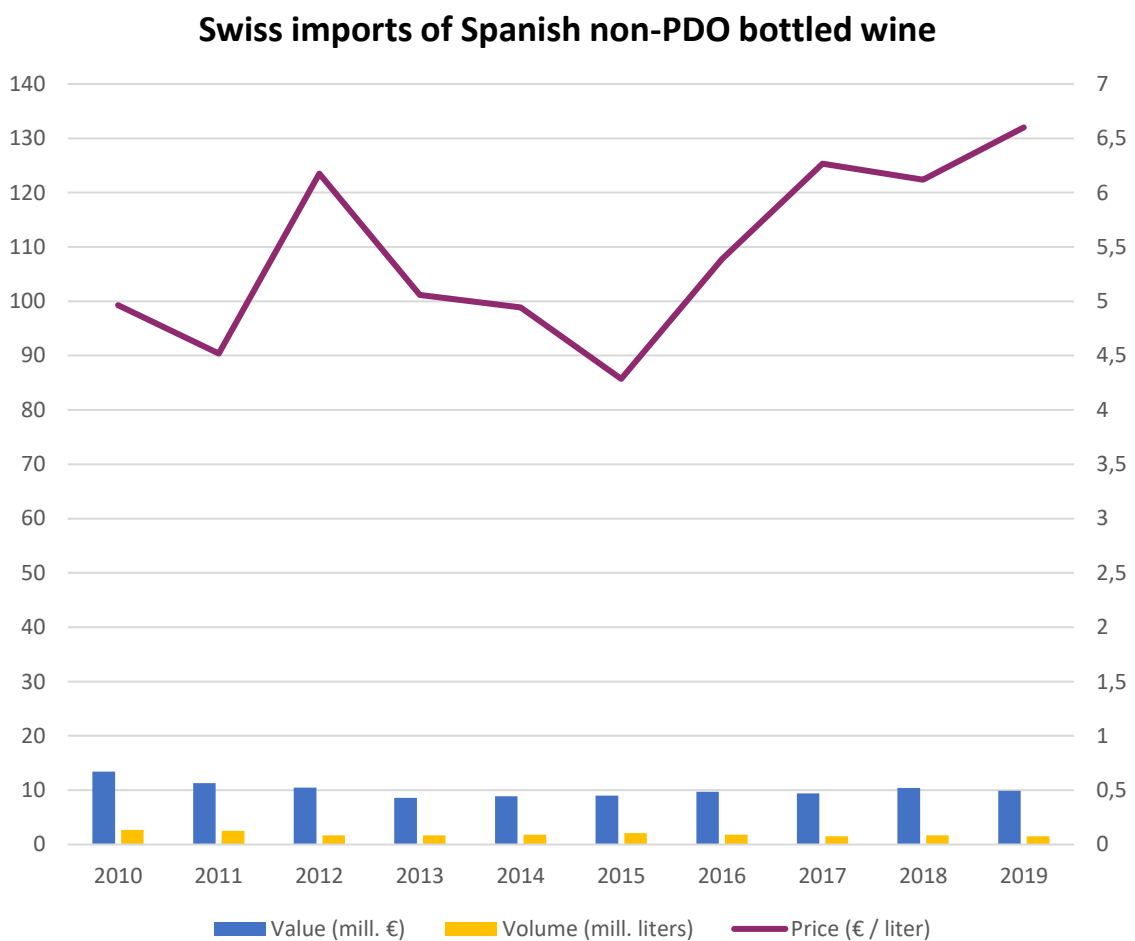


Figure 2.3.10 –Spanish exports of non-PDO bottled wine to Switzerland. Elaboration from OEMV data [9]

Considering that the biggest category of all wines comprises those sold at 10-14€/bottle, here is where Bodegas JBC could position itself. These wines are sold in supermarkets, so in this case **the penetration target are off-trade importers**. The direct competitors in this segment are the Italian, French and Swiss wines that are already present in the market. Almost all local wines are AOC (controlled designation of origin), and national products are appreciated as much as imported by the customers, so **competence is expected to be hard**. But given that in Switzerland **organic branding is highly appreciated** by customers, just like quality, this can be a stimulus for market growth. Some labels that certify either **organic process, origin, or quality can be an excellent driver to help attract new customers** and build customer retention.

## 2.4 CONCLUSION: UK IS THE BEST CANDIDATE

Having seen an analysis of the most relevant market candidates for the Spanish wine, a final decision is needed for Bodegas JBC. As explained previously, this winery is a small business, with only 3 employees, and a yearly production of 80,000 liters of wine. Given the fact that the resources are limited, any investment must be studied and clearly justified with expected outcomes to make it profitable. This means that there is no margin for marketing campaigns or market proofs and that the company, for now, can be focus on one country only.

All these parameters already exclude some candidates like China or Canada, where special licenses (that cost money) are needed, plus the process is complex and not transparent in the Chinese case. **The USA's market is interesting from the selling point of view, and especially if the winery decides to switch the focus there and to establish itself as an importer** of its own wine, which allows much higher margins since an external importer can be skipped in the supply chain. But this requires many resources (premises, bureaucracy, and salaries) that are inaccessible at the moment. The focus must be therefore on the European markets, mainly for the easiness of doing business inside the Common Market and the low transport costs.

Moreover, in the European markets, Spanish wine is already well-known, and no marketing or promotion is necessary (this last is the main con of entering the **Japanese market, where promotional campaigns are essential**, and this requires huge number of resources). Among the candidates, Portugal and France are saturated markets with local competitors and tough Spanish competitors (both in price and quality). **Switzerland on the other hand offers higher margins, but top excellent quality and the POD are necessary to compete** with the local producers and the foreign competitors, and in the short to middle term the POD seems inaccessible for Bodegas JBC.

The Netherlands offers great accessibility and low barriers to enter the market. However, there are other Spanish competitors with better price-quality relation. Since organic products are still not widely appreciated and this niche is not big enough, market penetration is dominated by price offers, which are the main value driver. Positioning and competing in a price-sensitive market becomes difficult given the high production costs of Bodegas JBC, so the risk of being stuck in the middle is particularly high in the Dutch market.

On the other hand, **German market is characterized by a significant number of people who value and are willing to pay more for organic products**. This is a great opportunity in case that Bodegas JBC decides to focus on organic, Eco-friendly, and fair-trade segments. Prices of the Spanish wines are stable, around 1.20-1.50€/liter on average, and with progressive growth trend in the last years. The penetration strategy should be to focus on red wines, which have organic and similar labels, and sell them to importers located in the North of the country, where the competence of Italian wines is lower.

Nevertheless, the UK represents a more interesting option since there are no local producers, consumption is high, and the **target population (people living in urban areas) are easily accessible**. Moreover, price sensitiveness is lower than in the other European markets. The fact that wines suffer from high special taxes, makes the final prices artificially higher, with a significant impact especially on the cheap wines. For this reason, being a winery focused on red wines addressed to low-volume segments, these taxes impact more the competitors on price and help to "dilute" the higher prices of other wines (those of higher quality). In this case, the penetration strategy must pay special attention to the design and image, which will be explained more in detail later.

### 3 LABELLING, BREXIT IMPACT AND SWOT ANALYSIS

#### 3.1 THE VALUE OF LABELS (PDO/PGI) & ECOLOGICAL AWARENESS IN THE UK

The scheme for Protected Designation of Origin (PDO), Protected Geographical Indications (PGI) and the EU Organic logo was set up to protect the legitimate interests of consumers and producers, ensure the smooth operation of the internal market and promote the production of quality products. In 2018, there were more than 1,100 different wine PDOs and 440 PGIs in the EU, accounting for a market value of around 39,500 million Euro. This **represented 58% of the value of EU total wine production**. [23]



The designation of origin consists of the name of a place (usually a region) used to describe a product. It can be used when the quality and characteristics of the wine product are essentially or exclusively due to a particular geographical environment with its inherent natural and human factors. The grapes used for its production must come exclusively from that specific geographical area, and its production must also take place in that geographical area.



The same as PDO, the geographical indication refers to a place used to describe a product. It can be used when the wine product possesses a specific quality, reputation, or other special characteristics attributable to that geographical origin. In contrast to PDO, **in PGI it is required that at least 85% of the grapes used for its production come exclusively from that geographical area**, and its production must take place in the geographical area. [24]

*Figure 3.1a –EU logos to designate PDO, PGI, and organic products [25]*



The EU Organic logo gives a coherent visual identity to EU produced organic products. This makes it easier for the consumers to identify organic products and helps producers to better promote their goods across the entire EU. The Organic logo can only be used on products that have been certified as organic by an authorised control agency or body. This means that they fulfill strict conditions on how they must be produced, processed, transported and stored. The logo can only be used on products which contain at least 95% of organic ingredients and additionally respect further strict conditions for the remaining 5%. Moreover, the same ingredient cannot be present in organic and non organic form. [26]



In parallel, there are other associations that periodically certify the organic origin of products and that are **faster and need less bureaucracy than the EU certification**. One of them is the Soil Association, present in Great Britain. The certification costs are £ 750 per year, as every year an inspection must be carried out.

*Figure 3.1b –Organic logo from Soil Association [27]*

This association publishes studies on the organic products. In the last study published in 2020, it reported that organic products represented £ 2,500 million in 2019, with a constant growth that was 4.5% (in 2020, organic sales were £ 2,800 million). But especially in case of wine, the growth was bigger than in any other sector, with more than 47% and £ 50million sales in 2019. [28] This trend is not expected to end in the upcoming years with a forecasted growth of 2 digits. For this reason, organic seal/label seems to be a clear sign of added value that is appreciated by customers.

In the case of Bodegas JBC, the certification does not require much resources and a part of the vineyards are already prepared to get the organic certification. It is important to mention that European competitors are already on the way to get organic certifications. Particularly **in the case of Spain, the conversions from standard to dedicated organic vineyards have grown by 522%** in the period of 2008-2018. [29]

## 3.2 BREXIT IMPACT ON THE WINE TRADE

After 2021, the UK will leave the EU and after the transition period, each part will become a third country from the other's perspective. As for the international trade, this means that **more bureaucracy will be required when importing/exporting**. In case of wine, and thanks to the Brexit Agreement, EU exports to the UK will not be subjected to custom duties. Sanitary forms will not be obligatory, but a declaration of origin will be mandatory for the producer, even though it is a simple declaration that can be done one's own.

In the official agreement there are several references explaining that new regulations will be negotiated by both parties in order to facilitate wine trade between the EU and the UK. Nevertheless, a significant red tape will be mandatory. And **this can increase final prices and delay the shipments** up to one week, which on average takes 2-3 weeks. But, on the other hand, no more certificates are required for regular wines until June 31<sup>st</sup>, 2021. And it is expected to continue like this afterwards.

**Brexit will affect PDOs and PDIs, that will have to be registered in the UK in order to be recognized.** The organic farming products recognized by the EU will continue to be recognized in the UK in the same way, as the requirements will be the same. But, from July 1<sup>st</sup>, 2021 it will be mandatory to possess a COI (Certificate of Inspection of Organic Products) for each shipment of organic products, which will translate into more red tape.

## 3.3 SWOT ANALYSIS

The abbreviation SWOT stands for Strengths, Weaknesses, Opportunities, and Threats. The SWOT analysis is a tool to organize and assess these four aspects with regards to Bodegas JBC. This technique entails a double analysis - of the internal and external aspects. Strengths and weaknesses are evaluated internally, within the company. In other words, these are things that Bodegas JBC controls and can change, while the opportunities and threats are externally triggered because they refer to the market in which Bodegas JBC operates and cannot be changed by the company itself. The goal of studying the external context is to take advantage of the opportunities and protect the enterprise against threats, but not to change them.

### 3.3.1 STRENGTHS

- Variety of products for almost all segments: different red wines, white, rosé, bag-in-box...
- Products already positioned on the local market.
- Good quality of all products, some details could be improved though.
- Good reputation among the local community in the surroundings of the winery.
- Privileged location given the sun hours and altitude of the vineyards.
- A part of the production can be certified as organic in a short term.
- Big capacity of the facilities, no further investments are required.
- Solid financial position, with no debt.
- Availability to organize visits to the winery that serve as a channel for sales.
- First steps for the presence on the Internet have been done: website and promotional videos

### 3.3.2 WEAKNESSES

- Total dependence on the sales exclusively in the local area, where the market is saturated and purchasing the power is significantly lower than in urban/touristic areas.
- High production costs.
- Young business, with no experience in the international trade.
- Low production (volume) that limits the scope of potential importers.

- Absence of a popular PDO to join (like Rioja, Ribera del Duero, Priorat, Rías Baixas...)
- Generally, low commitment of shareholders, which can transmit to lower levels.
- Limited capabilities of the members in key aspects like business strategy, market perspective, marketing mix, foreign languages...
- Financial resources are limited.
- Low visibility on social networks, especially YouTube, Facebook, and Instagram.

### **3.3.3 OPPORTUNITIES:**

- Digitalization reduces distances/barriers and allows better control of the business on new markets.
- Globalization of general trends, where wine consumption is extending to new and unexploited markets.
- General interest for organic and eco-friendly products, including materials for packaging (no plastic).
- Consumption extended to younger segments and women, who have different preferences (white wines, sparkling drinks...) and are more open to use digital tools such as forums, websites, or social networks.
- In the case of UK, it is expected that Brexit and the Covid crisis will eliminate a part of the competitors.
- In the post-Brexit scenario, although outside of the European Common Market, the UK will continue as one of the markets where exporting is relatively easy, and no hard barriers are expected.
- Protectionist policies inspired by Donald Trump are expected to be released after his defeat in the elections.

### **3.3.4 THREATS**

- Competition in wine industry is hard. The excess of producers in Europe extends the saturation also to foreign markets.
- British market is easily accessible for other competitors too, who sometimes count with more resources.
- Switching the producer is relatively easy for importers and distributors.
- Wine market is sensitive to price, and prices are low.
- Brexit negotiations have not ended yet and British government can impose duties and barriers on imports, if finally there is a no-deal scenario.



## 4 ANALYSIS OF THE WINE MARKET IN THE UNITED KINGDOM

### 4.1 WINE CONSUMPTION IN THE UNITED KINGDOM

During the last decades, there has been a sustained growth of wine consumption in the UK until 2015, when the trend changed. Until then, the percentage of wine drinkers among alcohol drinkers has increased first from 10 to 25% in the period of 1970-2000. The growth has continued during the next 15 years, with a special pronouncement between 2000-2005, as the graph below indicates.

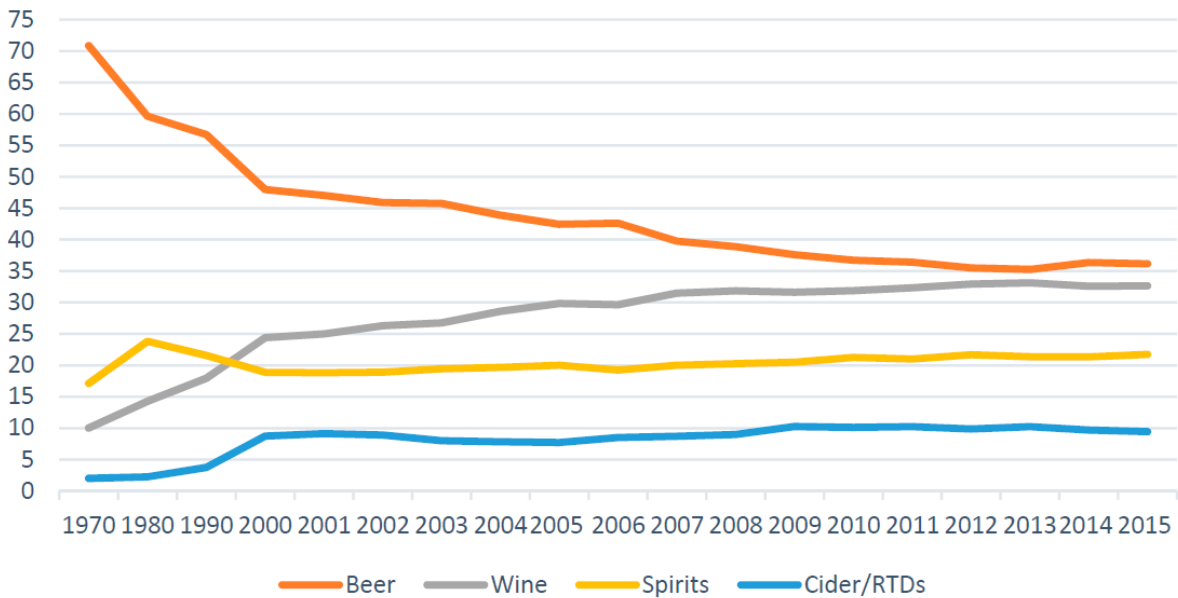


Figure 4.1a –Evolution of alcoholics' popularity in the UK (share of total) [30]

However, during the years 2005-2015 the average alcohol consumption per capita (pure alcohol) has decreased from 11.4 liter/person to 9.5 liter/person. Apart from that, wine has gained quote among other alcoholic drinks and now **55% of adults are wine consumers**, while in spirits it is only 43%.

The following graph below shows the mix of wine consumption by sort of wine (in volume). If the focus is on still wines, **the most consumed are white with 45% of still wines in 2015, followed by red wines with 43%**, and rosé wines, with 12%. [30]

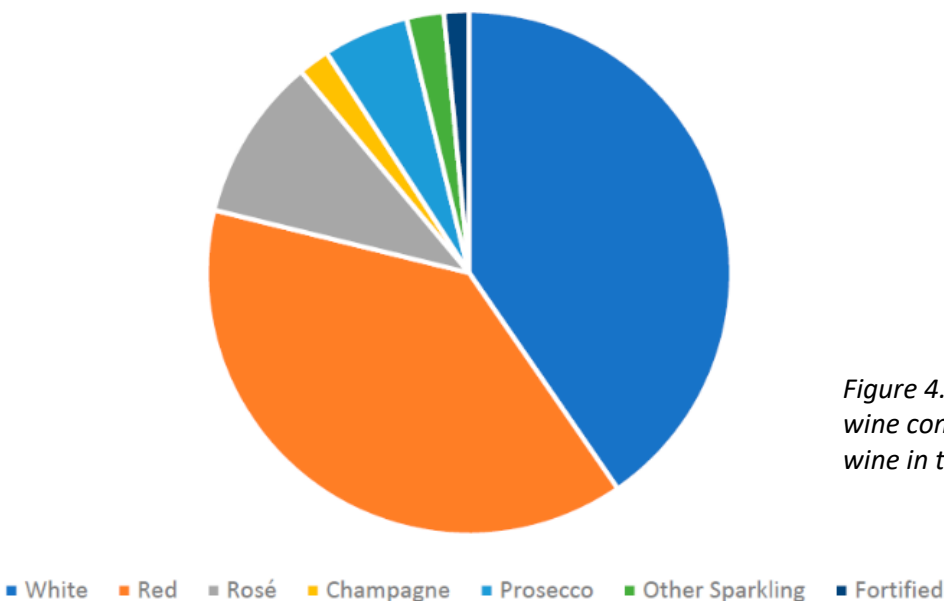


Figure 4.1b –Graph showing wine consumption by sort of wine in the UK, 2015 [30]

**4.2 BRITISH NATIONAL PRODUCTION**

In the last years, **British production is booming** with an increase of the land dedicated for grapes by 150% in the last 10 years, and by 300% in the last 20 years. In absolute numbers, the total area used for wine production occupies 3,500 ha and is expected to grow a lot in the upcoming years. In fact, in 2019, 3.2 mill. vines were planted, occupying a surface of 690 ha. This has been a record since the planted vines were 1 mill. and 1.6 mill. in 2017 and 2018, respectively. [31] And this trend is expected to continue in the future. With more than 28,000 ha suitable for wine in the UK, the production could account for 30 million liter in the next two decades. [32]

During 2019, 7.8 mill. liter wine was produced in England and Wales, with an increase of 3.5 mill. liter in absolute terms with respect to the production of 2017. However, there is a decrease compared to 2018, when the record of 9.8 mill. liter was achieved. In any case, the production is characterized by sparkling wines, accounting for more than two thirds of the total.

Apart from this, the UK was able to export a part of its wine (10% in 2019), which was mainly distributed to Scandinavian countries, the USA and Canada. [33] But in general, the weather and land conditions of the UK are not very favorable for cultivating wines. And this is reflected in the general production amount, which **covered only 0.6% of the consumption in the record year of production**. Therefore, despite of the vigorous growth of production, **the UK is still very far from becoming an international wine power**.

**4.3 EXCISE DUTIES ON WINE IN THE UK**

In the UK, wine is still subject of a **special tax of £2.23 per bottle (exc. 20% VAT)**. Considering that the UK is the third country with the highest duty on wine in Europe, producers and vendors are not happy with this governmental policy. This tax is arbitrary and does not make further distinction in alcohol percentage inside 5.5%-15% category. This is a general category where all still wines belong and all of them are taxed the same. Out of this, fortified wines (15%-22% alc.) are taxed with £2.86 + VAT, and sparkling wines are £2.16, or £2.86, (both + VAT) if they exceed 8.5% alcohol. [34]

Duty rates on wine in the EU		
VAT INCLUDED ON THE DUTY		
	STILL WINE DUTY	
	Duty btl £	Duty btl €
Ireland	£3.50	€3.92
Finland	£3.18	€3.56
UK	£2.68	€3.00
Sweden	£2.28	€2.56
Lithuania	£1.33	€1.49
Denmark	£1.31	€1.46
Netherlands	£0.72	€0.80
Estonia	£1.19	€1.33
Latvia	£0.75	€0.83
Belgium	£0.61	€0.68
Poland	£0.30	€0.34
Malta	£0.16	€0.18
Greece	£0.17	€0.19
France	£0.03	€0.03

This tax has **increased by 112% since 1995**, when it was £1.05. This increase in the tax is much bigger than in other alcoholic drinks. For example, in the case of sparkling wine, the increase has been 67% (from £1.50 to £2.51 on average) during the same period, 72% in the case of beer (from 25p to 43p), or 64% in the case of cider (from 14p to 23p).

This arbitrary increase is not motivated by any health recommendation because for the majority of alcoholic drinks the increase has been lower. For example, for spirits the increase has been 39% (from £5.41 to £7.54) or even for fortified wine, which contains more alcohol, the increase has been 98% (from £1.50 to £2.98). Given the fact that this duty on still wine does not exist in half of the countries of the EU, and that only 3 of them charge more than €1.50/bottle, there are some voices that say that this is acting as a custom duty. In fact, **just the UK alone collects 28% more money from wine duty than what all the EU countries do together**.

Figure 4.3 –Table showing value of duty on wine in the UK and in the EU-members where it exists [30]

#### 4.4 INTERNAL COMPETITORS IN GREAT BRITAIN

In Great Britain, the market is split in roughly **55% on-trade** and 45% off-trade sales. Small producers tend to focus on the on-trade segment while high volume producers go for retailers. In the case of Bodegas JBC, the on-trade market is the target since it allows lower volume and higher margin for a quality wine. The goal, therefore, will be the importers where wines end up in restaurants, bars, hotels, etc... For this reason, a selection of importers will be explained in chapter 7 – Marketing Mix.

Nevertheless, a research has been conducted with some independent importers and online retailers (the latter are importers with online stores that offer a wide range of global premium wines). The outcome is that **there are Spanish producers serving all the main importers**. There is a **big variety among the origins** of each wine. However, in general terms, Northern wineries are widely extended while there are almost no Southern producers exporting to the UK out of the Jerez area. Moreover, given the fact that the most consumed wine in the UK is white, **most of the Spanish producers export red wines**, apart from a few specialized PDO areas like Albariño or Rueda. This leaves **some space where Bodegas JBC can introduce its white wine**.

In general terms, the overview shows that Spanish exported still wines are mainly red, with little presence of white and rosé. There is a relevant presence of PDO which are sold at a higher price. But this does not cover all the market offer, so there is a great presence of non-PDO wines as well. Furthermore, there are specialized importers of organic wines which are sold at an even higher price. Therefore, the panorama shows that **there are clear options for Bodegas JBC to introduce its wines in the UK**.

#### 4.5 WINE IMPORTS IN THE UK

As mentioned before, the United Kingdom is a net importer of wine in all its forms. The main exporters of wine to the UK are France, Italy, and Australia, followed by a little part by New Zealand and Spain, and then, Chile and the USA with less value. Nonetheless, these data are from 2020, already taking into account the impact of the Covid crisis. This has changed the habits of drinking, moving the consumption from restaurants and pubs to home. For this reason, countries that sell most of the wine on-trade have lost sales in comparison with the previous year, while others that sell in supermarkets have increased their market quote.

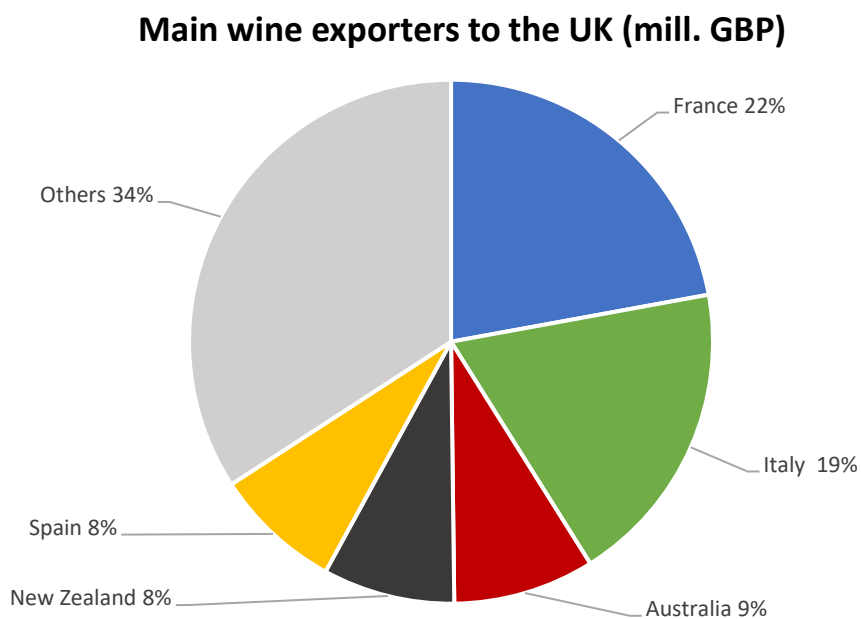


Figure 4.5 –Revenue share of wine imports in the UK by country [35]

For example, France, a country whose sales grew by 2.5% and 10.4% in 2018 and 2019, lost almost 3% in value during 2020. Something similar occurred to Italy, with a decrease of more than 8% of sales. On the other hand, Australia, a country whose wine is sold in retailers in 70% of cases and that is characterized for exporting bulk wine, increased its sales by more than 18% and replaced New Zealand in the 3<sup>rd</sup> place. This is a remarkable achievement considering that in 2019 the sales of Australian wine decreased.

### 4.6 SPANISH WINE EXPORTS TO THE UK

In the case of Spain, the impact of the Covid crisis has not been as harmful as for the other European competitors. This is due to the same fact: **Spanish wines are mainly sold in supermarkets** so the exposure to restrictions in restaurants and bars is lower.

In fact, around 14% of wine exports in volume to the UK was bulk wine, which is sold as the cheapest for high-volume segments. This numbers are record and represent almost nine times the volume of bulk wine exported in 2010, which has not stopped growing since then. But, if the focus is on the value, bulk wine accounted for less than 4% of sales at an average low-record price of 0.61€/liter, also due to the depreciation of the sterling pound. In any case this trend of Spanish bulk wine is the opposite of the business model that Bodegas JBC is willing to implement.

But not all the Spanish exported wine follows the trend of bulk wine. Actually, the **PDO-wine made a record of price in 2019, with an average of 3.19€/liter**. This comes after a progressive reduction of volume since 2011-2012, when the exports skyrocketed from 52 to 82 mill. liter in two years. At that time, the average price of PDO-wine was 2.20-2.30€/liter. But since then, the volume has been decreasing progressively while **price in euros has increased by more than 25% in the last ten years** (in pounds, the average price increase is bigger).

So, this is the trend that Bodegas JBC want to pursue for its wines. Particularly, as the winery does not have a PDO, **wine trend for Spanish non-PDO bottled wines is similar but smoother**, with a record in the average price also in 2020 and an increase of 16% since 2010.

### 4.7 MARKET TRENDS IN GREAT BRITAIN

One of the things that the Covid crisis has proven is that **wine is rooted in British consumers**. In 2020, wine consumption has remained strong in the UK with a **growth in off-trade sales that compensates for the on-trade fall**. The price per liter has decreased on average but has grown on the off-trade market. For example, 25% of consumers said they spent over £8 per bottle in 2020, while in 2019 this number was 23%. [36] And although the trend in the last years has been a progressive loss of drinking people, **with four million less drinkers of wine in the UK since 2015, there are signals for a renaissance after the Covid crisis**.

Despite some bad news for the wine market as drinkers were shrinking before the Covid crisis, it is being demonstrated that traditional **wine drinkers are faithful to the drink**. These are mainly the older people, those who prefer red wine, while the younger people have been abandoning wine in search of gin and beer during the last years. Also, during 2020, there has been a great increase in the online sales with one in seven wine drinkers shopping through a specialized wine retail website. [37]

All things considered, during the last year there has been an increase in volume but a loss in sales, because on-trade places have suffered restrictions. However, half of the British drinkers confirmed they were drinking wine during the day outside of mealtimes during the lockdown, with a third saying this happened at least once a week. [38] Particularly this increase in the habits of drinking wine is expected to be rooted and to continue after the Covid crisis, moving consumers from off-trade to on-trade places when the restrictions start to be lifted.

On the other hand, **Brexit is expected to have a limited impact on wine since the Brexit agreement was reached.** It is known that no custom duties will be imposed and, until now, not much bureaucracy is required thanks to **mutual recognition of same EU-British standards.** Before the agreement, some estimated an impact of £1-1.50 on the final price of each bottle. [39] Nevertheless, now the costs are expected to be around 150£/shipment, which in the case of a full pallet load (600 bottles) accounts for 0.25£/bottle. Therefore, Brexit might increase prices by a few pennies, but **this is far from having a big impact on consumption.**

In conclusion, apart from the reduction of consumption during 2015-2019, the UK is still the second biggest importer of wine in the world. In 2018, the wine market accounted for £10,600 million in sales, out of which more than £250 million ended up in the hands of Spanish producers. [9,40] Apart from the Covid effects and given the fact that Brexit impact is expected to be very limited, **there are segments that can still be better exploited (for example, the organic products).** For these reasons, it is accurate to consider it as a good candidate where to start exporting.

## 5 GEOGRAPHICAL SCOPE

### 5.1 GENERAL OVERVIEW



**The United Kingdom is one of the most populated countries in Europe** and it is characterized by its high density, which in 2019 was 275 inhabitants/km<sup>2</sup>. England, with 56 mill. people, represents more than 84% of the British population. [41] This increases the density up to 424 inhabitants/km<sup>2</sup>, the highest in Europe after Malta. Moreover, **the population is concentrated in urban areas** with an urbanization rate of 83%, according to the World Bank data of 2018. This is more than France (80%), Germany (77%), Italy (70%), or Spain (80%).

Given the characteristics of the British population, the focus will be on England, since it is where most of the people live, the market is bigger, and there is more availability of infrastructures. Particularly, following the same criteria the focus will be on the great urban areas of England.

Figure 5.1a – UK’s night view from space [42]

The graph below shows the regional areas of Great Britain and the wine consumption on- and off-trade. As it is noticeable in the graph, in the countries of Scotland and Wales, value rate is lower than volume. This means that, on average, wine is sold at a lower price than in the rest of areas. This is in accordance with the purchasing power, which is higher in England than in the rest of the UK. On the other hand, **London differs from the rest of the areas for its higher consumption and higher prices, which makes it a very good candidate for Bodegas JBC.**

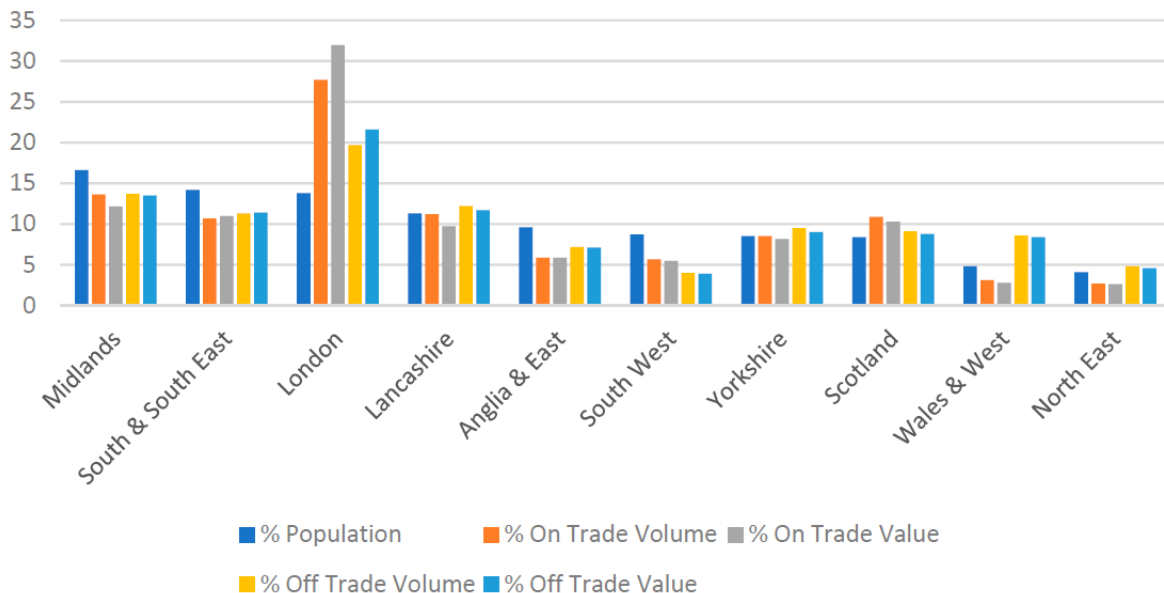


Figure 5.1b – Share of population and consumption by area in the UK [30]

## 5.2 GREATER LONDON BUILT-UP AREA

It is the biggest urban area in the UK and the third largest metropolitan area in Europe after Moscow and Istanbul. This area represents more than 14% of the population of the UK and it received **more than 21 million tourists in the year 2019 who spent approximately £2,100 mill.** in the city. [43] These tourist visits are especially characterized by expenditure in hotels, restaurants, and bars, among others. For this reason, **the on-trade sales of wine represented 27% of the total in the UK**, while off-trade sales were almost 20%. But still, the latter are high if the comparison is made with regards to the population, which accounts for only 14%. Since the off-trade sales are little in terms of tourism, this demonstrates that **in London, ordinary people drink more wine than in the rest of the UK**, on average.

Moreover, the expenditure is significantly higher in the on-trade consumption, with 32% of expenses for only 27% of volume. This is in accordance with the higher **purchasing power of the population in London, which is 72% higher than the UK's average.** [44] This big difference in the average purchasing power compared to the rest of the state is reflected also in **higher prices.** This factor combined with the tourist consumption makes London area a very attractive candidate for Bodegas JBC.



*Figure 5.2 – Roll on - Roll off transportation in the Eurotunnel [45]*

In addition, the area is **very accessible by any means of transport.** There are up to six international airports in London and Great Britain is connected with the continent through the Eurotunnel, which connects Calais (France) and Dover (England). This allows not only transport by train but also by truck thanks to the Ro-Ro (Roll on-Roll off) system in the trains (see image above). Moreover, there are four important ports in the surroundings. On the one hand, London Gateway and Tilbury ports are closer and smaller, while Southampton and Felixstowe are much bigger but located further from the metropolitan area of London. In any case, the access to London from Spain is possible by air, water, railway and road transport, and there are plenty of competitors in each of the options.

## 5.3 GREATER BIRMINGHAM

Officially known as West Midlands Conurbation, it is the second largest urban area in the UK, with more than 2.9 million people. One particularity of Birmingham, the most important city, is that it is even more ethnically diverse than London. The composition is around 70% of whites, 20% Asian, and the rest are blacks or mixed people. [46] These groups are usually willing to drink other drinks different from wine. Moreover, around 15% of the population are Muslims, who do not drink alcohol at all. And up to 5% are gypsies and travelers, who are not among the group segments who drink much wine.

In addition, tourism does not represent any important source of income in the city. Altogether, for a population of 16% of the UK (West + East Midlands), the value of **on-trade consumption is significantly low**, with only 12% of the total according to the graph. For this reason, this area does not seem to be a good candidate to be considered for the internationalization of Bodegas JBC.

## 5.4 GREATER MANCHESTER BUILT-UP AREA

It is the third most populous conurbation in the UK, just after London. It accounts for more than 2.8 million people, which represents 5% of the population of England. The city received almost 1.5 million tourists in 2019, which makes it the third most visited city in the UK, just after London and Edinburgh. However, the airport transported about 29 million travelers in the same year. Many of these travelers usually fly to southern countries during holidays, so many of them know wine and are interested in the drink.

Apart from that, consumption in this and in the neighboring areas (Lancaster + Liverpool) is slightly over the average, with 12% off-trade consumption for an agglomeration that represents 11% of the population, as it is shown in the graph above. But this **consumption is not transformed in higher sales**, that especially in the case of on-trade, represent less than 10% in value.

## 5.5 LEEDS-BRADFORD METROPOLITAN AREA

Together with Sheffield Metropolitan Area and other minor towns, this area constitutes the official region of Yorkshire and the Humber. Altogether, there are 4.5 million people living in this region, which represents almost 7% of the total population in the UK. Economically, the region has been in decadence in the last decades due to its dependence on coal, metal, and steel industries. This has impoverished the **average purchasing power which now is the second lowest in the country**. In addition, there is no tourism and the dependence on industry is still high.

However, there are governmental plans for reindustrialization and, **in the case of Leeds, the city has become a center of finance and services**. For this reason, wine expenses on-trade are not as low as it would be expected based on the previously mentioned data. In fact, consumption is rooted in the people and is higher than British average. The same happens with on-trade expenses. From Bodegas JBC perspective, **only the urban area of Leeds-Bradford could be interesting given that wine consumption is rooted in the people and has a large population (2.3 million)**.

## 5.6 LIVERPOOL CITY REGION

Located very close to Manchester, this area accounts for 2.3million people. During 2017, the city received almost 900,000 foreign visitors who spent more than £350 million here. Among them, 170,000 were on business trips. [47] Overall, the city has had a vigorous growth and is scaling positions on the list of the most visited cities. However, tourism is not yet a relevant sector here. The main sources of income are services, where finance and insurance play an important role.

In the surroundings, there is an important port, an airport, and train infrastructure as well as roads. This makes it one of the most accessible places in the UK. But on the other hand, the same as in the case of the neighboring Manchester metropolitan area, **purchasing power in the region is far from being among the top of the country**. And this impacts the money spent in wine consumption, which represents 9% of on-trade sales in a region where people are 12% of total.

## 5.7 SOUTH HAMPSHIRE

This area is formed by the conurbation of Southampton and Portsmouth, both located in the South of Great Britain. The metropolitan area has a population of 1.5 million inhabitants. One of the major infrastructures is the Port of Southampton, which is highly experienced in handling all kinds of vehicles that arrive in Ro-Ro cargo, including trucks.

The area is known for its affluent economy, which is in part influenced by the ports of Portsmouth and Southampton, which transport hundreds of cruises every year. Moreover, there are also modern



industries employing many people, for example in labs and research centers. Tourism is very limited here and does not play any relevant role in the economy.

Differently from what can be expected given the flourishing of its economy, **in South Hampshire wine is not very popular**. The population represents 14% but drinks only 10% of the wine that is sold on-trade. For this 10% of the on-trade wine, it is charged 11% of the value, so prices are slightly higher than average. The region also counts with **some local producers, mainly of white and sparkling wines**.

### 5.8 TYNESIDE

With more than 800,000 people, Tyneside is the 7<sup>th</sup> largest conurbation in England. It is located in the North East and traditionally it used to be known for shipbuilding and coal mines. Since the 70's, these sectors suffered a severe crisis that translated in high unemployment. The situation has changed progressively, but economy is still recovering. Now, despite some new high-technology industries located in the cities, GDP is still lower than in other regions, and unemployment is higher than average.

This **decadence of the economy is reflected also in the prices of the wine consumed** in the area. Representing only 8% of the British population, off-trade consumption is almost 10% in volume. But, in value, it accounts for 9%, which means that prices are below average. If the focus is on on-trade, with higher prices, volume consumption falls to 5%, and value is also below the average. These data demonstrate that **although people tend to drink wine, they are willing to pay only a low price for it**. Apart from that, population is not as big in this urban area as in the others, plus tourism does not exist here. Therefore, the opportunities to grow for Bodegas JBC are very limited in this scenario.

### 5.9 WHERE TO EXPORT WITHIN GREAT BRITAIN: CONCLUSION

As mentioned before, **London represents more than 14% of the population** of the UK and received more than 21 million tourists in 2019 who spent £2,100 mill. in the city. [48] A significant part of these expenditures corresponded to food and drinks served in restaurants and bars. For this reason, **the on-trade sales of wine represented 27% of the total in the UK**, while the population accounts for only 14%.

Moreover, the higher purchasing power of the people in London, which is 72% higher than UK's average, allows higher prices of wine so the expenditure is significantly higher in the on-trade consumption. [44] This **big difference of prices, combined with the additional tourist consumption, makes London area the best candidate for Bodegas JBC**.

In addition, **the area is very accessible** not only by water but by any means of transport. Access to London from Spain is possible by road thanks to the Eurotunnel, and there are multiple competitors, which makes **shipping prices very competitive**.

## 6 SEGMENTATION & TARGETING OF WINE DRINKERS

According to the Accolade Wine Report [49], **the most consumed wine type on-trade is white, with 41% of total. It is followed by red wine, with 38%**. The least consumed ones are sparkling, fortified and rosé wines. If the focus is on the Spanish wines, altogether they represent 6.1% of the total on-trade consumption, which makes it the 6<sup>th</sup> largest exporter. But in order to better understand the consumption, the market of wine drinkers will be split in the following segments, which are internally homogeneous and measurable, so that conclusions can be made easily.

### 6.1 STRONG PROSPECTS

Firstly, *strong prospects* are those people who are relatively new in this field. Nevertheless, they have developed a **strong interest in wine and want to be seen as knowledgeable**. They are willing to broaden their knowledge and experience, especially if this results in **impressing others**. Overall, *strong prospects* are between 35-44 years old, and the proportion of women among them is more than 70%. They are the most important segment since they represent only 18% of the population who drinks wine, but **they account for 27% of on-trade wine value**.

### 6.2 CONFIDENT ENTHUSIASTS

The second most important group are *confident enthusiasts*. These are highly interested in knowing all about wine and they use it as the drink for their social events, meals, or relax. *Confident enthusiasts* are willing to learn about all sorts of wine and processes, so **they are very receptive to labels**. As it can be expected, they have their favorite wines, which usually tend to be some of the big-name brands, and they are relatively faithful to them. *Confident enthusiasts* are also in the same age range as the strong prospects, 35-44 years old. Being only 9% of population, they are **responsible for 18% of on-trade sales**.

### 6.3 ENGAGED EXPLORERS

The next group by importance are the *engaged explorers*. These are regular wine drinkers with an interest in expanding their knowledge. They are receptive to expert recommendations, but they like to apply their own knowledge and experience as well. Two thirds of them are **men which are more willing to drink red than white wines**. By age, these people are **more than 55 years old** and represent 10% of all wine consumers, and they are **responsible for 17% of on-trade sales**.

### 6.4 EXPERTS

*Experts* are classified in the 4<sup>th</sup> segment by relevance. They are characterized by knowing a lot about wines and are open to drink all kinds of wine. They drink wine mostly with food or for celebrations and around **80% of them are men**. They are more than 55 years old and represent only 4% of population. They account for **12% of on-trade** and 23% of off-trade sales.

### 6.5 ROUTINERS

The last segment are *routiners*. For those, wine is a staple, although they do not attribute too much value to it. They are between 45 and 54 years old, represent 9% of population, and **account for 9% of on-trade sales**. However, they tend to buy more in supermarkets or online since it is cheaper, and they consume wine regularly. **They like varieties and wines from small foreign wineries**. There is an equal proportion of men and women under this segment, the same as for white vs. red consumption.

## 6.6 TARGETING

It is remarkable that *strong prospects* together with *confident enthusiasts* are those **between 35 and 44 years old**. Together, they account for **45% of on-trade sales** so it is essential to address them properly and to understand their taste in order to succeed in the business. In both segments **there is a higher proportion of women**, who represent more than 70% of *strong prospects* and more than 60% in the case of *confident enthusiasts*. The higher presence of women in both segments forms a strong basis of people willing to drink rosé wine, with more than a half of total rosé wine drinkers. This creates some space to introduce *Vino Rosa*, from Bodegas JBC.

But apart from the rosé niche, red wine is drunk by around 70% of people in both segments, with more drinkers among *confident enthusiasts*. The same happens with white wine, which is the most preferred one and it is drunk by almost 90% of *confident enthusiasts*. As explained before, **in both segments there is plenty of space for all the wines produced by Bodegas JBC**.

On the other hand, *engaged explorers* and *experts* are the segments of people with **more than 55 years of age**. Altogether, they are responsible for **30% of on-trade wine sales**. Two out of every three *engaged explorers* are men, and in the case of *experts*, men represent up to 80%. For this reason, both groups tend to **drink more red than white wine**. Despite that, the proportion of white wine consumers is still high, with more than 70% related to *engaged explorers* and more than 85% among experts. At the same time, *experts* are those who **spend the biggest amount of money per bottle**, so these are very good candidates for Bodegas JBC wines, especially for *Catenaccio* wine.

Besides that, *routiners* can be found in both groups of **age 44-55 years old** and represent an additional consumption group. These are characterized by lower spending than experts but, on the other hand, they are also **more open to try wines that do not belong to big brands**. The latter makes *routiners* a complementary group of customers that is convenient to take into account in the design of the marketing mix. Since they are responsible for 10% of sales, this segment can have a moderate impact on sales.

## 7 POSITIONING STRATEGY: MARKETING MIX

In order to define the set of tactics that will help Bodegas JBC to start exporting to the UK and to position its products there, it is convenient to use the marketing mix. This tool helps to clarify the strategy and steps in each of the main areas of action. Normally, there are four areas forming the marketing mix, which are Product, Place, Promotion, and Price (the so-called four P's). Nevertheless, in this case it will be convenient to perform an extended analysis. For this reason, three more P's will be also included, which are, People, Processes, and Physical evidence.

### 7.1 PRODUCT

Product is essential for positioning. In this case, Bodegas JBC will focus on business-to-business trade for *shopping goods*. Wines that are sold by supermarkets or retailers are pure *convenience goods*, which are characterized by impulsive and frequent purchase, low price, and intensive distribution. In contrast to these, the wines that are sold in restaurants are considered *shopping goods* or a hybrid between *shopping* and *convenience goods*. This is due to the similarities with shopping goods, which are characterized by higher planning and more effort to compare products during purchase. Besides that, price is proportional to differentiation and in many cases, consumption involves certain level of service.

Whatever the classification is, it is important to identify all the features that create/reduce the value of a wine from the customer's perspective. Starting from the product itself, the first (and for now the only) product with which **Bodegas JBC will enter the British market is Catenaccio**, the most premium red wine offer of the catalogue. And, as it has been previously mentioned several times, it is **addressed to on-trade consumption**. Therefore, first of all, the focus is on knowing who the customer is and what their habits are. The *buyer persona* is a very helpful tool to identify the most typical consumer.

In the case of red wine, the buyer persona is a man of more than 55 years of age that is willing to drink high quality wine and can afford it. Moreover, this man is experienced and has relevant knowledge in wines. On the other hand, another version of the buyer persona is a man that is not so experienced and does not have deep knowledge about wine, but he still likes it and is willing to learn something to impress his friends. In both versions, **the buyer persona is a man that looks for high quality wine and is also willing to know more details about the wine, fruit growth, production process, brand history, etc...**

As it has been explained in the previous chapter, most segments are willing to drink high quality red wines, especially the people over 55 years. For this reason, *Catenaccio* is the best option and, when selling, it must always have perfect conditions of taste and form that categorize it as a premium wine.



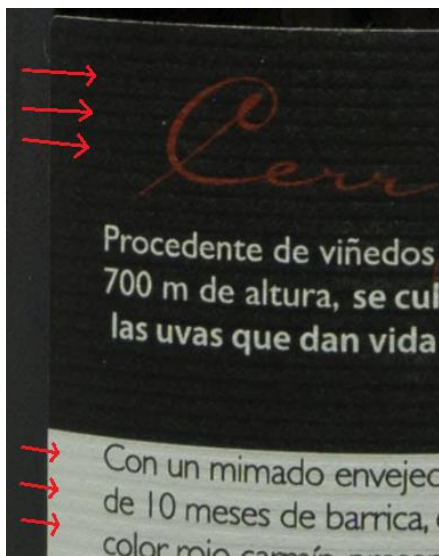
Nowadays, some of the already produced bottles of Catenaccio from previous years contain sediments when the bottles are open. This is due to the natural fermentation process of wine that takes place under 40°C and provokes the precipitation of tartaric acid in form of crystals. In any case, this is not a sign of lower quality, or spoilt fermentation. This process is absolutely normal and natural. Therefore, a wine decanter is needed to serve the wine if the sediments should be avoided.

Figure 7.1a – Wine served in a decanter [50]

But **most of the people still relate sediments to low quality, or simply dislike the appearance** of the sediments in the glass. Given the fact that an important part of red wine consumers have limited knowledge about wine production processes and many of them like to present the drink as a high standing product to others, **sediments are a trait that is needed to be eliminated from the wine**. Its elimination with filtration processes can even affect the flavor of wine, slightly modifying the taste. But **this is preferable than serving a wine that will not be appreciated by most of its drinkers**. Furthermore, as competitors' products do not contain such a detectable amount of sediments, this trait can be enough to move *Catenaccio* out of the market.



Figure 7.1b – Sediments in a glass of red wine [51]



Besides that, it is always convenient to **avoid screwcaps and synthetic corks**, since they are perceived as low quality by a relevant number of customers.

In addition, **the material of the labels could be modified**. Nowadays, the labels are printed in paper and this contains the glue that is extended on the lines. After being stuck, the glue loses its transparency and becomes slightly visible in horizontal lines. Another thing to improve about the labels is the way how they are stuck on the bottle. It is very important to make a special effort in the procedure and to check it afterwards, in order to avoid exporting bottles with a label in an asymmetric position.



Figures 7.1c and 7.1d – Labels of wine bottles from Bodegas JBC [1]

Moreover, although there is no special need to redesign the labels of *Catenaccio*, **it is very important to include the seals of organic and PGI**, which will contribute to the value creation. Many customers are willing to know the details of what they drink and they are very receptive to the labels. For this reason, it is necessary to **include key details that may make the difference in value perception for the customer**.

For example, a trait of the history of the winery, the prizes and awards the wine has won; the organic controls and procedures to ensure the highest quality standards; the latitude and height where it is produced (combines long sun-radiation hours plus natural protection against plagues); the tradition and experience in producing wine that has been transmitted from one generation to another; the wine passion of the little producers that own the winery; the fair-trade and sustainability for small businesses; or even other “minor” details such as the glass of the bottle comes from recycled materials, are enough to **make the difference between a second opportunity or a complete discard in customer’s mindset**.



On the other hand, as white wine is preferred by women and it is even more consumed than red wine, the UK can be a good opportunity where to sell *Benzin*. Following a similar approach like with *Catenaccio*, **the history of the vineyards and other details must be included on the label, as well as the organic and PGI seals.** In this case, this product does not contain sediments, so no filtering process is required.

*Figure 7.1e – Wine bottles of Benzin, by Bodegas JBC [1]*

However, **the name sounds confusing and it is difficult to remember it, so a name change could be considered.** Maybe taking benefit of the history of the uniqueness of the vineyards and that this variety was discontinued after the phylloxera plague, a name proposal might be *Discontinued*. This would call the attention of consumers and make them remember that the wine is unique and exclusive every time that they ask for it.

## 7.2 PLACE

Place refers to the channels and members involved in the distribution. First of all, in the case of a small wine producer, the next step in the distribution chain are the importers. As the final points of sales are unreachable by the winery, **the key partners are the importers and distributors that each point of sales is working with.** For this reason, **it is very important not to find just any importer but to find the right one.** This means that the importer and the producer must fit with the same value proposition, same geographical scope (covers target market) and with similar specialization or area of expertise. For example, importers specialized in wines from a determined region, organic products, particular range of prices...

In the case of Bodegas JBC, the product offer is characterized by Spanish wines with organic and PGI seals, and some of them have prizes and medals that ensure perception as a high-quality product. Another characteristic is middle-low volume production, but this could be increased in middle term if necessary.

An importer that may fit in this value proposition can be only focused on organic products, or on Spanish wines. **It is very important to do a proper research of each of the importers before approaching them.** Once the research has been conducted, the first contact can be through email or via LinkedIn. It is essential to **be clear, precise and avoid spelling mistakes in English.** The reason why this particular importer is the chosen one should be mentioned too.

Subsequently, the importer usually requests some information related to the winery and the products that are convenient to anticipate. For example, size and production capacity, main brands, production process, resources to support the brand, previous experience with other importers, precise historical data about each wine brand, pricing structure, and partnership model preferred. So, it is convenient to anticipate and be prepared for this. In addition, some samples will be asked for shipment together with some brochures and sale leaflets in English (if available). [52]

As listed below, a selection of some wine importers operating in London area has been made. It is important to mention that **there are companies and platforms specialized in putting small businesses in touch with *Business-to-Business* importers**. It might be interesting to hire some if the outcome of the own research is not satisfactory. Some candidates for importers research are *BestWineImporters* and *MatchPlat*.

#### ***Red Squirrel Wines***

Founded in 2012, specializing in wines made of native or just unusual grape varieties. Traditional wines endangered by the spread of 'international varieties'. Nowadays, Red Squirrel is one of the fastest growing specialists among wine importers in Britain, supplying the public and trade with some very exciting bottles. They seek bottles from new regions, re-emerging regions and forgotten regions. Wines that tell a story, are woven into the history of their region. They also like wines that look as good as they taste, and taste as good as they look like. So, to make it simple, they love good packaging. Among the organic red wines, there are Italian, French and German bottles starting from £14. The first Spanish red wine is Rioja and starts from £25. It seems there is more than enough potential for organic *Catenaccio*. [53]

#### ***Liberty Wines Ltd***

Established in 1997 with the support of some top wine producers from Italy. The aim was simply to work with exceptional producers, whatever size or location, with the belief that with hard work and by being stubbornly quality-focused, the finest wines would be delivered to our customers. Nowadays, with a portfolio of over 260 of the most exciting producers in the wine world, the importer and wholesaler Liberty Wines continues to offer exceptional value and quality at every level, selling to the on-trade, independent off-trade, and the high street. There are only 5 Spanish producers and only 2 are from the North of Spain. The rest produce Sherry wine from Jerez. It is a very interesting proposal although most of their wines have been prized by IWSC. [54]

#### ***The Wine Treasury Ltd***

It is an award-winning, London-based wine importer representing around 40 quality driven and charismatic wine producers from around the world: usually small and specialized. The wines they import are to be found in the best wine shops, restaurants, hotels and bars in Great Britain. There are only 2 Spanish producers, based in Murcia and Catalonia and producing organic wines. All the wines imported by them are also posted on the website and available for immediate delivery. [54]

#### ***Moreno Wine Merchants***

In 1980 a Spaniard set up Moreno Wine Importers as an Agency company, sourcing and distributing Spanish wines of unbeatable quality across all price levels. Moreno Wines continue to offer unbeatable quality and value on the old favorites from Rioja, Navarra, Rueda, Priorat, and Rias Baixas, as well as pioneering wines from the areas of Bierzo, or Alicante, among others. Apart from Jerez-Sherry, there is only one winery in the Area of Andalusia-Murcia, which is located in Malaga. Although the competition must be tough, the experience and expertise in Spanish wines make it a very good candidate with whom to export. [54]

#### ***Lant Street Wine***

These independent wine merchants and an evolution of the Waterloo Wine Co that has been at home in Borough since 1986. The shop and warehouse – rather aptly once a cork factory – are located in the center of London. At LSW, they try to do a simple thing well, finding and importing interesting wines from small quality producers and selling them to the UK trade and public at reasonable prices. They have long-standing relationships with their producers who are for the biggest part family-run estates, and as such, they are selling wines that they feel they know – how they have evolved, who makes them, how much the producers care. Customers can stroll around the shop, get advice on the style and flavors offered, and have the certainty that they have chosen exactly the bottle they are looking for. Very good candidate since there is a special interest in small wineries and there are only a couple of Spanish competitors. [54]

### ***C&D Wines***

This company was established in 1985 and is the leading importer and distributor of Spanish wine and food to the UK. The idea was to show to the British market how rich Spanish cuisine is and to give the best producers the opportunity to grow outside beyond the frontiers. A few years later, one of the most important wineries in Spain, Bodegas Muga, became a supplier. Now after more than 30 years, they work with over 80 suppliers and more than 300 of the finest Spanish products. They are totally committed to doing everything they can to help the British businesses grow providing them a great selection of Spanish products. There are wines from almost all parts of Spain. For this reason, the competition can be aggressive. However, the organic seal and PGI can neutralize some advantages of the competitors. [54]

### ***Indigo Wine***

Indigo Wine is an importer and agent of unique and homemade wines from all around the world, but especially from Spain. They are proud to distribute these wines to the UK's best restaurants and independent retailers. They are best known for sourcing fresh and balanced wines from Spanish producers in less-known regions who work with indigenous varieties. They work hard to find talented growers who are committed to making real, honest, and above all, delicious wines. In their catalogue, there is a notorious presence of small producers from all regions. Particularly from the South of Spain, there are some Sherry's wines and one winery from Malaga. [54]

## **7.3 PRICE**

Price is essential in the penetration strategy since **it is one of the main drivers to communicate value**. It directly impacts customer's expectations as well as the number of sales. For this reason, prices must be accurate to optimize the volume and the value of sales. Because of that, prices cannot be either too low, since the wine will not be appreciated as high quality, nor too high. Otherwise, sales decrease and customer's expectations are more difficult to satisfy. Therefore, in order to find the most accurate price for exporting, a complete study of each of the factors involved in the final pricing has been carried out. As explained below, **the price structure has been analyzed in a table considering different scenarios**.

The approach to get a general idea of the prices is to look at the average price of the Spanish wine exported to the UK. According to the report of OEMV, **in 2019 the average price was €4.25 per each PDO-bottle of wine, while the non-PDO was sold at €1.88/bottle** on average. However, these data are too general and do not differentiate between types and purposes of wine. Therefore, a more specific research is needed.

First of all, it is important to understand that the wine from Bodegas JBC is going to be sold on-trade, mainly in on-premise establishments. On-premise establishments are usually restaurants and bars, whereas off-premise vendors are typically wine shops. As most of the importers work as distributors who collaborate with restaurants, the perspective will be set on wine designed for consumption in restaurants.

Unfortunately, the money generator for restaurants in Great Britain is not food but drinks. This is why a glass of wine is not cheaper than £6, and a bottle costs usually between £18-30. In case the wine is sold per glass, the cheapest wine bottle that is sold to restaurant's customers costs £30 (considering 5 glasses per bottle). Since restaurants in London have a big markup, normally up to 3 times the price they pay to the distributor, it is frequent that they only pay £6-10 per most of the bottles.

As the idea is to set a minimum price, the production cost will be considered as the selling price to the importer, which at the same time plays the role of a distributor. In the case of Bodegas JBC, production costs have been estimated to around 2€ per bottle (VAT inc.) for any of the products. Now, considering



that there is a low exchange rate of £1=€1.10, production costs per bottle are £1.80. If the impact of the investment in organic seals, PGI and other improvements is considered, **costs can be estimated at around £2-2.20**. This is the production cost per bottle, which in Euro would be approximately €2.20-2.40.

Apart from that, there are some fixed costs such as **excise duty, which is £2.68** in the case of still wine with up to 15% of alcohol (VAT included). Moreover, other fixed costs are **freight and bureaucratic costs**, which together should not be more than **£1 per bottle**. Altogether, these costs set the minimum selling price to the importer on £6 per bottle, including shipping and excise duties that must be paid in the customs. Apart from fixed and production costs, there are the markups for importer and restaurant vendor. Normally, restaurateurs' markup is around 60-70% of the final price, while importers-distributors charge 25-30% of the price at which they sell to the restaurateurs.

For instance, considering the worst scenario when the producer (Bodegas JBC) has low bargaining power, this translates into 30% markup for importer, 70% for restaurateur, and £1 for shipping. In that case, a bottle sold at £2.20 (production cost) reaches £28.10 in the restaurant.

Now, repeating the same markups but increasing the price of producer to £3.30 (production cost + 50% profit), the final price for the customer results in £33.33. The latter would be an exaggerated scenario considering multiple severe factors such as low exchange rate and very low bargaining power. But even in this case with the highest selling price of £33/bottle, it is not expensive for being an organic red wine with *Protected Geographical Indication*.

Data per bottle (in £) VAT included	Freight + Bureaucracy	Excise Duty	Selling Price to Importer*	Importer + Distributor Markup	Restaurateur Markup	Price to Customer	Effect on Sales (Customer's Reaction)	% for Producer
No Changes + Low Bargaining Power	1	2.68	2.87	30%	70%	31.17	Price higher than competitors, difficulties to compete. Low sales expected	9.2%
Organic + PGI + Low Bargaining Power	1	2.68	3.41	30%	70%	33.75	Price in line with the market, though higher than similar wines non-organic. Average-low sales expected in standard restaurants	10.1%
No Changes + Middle Bargaining Power	1	2.68	2.87	30%	65%	26.71	Price in line with the market, average sales expected	10.7%
Organic + PGI + Middle Bargaining Power	1	2.68	3.41	30%	65%	28.94	Good price for organic, average-high sales expected.	11.8%
No Changes + High Bargaining Power	1	2.68	2.87	25%	60%	21.82	Price aligned with the low-price market. Sales expected to grow fast.	13.2%
Organic + PGI + High Bargaining Power	1	2.68	3.41	25%	60%	23.63	Very good price for the organic market. Sales expected to grow a lot.	14.4%

\*Calculated as price paid to producer considering production cost x 1.5. For organic PGI, 2.5x1.5=3.75€/bottle, for non-organic nor PGI, 2.1x1.5=3.15€/bottle. VAT included, excise duty and shipping costs excluded. Exchange rate £1=1.10€ applied

Figure 7.3 – Table of prices considering production costs and different scenarios. Own elaboration

As the table above indicates, **it is very possible to enter the British market as well as to maintain regular sales**. Also, in all cases the costs of **investing in organic production and PGI seals bring higher returns** since a bigger proportion of the money spent by customers goes to Bodegas JBC. In addition, it is expected that as the organic offer is still very low, differentiation on this can be a very powerful lever to increase the sales. In any case, there is enough potential to grow and, **if the right importer is found, profits per bottle can be much higher than on the Spanish market**.

## 7.4 PROMOTION

Communication is essential to foster growth, especially during the first phases when entering a new market. In the case of Bodegas JBC, promotion will substantially depend on the importer, since the marketing campaigns are in his charge. However, if there is enough trust and the importer is committed, collaborative campaigns can be performed in a successful way. These, in case of restaurants, can vary from special prices to leaving wine brochures on the tables. In terms of specialized-shops vendors it can be time-limited discounts and promotions. But all this **depends on the level of integration that the importer is willing to have**.

Normally, **higher integration in the distribution chain leads to a better performance since it is a win-win approach**. On the one hand, the retailer and restaurants share information about trends, prices, and customer tastes. This knowledge is valuable for both importer and producer because it allows to better plan inventories and organization, which leads to cutting costs. Besides that, the importer and producer can work together and design marketing campaigns that lead to more sales.

However, the main problem for integration is that sharing information usually entails less bargaining power and the risk of vertical integration for the importer. Therefore, finding the best importer is a decision that must be always considered as determinant with regards to the long-term effect.

At the same time, it is important to **pay attention to the website**. First of all, everything must be **available in English** and prepared for browsing as soon as possible. Secondly, as online sales from the company's own website are not relevant, eliminating this channel can be a good decision. The reason is that prices are published there, and this can lead to less bargaining power with the importer. Moreover, in some cases it could harm the prestige of the winery for those customers who feel attracted for the wine history/qualities and, when looking for more information, they discover its price in Spain is several times lower than what they have paid.

## 7.5 PEOPLE

This element is intended to analyze those people who are directly, or indirectly, involved in the business-side of the enterprise. Employees are responsible of each activity that occurs during the process of producing and selling the wine. For example, controlling the fermentation, designing the labels, taking care of the website, representing the company when selling the product, communicating with customers... and the list continues.

It is essential for the survival of the business to make sure that **all employees**, no matter how far "behind-the-scenes" or how intensively customer-facing they are, have **fair training and a considerable understanding of their role and the impact that they have within the company**. [55] Therefore, a selection has been done to better understand some of the main tasks and roles required to carry out the internationalization plan.

### **Manager & Expert on Sales**

It is **vital to introduce the role of a Manager & Expert on Sales**. This person is the head of the company and will be the one who represents it with customers and is responsible for the shareholders. It is very important that the person in this position has a **clear strategic vision**. The manager must understand that the vision is to grow abroad and turn the company into a profitable business, and the path to accomplish this goal is the internationalization and differentiation abroad. Some **experience with sales** would be very appreciated. At the same time, he will be in charge of the bureaucracy, accounting and the implementation of organic production.

Another requirement for this position is a **professional level of English** (excellent written + fluent speaking), since the manager will be in charge of the communication with customers plus, he will re-design the labels, translate the website and brochures, etc. Since he will be dealing with people, it is necessary that he is **empathetic** enough towards the different audiences: employees, customers, and shareholders. He must also fully **understand the expectations of each stakeholder**.

### **Winemaker**

This person plays one of the most important roles, because he is in charge of the production. He will develop different activities and will always be **subject to manager's decisions** and guidelines. It is important that this person understands the vision and plans of the winery. As the idea is to offer a seamless experience to the final customer, he will put **special effort and attention to details**. The **outcome must be a perfect product**, in which sediments or asymmetric labels are not accepted.

### **Enologist**

As an external employee, he delivers a service to the winery. Therefore, this person is subject to the orders of the manager. The latter will provide guidelines for the wine that he/she wants to create. And these guidelines will be exclusively motivated by market demand and always aligned with the company's vision and mission. For instance, the enologist will have to give his best in order to **deliver the requested product**. **Outcomes not aligned with the expectations cannot be accepted** since these will incur non-conformance costs, which will impact the image and the financial outcome of the enterprise.

### **Spanish Sales Agent**

This person works to serve and sell the wine on the Spanish market. Despite the fact that the goal is to internationalize as much as possible, this position is still **essential for the survival of the company**. It serves as a parallel source of incomes and it must continue like this in the future, especially regarding the products that are not suitable for exporting. However, in order to ensure the best performance, the salary should be paid according to the sales he makes. If full-commission formula is not applicable, a similar one must be designed by the manager to retain current sales and to foster growth and new sales. **No hidden, suspicious, or mistrustful practices can be tolerated**, plus there must be always a **precise control on what is sold and to whom**.

### **Web Developer**

This person is external to the company and will be in charge of the website. He will have to perform **general improvements and to create the English version of the website**.

Once the main roles have been explained, the conclusion is clear. It is useless to create a great brand, an amazing product, or a distinctive marketing campaign if the right people are not behind you. Employing and retaining the right people is imperative in both the short- and long-term success of this business.

## 7.6 PHYSICAL EVIDENCE

Physical Evidence refers to everything that customers see when interacting with the company. This includes bottle design, label design, text on the labels, brochures, website, and even packaging in case the wine is sold in specialized shops. **Everything must be in line with Bodegas JBC differentiation strategy, and any failure in this aspect would necessarily lead to misconception.** For example, a wine bottle sold for more than £20 that carries a label explaining exclusive natural origins cannot contain synthetic cork or screw tap. The same concept is clear in this example, it must be applied to each of the other points of contact with customer. And this goes beyond the simple aesthetics, including the text on the labels, the organic seals, the correct spelling of English, or the website.

In parallel, Physical Evidence can also refer to the Spanish part of the business, how staff dresses and acts. This is important especially for the sales agent, since he is in the front line with customers and has to convince them. Moreover, in case there are organized visits to the winery, it is convenient to pay attention to the aspect of the facilities (hygiene + decoration), the interior design of the shop, and even the clothes and persuasive skills of the guide.

## 7.7 PROCESSES

Processes refer to the activities involved in delivering the product to the customer. Having good processes in place ensures repeated delivery of the same standard of service to customers and, at the same time, saves time and money by increasing efficiency. [56] Therefore, it is important to **create certain procedures and standards.** For this reason, **organization and experience are the key factors** to optimize processes and to ensure product's quality.

In the case of the customer, this will be reflected in the quality of the product, with **direct impact on the perceived value.** And for the importer, the outcome will result in doing business easier since the operative costs will be lower (higher efficiency), plus, there will not be changes in product's features from one delivery to another. However, given the fact that Bodegas JBC is a small company, organization should be intrinsic in the corporate culture, procedures can be transmitted orally, and the standards can be established ad hoc.

## 8 TRANSPORTATION, CUSTOMS AND ECONOMIC FRAME REGULATION

### 8.1 TRANSPORTATION & LOGISTICS

An interesting option for small producers during the first shipments is to deliver through a direct courier that takes care of one-off deals. Even though it is more expensive, this way the producer can test the market and reduce risks. However, **some importers might provide logistics** for those producers who cannot ship on their own or if it becomes too costly for them. So, this factor can vary based on the importer chosen to work with.

In general terms, transportation costs are influenced by different cost elements which must be agreed while considering the conditions of each specific consignment. Normally, the most used conditions are the Incoterms (*International Commercial Terms*), which leave two delivery options for the exporters: CFR or DAP. CFR means Cost & Freight and consists of includes pick-up, export customs clearance, handling in the origin, and freight. As for DAP, this abbreviation stands for Delivery at Place, and it includes, apart from all the previous, handling in the destination and delivery. [57]

The first delivery option, CFR is used when exporter and importer split the costs of the shipment. In this case, the exporter should pay all the costs until the cargo arrives to the destination port. In the case of road transport through the English Channel, this would be once the cargo arrives to the first stop in England. Subsequently, customs clearance as well as next handling and transportation costs correspond to the importer.

The DAP option, on the other hand, is used when the exporter is responsible and pays for the entire transportation process, from the “exporter’s door” to the “importer’s door”. However, in this particular case where transport is always by road, **the most common solution is door-to-door shipment but paid by the importer**. This is also known as Ex Works (EXW), and means that the buyer is responsible for everything, including the load of goods in the truck in the destination of origin.

As mentioned before, usually importers use the EXW modality to deliver goods which at the same time **can be the most efficient and the simplest** type of delivery from a general perspective. However, in case it is not so, some other options are to contact couriers directly or even to have a look at platforms where you publish an advertisement with all the details, and then freight companies can accept it or suggest some counteroffer. But in general, **an estimation of 500-600€ would be the price of sending a full pallet via courier**. As each pallet contains 600 bottles, it would be around 1€/bottle.

### 8.2 CUSTOM DUTIES & CLEARANCE

The agreement on Brexit declares that **trade on goods between the EU and the UK is not subject to custom duties** or tariffs. However, **several certificates and custom clearance are mandatory**. This is expected to provoke longer delivery times and more a complex frame for doing business. In the case of Bodegas JBC, since the idea is to work with an importer, he/she is expected to provide help with bureaucratic issues. Especially if the shipments are done through Ex Works, these will put most of the bureaucratic tasks on their part. But in any case, the most relevant certificates along with the main changes after Brexit are explained in the next bullet point.

### 8.3 ECONOMIC FRAME REGULATION



The UK has designed their own system to certify geographical indications similarly to the EU's. Nevertheless, the standards are very similar to the European and the **EU logos are valid in the UK after Brexit** as well. This includes organic products too, so no change is implemented in this area.

Figure 8.3 – British new labels for PDO, PGI and traditional specialty products [59]

Exports outside the EU are exempt to pay VAT and excise duties. However, when they enter the UK, they must pay the VAT and excise duties in this country. **A certificate of exit from the custom must be requested to avoid paying VAT in the EU.**

When exporting to the UK, the wineries must **apply for a British EORI number**. Economic Operators Registration and Identification (EORI) number will provide the mandatory identification in all custom procedures when exchanging information with Customs administrations. In parallel, the European EORI (different from the British one) is needed in the European customs, for example to prove that goods are exempt of VAT.

Authorized Economic Operators (AEOs) are traders who voluntarily meet a range of criteria and work in close cooperation with customs authorities to assure the common objective of supply chain security and are entitled to enjoy benefits throughout the EU. Since Bodegas JBC is a business established in the customs territory of the EU and a part of the international supply chain is involved in customs-related operations, it should **apply for the AEO status to benefit from easier bureaucratic procedures within the EU.** [60]

There is still a certain controversy around the VI-1 Certificate. This is a certificate that obliges non-UK wines to go through a lab test, which can be performed and signed by Spanish authorities. This must contain a detailed description of the product, a certificate that proves compliance with the European standards, and the lab analysis. The cost is around £330 per product and it is expected to become mandatory from 1<sup>st</sup> January 2022. However, the WSTA (Wine and Spirits Trade Association) is pressuring to remove this barrier and the postponement of its implementation has already taken place several times.

In addition, from 1<sup>st</sup> October 2022, **the wine marketed in Great Britain must be labelled with the name and address of the importer within the UK.** Until that date, the name and address of an importer based in the EU can be used. [58]

## 9 FINAL CONCLUSIONS AND FUTURE FEASIBILITY

In conclusion, the Spanish wine market is oversaturated, and **internationalization is the only chance for Spanish wineries to grow**. In the case of Bodegas JBC this becomes a question of survival since its current market is in one of the poorer areas of Western Europe, with an ageing population. On the other hand, British market is characterized by huge demand and almost no local production, which contributes to creating good market conditions for foreign producers. Higher prices and low trade barriers cause that the UK is considered the best candidate, the London area in particular.

Having seen the reasons to export to the UK and the benefits attached, **it is essential to have a clear strategy of market penetration**. This will require a lot of devotion of both time and effort, plus a certain intellectual capital like managerial skills, market knowledge or foreign languages, that are convenient. For all these reasons, some investments are needed in order to implement this internationalization proposal.

Especially for shareholders it is very important to understand that **no success is going to happen if there is no serious commitment and dedication of resources**. It might take time and even several trials until the right importer is found and foreign sales become significant. But what is clear is that only after investing resources, profits can start to arise. Therefore, this internationalization process cannot be effectively implemented (nor work) unless the proper staff is hired.

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