VILLA MARIA ESTATE: THE GENIE IN THE BOTTLE FOR NEW ZEALAND'S WINE INDUSTRY?

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Abstract

This case illustrates several challenges encountered in creating an internationally recognized wine brand from a small domestic base. George Fistonich, the founder and CEO of Villa Maria Estate, has been with the business since its inception in 1961, has trained many of the key players in the industry today, and now must lead the New Zealand (NZ) wine industry into global markets and at the same implement an ambitious diversification strategy while preserving the company's innovative and family-oriented culture. The primary objectives of the case are to: 1) expose students to the dynamics of the NZ wine industry, 2) introduce the concept of strategic co-opetition (intra-industry collaboration) as well as its benefits and limits as a means of capturing share in global markets, and 3) illustrate the opportunities and problems of diversification into related fields. This case is suitable for undergraduate and graduate level courses in Strategic Management, Wine Marketing, and Marketing Strategy. It should be taught at the end of undergraduate or graduate level courses and is also suitable as a final examination or student team presentation.

Case Synopsis

In late August 2004, George Fistonich, President, CEO, and sole shareholder of Villa Maria Estates, Mangere, NZ, and his executive team read a report from Rabobank International. The report warned NZ wine companies that, owing to projected national and global surpluses of wine, companies needed to make more careful strategic choices on where and how to compete in the global market. NZ's wine industry had spent \$3 million on promotions at more than 50 events in key overseas markets in 2003; \$4.5 million was budgeted for 2004; yet investment in marketing needed to increase to an estimated 5 per cent of total industry revenues (about \$35-\$40 million) by 2007. Meanwhile, Fistonich was entering his 45th year at the helm of Villa Maria, NZ's third largest wine producer and largest privately held company. Villa Maria had just completed a 700,000 case state-of-the art winery in a dormant volcanic crater in Mangere, and planned to break ground on an adjacent “wine theme park” comprising a hotel, conference centre, and 8,000-seat concert amphitheatre. Villa Maria, with holdings in Marlborough, Gisborne, and Hawke’s Bay, exported 50% of its annual 750,000 case production to 40 countries, and its offshore sales were growing at 5% per year. Fistonich’s long-term goals were to increase company sales growth to 9% per year, increasingly devote his time to philanthropy and travel, and designate his successor. Since it began in 1961, Villa Maria had been responsible for a series of “firsts” in the country’s wine industry: first to use public equity financing to purchase a vineyard, first to use screw caps as bottle closures, first to employ female sales representatives, and the first to use quality-incentive contracts with growers. Could the 65 year-old Fistonich lead the industry again?

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The authors developed the case for class discussion rather than to illustrate either effective or ineffective handling of the situation. The case, instructor’s manual, and synopsis are submitted for the 2nd International Wine Marketing Conference bi-annual meeting, July, 2005, Rohnert Park, CA. Contact person: Armand Gilinsky, Jr., School of Business & Economics, Sonoma State University, Rohnert Park, 1801 E. Cotati Avenue, Rohnert Park, CA 94928, 707.664.2709, armand.Gilinsky@sonoma.edu