



Strategic Groups in Specialized Wine Retail in Germany

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Abstract

Purpose: *The specialized wine retailers in Germany are facing strong competition not only from specialized wine retailers but also from all the multifaceted points of purchase, where wine is sold. Even though specialized wine retail is an important distribution channel for higher quality wines, hardly anything is known about its various structures and the employed strategies.*

Methodology: *To reduce this lack of information, a representative empirical study has been conducted on feedback from individual specialized wine retailers throughout Germany. The research framework was based on the concept of strategic groups and further theoretical and empirical considerations.*

Findings and practical implications: *Six strategic groups could be defined by means of the degree of specialization, degree of vertical integration, degree of contribution to household income, location strategy, price strategy and store design using principal component and cluster analysis. Wholesale activities were found to be the main growth factor from a certain turnover size on and when pedestrian traffic of the specific location is low.*

Key words: Strategic Groups, Specialized wine retail, Retail strategy, Performance

1. INTRODUCTION

Competition in the German wine retail market has been increasing over the past years. Wine is sold in nearly every retail format, even in DIY stores or gas stations. The specialized wine retailers not only compete with other specialized wine retailers, but also with all other points of sale where wine can be purchased. The broad availability of wine is well accepted by the consumers, who chose the different retail formats depending on the occasion they need the wines for. Like in other retail sectors, the specialized wine retail is also exposed to an ongoing structural change, which becomes manifest in the formation of new forms of specialized wine retail and has led to an additional increase in competition. In this context, large-scale food retail has to be considered as one of the main competitive forces, because they invested heavily in expanding their wine departments over the past years. A further serious competitive force is the steadily growing specialized wine retail chains. Currently there are twelve specialized wine retail chains with about 600 outlets in Germany, who partly operate only locally but partly also country-wide. The total number of individual specialized wine retailers opposing those chain stores is unknown.

Besides, online-shops pose a threat of substitution, by offering a large assortment with a good value for money, lots of information, partly counseling service by phone and flexible delivery options. At the same time they cause an increase in price transparency especially in case of brand or icon wines, which often can be offered for lower prices due to different cost structures. Despite these challenging developments the small, mainly owner-managed, individual specialized wine retailers have survived. They are of great importance for all the small wineries, which have neither the volumes nor the cost structure to sell to large-scale retail, hence they need to follow a differentiation strategy. They represent an important distribution channel for high quality and premium wines (above 5 €/ltr.), resulting in their greater importance in terms of value than by quantity. According to expert estimates, the specialized wine retail accounts for only 9 % of a total 13.8 million hectoliters home consumption, but at the same time for 20 % of the consumers' expenditures in wine (Hoffmann, 2010).

Information about large scale retailers is sufficiently available since they are regularly subjects of market research, however despite its significant importance, nothing is known about the individual specialized wine retail. This study aims to close this gap by analyzing the structure and the strategies of the individual specialized wine retailers in Germany. For this purpose, an empirical study has been conducted within the theoretical framework of strategic groups, which allows analyzing enterprises of an industry in respect to their strategic positioning and resulting performance differences and on this basis deducing implications for wine retailers and wine growers.

2. THEORETICAL AND EMPIRICAL BACKGROUND

2.1 The concept of strategic groups

Based on an extensive analysis of the competitive environment, competitive strategies can be formulated to help companies find a position in which they are best protected from the competing forces, or even influence them for their own benefit. According to PORTER, there are three promising strategic approaches (Porter, 1999):

Cost leadership strategy: The aim of this strategy type is to gain an advantage in cost. It requires a high market share, a certain company size which permits to offer a service efficiently, consistent use of cost reduction through increasing experience, and strict cost controlling and cost minimisation throughout the value chain.

Differentiation strategy: This strategy aims to achieve advantages through inimitability of the offered service within an industry. There are various possibilities to differentiate, which should be implemented in different fields. The aim of differentiation is to build up customer loyalty towards a brand or a retail outlet, and thereby reducing consumers' price sensitivity.

Focus strategy: This strategy means focusing either on a market niche, on a certain customer segment, on a certain part of the product mix or on a certain sub-market. The generation of competitive advantage in this niche can also be based on cost leadership or differentiation.

In PORTER's opinion, a company will generally only be successful, if it focuses consistently on either cost leadership or differentiation. The simultaneous pursuit of multiple strategy types results in being "stuck in the middle", thus a not well differentiated and not promising middle position in the competitive environment (Porter, 1999).

In principle, all specialized wine retailers follow the same strategy. They all aim for differentiation by offering high quality products and specialist client counseling services. Generally, cost leadership is not a promising option for specialized wine retailers, because offering high quality goods and services result in higher costs. Specialized wine retail has to focus consistently on differentiation strategies to compete with the cost-leaders leaders (Wölk, 1991). However, there are varying degrees of performance amongst wine retail outlets. More differentiated analysis of the existing specialized wine retail outlets is required to explain these differences. The concept of strategic groups is an approach to such an internal analysis of industries. According to PORTER (1999), a strategic group is a group of firms within an industry which follow the same or similar strategies. Similarities in strategy result from similar behavior in regard to strategic dimensions such as specialization (width of assortment, customer segments), brand identification (extent of aimed differentiation), product quality and services. Each of these strategic dimensions influence one another and can be analyzed in a more or less detailed manner. The range of strategic differences depends on the industry in question.

2.2 Empirical considerations

The previous studies on structures and critical success factors in the retail industry can be attributed to either the stream of critical success factors research or the stream of strategic group research. A detailed review of the current state of research on strategic groups in general is given by BARTÖLKE (2000), who analyzed a multitude of empirical studies on the existence and functionality of strategic groups. As a general result the existence of strategic groups is confirmed, but a generalization of cluster criteria is not possible. Specific to the retail industry, the studies differ in aim, coverage, size and composition of research subjects, as well as in the choice of criteria for clustering and measuring success. Some of the studies (e.g. Hawes/Crittenden (1984), Harrigan (1985), Lewis/Thomas (1990), Gröppel-Klein (1998)) mainly aim to identify different groups and analyze the differences in performance, thus to transfer the concept of strategic groups to the retail industry as well as other industries, respectively. The results of all studies confirm the existence of strategic groups on the basis of various variables and methods. There are a range of studies in which either single industries or multiple industries are analyzed. Mostly middle sized and big companies are subjects to research and even in studies focusing on small and medium sized enterprises, the medium sized enterprises are overrepresented so that the relevance of the results for small enterprises is limited.

The main issue, as well as the point of criticism concerning strategic groups, is the choice of grouping criteria, which is often based on plausibility considerations or subjective assumptions (Homburg and Sütterlin, 1992). Some studies attempt to reduce this theoretical

deficit by extensive analyses of the relevant theory, as well as empirical results in order to build a framework to determine cluster criteria. In the present study, the decision can be supported by the results of an empirical study conducted by WÖLK (1991). In this study, 450 small and medium sized enterprises from six different industries were analyzed in respect to their critical success factors. WÖLK arrives at the conclusion that small and medium sized enterprises have a good chance to prevail, as long as their corporate policy is focused on the relevant fields of strategic activities, where relevance depends on the industry in question. Furthermore, it is not enough to just focus on the respective critical success factors, but it is of particular importance to aim at and achieve a strategic fit.

The aim of a more recent study was to develop an exploratory typology of wine retailers (caviste) in France. They identified five strategic groups which mainly differ in the strategic fields company size, location, assortment and customer groups (Montaigne et al., 2005).

Following WÖLK and MONTAIGNE et al., in this study the strategic fields location, assortment, price policy, shop design and buying cooperation are considered on the operational strategy level.

2.3 Research Framework and Hypotheses

Based on the above mentioned considerations the following hypotheses are formulated:

H1: The specialized wine retailers use different strategic alternatives, thus strategic groups can be found.

H2: Performance differences exist among some of the strategic groups.

For strategy identification, a data driven compository approach based on objective indicators is chosen. During preliminary studies, it became apparent that specialized wine retailers in Germany have major difficulties in evaluating or even specifying their strategies. This indicates that a great part of their strategies are more emergent than intended. Emergent strategies accidentally evolve from unconscious or spontaneous actions and reactions, whereas intended strategies are systematically planned and thus conscious (Mintzberg, 1994). By using objective indicators, a possible discrepancy between the answers and the actual behavior can be reduced.

The following table illustrates the underlying research framework as well as the strategic variables.

Table 1: Research Framework

Strategic fields	Elements of Strategy	Variables
Corporate Strategies		
Company Size		1. Sales area (m ²) 2. Number of employees 3. Sales volume in bottles 4. Yearly Turnover in €
Specialization vs. Diversification	Extent of retail and wholesale activity	5. Turnover share of retail (%) 6. Turnover share of wholesale (%)
	Width of assortment	7. Number of product groups
	Depth of assortment	8. Total number of articles
Customer groups		9. Turnover share of consumers (%) 10. Turnover share of gastronomy (%) 11. Turnover share of other retailers (%)
Operational strategies		
Location	Location Frequency	12. Number of other retailers within a radius of 150 m 13. Number of public parking places 14. Accessibility with public transportation 15. Strength of passenger flow
Price	High-, Middle-or Low-Price Strategy	16. Share of wines offered for less than 4 € (%)
		17. Share of wines offered for 4-7,50 € (%)
		18. Share of wines offered for 7,50-15 € (%)
		19. Share of wines offered for 15-29.99 € (%)
		20. Share of wines offered for 30-49.99 € (%)
		21. Share of wines offered for 50-119.99 € (%)
	22. Share of wines offered for more than 120 € (%)	
	Price level	23. Average price of wine assortment
Shop Design	modern vs. traditional shop design	24. 7 point scale: 1= very traditional; 7= very modern
	level of shop equipment	25. 7 point scale: 1= very low; 7= very high
	brightness of entrance	26. 7 point scale: 1= very dark; 7= very bright
	width of entrance	27. 7 point scale: 1= very narrow; 7= very wide
Buying		28. Share of purchasing volume by direct importing (%)
		29. Share of purchasing volume by direct purchase from German producers (%)
		30. Share of purchasing volume by importers and wholesalers (%)
		31. Share of purchasing volume by cooperation with other retailers (%)

3. METHODOLOGY

3.1 Sample

Since the exact number of specialized wine retailers is unknown, the Geisenheim Research Center has set up a database of all specialized wine retailers listed in the different directories. This database serving as population contains a total of 4669 addresses. Among them are 576 chain stores of 12 specialized wine retail chains and 4093 individual specialized wine retailers, which were subject to the empirical survey.

In order to get a representative picture of the population, a sample of 200 individual specialized wine retailers has been selected randomly, based on geographical distribution, which can be found in the following table. Only retailers have been chosen who have a stationary retail outlet and are focused on wine sales. A total of 1304 addresses had to be called to finally have a sample of 238 retailers, who matched the filter criteria and were willing to participate. 117 retailers were not willing to participate, 294 retailers were closed down and 247 retailers did not answer the phone several times. The other 408 addresses are mail order companies, restaurants, wineries and so on. Finally 200 retailers were visited for personal interviews. Extrapolating this structure yield to 1.500 specialized wine retailers in Germany, so that the sample covers 13.3 % of the actual population.

Table 2: Geographical distribution of retailers and sample structure

Federal state	number of relevant addresses	share of addresses (%)	number of phoned addresses	willing to participate	not willing to participate	number of participating retailers
Baden-Wuerttemberg	554	13,5	144	30	15	28
Hesse	358	8,7	94	23	9	17
Saxony	117	2,9	48	5	9	6
Brandenburg	61	1,5	31	4	2	3
Thuringia	60	1,5	33	5	7	3
Saxony-Anhalt	54	1,3	19	4	2	3
Berlin	296	7,2	88	17	10	14
Mecklenburg-West Pomerania	37	0,9	44	5	3	2
Hamburg	148	3,6	59	10	4	7
Schleswig-Holstein	126	3,1	45	8	3	6
Lower Saxony	325	7,9	69	21	5	15
Bremen	49	1,2	14	4	2	3
North Rhine-Westphalia	787	19,2	240	40	19	38
Rhineland-Palatinate	256	6,2	114	15	5	12
Bavaria	792	19,4	234	42	21	38
Saarland	73	1,8	28	5	1	5
Total	4093	100	1304	238	117	200

The questionnaire consists of two parts. The first part is a checklist, which contained

questions about the location of the store, the store design and the wine assortment and had to be filled out by the interviewer only. The second part is the actual questionnaire, which was answered by the shop owner. The interviews took between 45 and 90 minutes.

Holding the interviews personally has the advantage of obtaining a large portion of data required. Only 8 retailers refused to divulge their yearly turnover. So the sample had to be reduced to 192 respondents for further analysis.

The participating retailers are small sized owner-managed enterprises: 83 % have only one outlet and 92 % have less than 5 employees. Also their average yearly turnover is fairly low compared to other industries. 53 % of the enterprises' turnover is less than 300.000 € p.a. and only 24 % have turnover figures exceeding 660.000 € p.a.. Assuming a profit margin of app. 10 %, 300.000 € annual turnover share is the minimum amount required to assure sufficient income for the retailer. This is confirmed by the income share from wine retail. The enterprises with a turnover of less than 300.000 € earn up to 51 % of their income from other activities.

3.2 Statistical Analysis

Principle Component Analysis with Varimax rotation was used to cumulated the strategic variables to strategic dimensions. Due to different scaling, the items were first z-transformed. The following table shows the resulting three factors.

Table 3: Rotated component matrix of strategy variables

Rotated component matrix			
	Component		
	High Price Strategy	Modern Store Design	High traffic Location Strategy
Z-Value(share_50to119.99€)	,924		
Z-Value(share_30to49.99€)	,868		
Z-Value(share_above120€)	,817		
Z-Value(share_15to29.99€)	,677		
Z-Value(width_entrance)		,837	
Z-Value(brightness_entrance)		,781	
Z-Value(storedesign)		,690	
Z-Value(level_shopfitout)		,613	
Z-Value(No.retailers)			,827
Z-Value(pedestrian_traffic)			,791
Z-Value(public_parking)			,650
Z-Value(connection_public transportation)			,591
Cronbach's Alpha	0,856	0,731	0,715
explained variance	30,3%	17,5%	13,4%

The three factor solution explains 61.3 % of variance. The measure of sampling adequacy of 0,750 stands for a middling to meritorious adequacy of the data for a principal component analysis and also Bartlett test is highly significant.

The first factor represents a High Price Strategy. The items loading on the second factor describe a modern store design and the ones loading on factor three stand for a high traffic location strategy.

The factors have been checked for their internal consistency by determining the coefficient of reliability Cronbach's Alpha. The minimum value of Cronbach's Alpha is 0.7, so factors 1, 2 and 3 fulfill this requirement.

First, the single-linkage algorithm has been executed to find possible outliers. Four specialized wine retailers had to be eliminated from further analysis. Then a hierarchical cluster analysis with Ward's algorithm was carried out using the three strategy components, as well as the degree of vertical integration (measured through the turnover share of wholesale activities), the degree of specialization (measured through the turnover share of complementary assortment), the income share from wine retail and the size of sales area.

The elbow criterion showed a six cluster solution. Cluster 6 only consists of eight retailers. Having a significant premium orientation these retailers occupy a niche in the niche and actually only exist in this small number. Accordingly the small cluster was kept and interpreted. Moreover, a discriminant analysis was made to verify the classification result of the cluster analysis, which showed, that 88.8 % of the cases were classified correctly.

Comparison tests were made in order to analyze the differences between the clusters and their significance. In some cases, the assumption of homogeneity of variance is violated. In these cases, the Welch-Test was executed instead of analysis of variance (ANOVA).

Concerning the performance analysis the logarithm of the yearly turnover had to be taken due to violation of the normal distribution assumption.

3.3 Description of strategic Groups

Cluster 1 (n=57): Conventional wine retailers

The conventional wine retailers are predominant retail stores located on higher frequented, typical retail locations in town or neighborhood centers, with a traditional and middle level of shop fit out and the average sales area is 85 m² per Outlet. They focus on retailing with wines and sparkling wines. Accordingly the complementary assortment, consisting of 11 % spirits, 11 % fine foods, plays a subordinated role. The core price range is 7.50 - 15 € per bottle.

Cluster 2 (n=36): Modern large-area wine merchants

The companies of this cluster are characterized by a relatively large sales area of 222 m² per Outlet and a modern, open shop design as well as a modern, high quality shop fit out. They are located in low traffic locations with own parking places. They complement the retail by wholesales activities mainly with gastronomy clients, and online or mail order sales, accounting for 7 % of yearly turnover, which is a lot compared to the other clusters. They offer a wide and deep assortment. 60 % of the 856 articles are wine and sparkling wines, 14 % are spirits, 16 % are delicatessen products, 5 % are accessories and 4 % are alcohol free beverages and beers. The outstanding meaning of the complementary assortment is supported by the above average yearly turnover share of 27 %.

Cluster 3 (n=39): Part-time wine merchants

The part-time wine-merchants achieve 23 % of their private household income with the wine shop. The outlets are located in lower traffic locations mainly in residential areas, but only 10 % of the shops are integrated in the merchants' dwelling house. But 30 % are located in inner cities and neighborhood centers. They also complement their retail activities which

account for 78 % of turnover by wholesales activities which account for 20 % of turnover. Wine and sparkling wine is the core category. They sell less wines cheaper than 4 €/ bottle and less more expensive than 120 €/ bottle than the enterprises of the other clusters.

Cluster 4 (N=15): Diversifiers

This cluster summarizes the companies, whose complementary assortment plays a significant role, accounting for 54 % of turnover. 25 % of the articles belong to the category of spirits, 19 % of delicatessen, 2 % of accessories and only 50 % of wine and sparkling wine. They offer a rather price oriented wine assortment, as the focus is on the price segment below 15 €/ bottle. Beside this diversification of the assortment they equally extend their range of services through own gastronomical concepts, which are partly integrated into the wine shop, but also partly rendered at the customer's place in form of event catering.

Cluster 5 (N=33): Wholesaling Specialists

The merchants of this cluster are specialized on wholesale, making up 55 % of turnover. In this respect gastronomy is the principal customer. Its significant meaning is underlined by the above average share of 8 % of wines costing less than 4 €/ bottle, because in general this are ordinary wines sold in liter bottles and by the below average share of wines costing more than 30 €/ bottle. Wine and sparkling wine is the core assortment and makes up 70 % of the articles, but is supplemented by other beverage categories in terms of full service for the gastronomy. They offer 20 % spirits and 4 % alcoholfree beverages and beers. Delicatessen play an only minor role. Those companies' retail outlets are half located in residential areas and peripheral locations and half located in inner cities and neighborhood centers. Most of the outlets are retail stores, thus representing a typical retail concept, because also the size of the sales area, the opening hours as well as the shop design correspond to the ones of the conventional wine retailers. In general the disadvantage of the inner-city location is compensated by offering sales from stock.

Cluster 6 (N=8): Modern premium-wine merchants

The modern premium-wine merchants are characterized by a high price level, a modern, high quality shop fit out and a high traffic inner city location. They achieve 65 % of turnover through retail and 32 % through wholesale, mainly through gastronomy clients. 83 % of the offered articles are wines and sparkling wines and the complementary assortment only supports the core assortment. In contrast to the other groups they do not offer wines costing less than 4 €/ bottle and their core price range ranges from 15 €/ bottle to 30 €/ bottle, and also the offer in the other higher price ranges are above average.

According to these results hypotheses 1 can be confirmed. The companies of specialized wine retail follow different strategies, thus strategic groups can be formed on the basis of the relevant strategic dimensions.

3.4 Strategic Groups and Performance

For the verification of hypotheses 2 the above described strategic groups are analyzed in respect of performance differences. For performance measurement with regard to content the use of multiple indicators and with regard to method the parallel use of objective and subjective indicators are recommended (Bachmann, 2007). Thus, the objective financial performance is complemented by the subjective degree of target achievement.

Company vs. retail performance

The objective company performance, represented by the in retail research commonly used surface productivity, is measured through the total turnover per m². Using the total turnover

all of a company's business units, as retail, wholesale, catering etc. are considered. These business units are only offered by part of the retailers and in fact are independent from the sales area. Thus, also the retail performance (retail turnover per m²) of the strategic groups is compared.

Due to the reduced informative value of the logarithmized data in the following table the median (Med) is stated in addition to the mean values (MV) and the standard deviation (SD).

Table 4: Company vs. Retail Performance

Cluster		Conv WR	Large Area WM	Part- Time WM	Diversifi er	Whole- saling Specialis ts	Modern Premiu m- WM	Total	Sig.	Test
n		56	34	37	15	32	8	182		
Company Performan ce	M V	8,1	8,1	7,6	8,2	9,0	9,0	8,2	,00 0	ANOV A
	SD	0,9	0,9	0,8	1,0	0,9	1,4	1,0		
	Me d	3.606 €	3.847 €	1.900€	3.684€	6.277€	8.450€	3.500 €		
Retail Performan ce	M V	7,9	7,7	7,2	7,8	8,0	8,5	7,7	,00 2	ANOV A
	SD	0,9	1,0	0,8	1,1	0,9	1,2	1,0		
	Me d	3.000 €	2.304 €	1.488€	2.778€	3.106€	4.803€	2.500 €		

Referring to the median the company surface productivity of the conventional wine retailers is comparable to the ones of the large area wine merchants and the diversifiers. The part-time wine merchants have the lowest company performance with 50 % achieving less than 1.900 €/m². The wholesaling specialists and the modern premium wine retailers have a significant above average company performance resulting from the comparably large wholesale share of at least on third of yearly turnover.

The lower performance of the part-time wine merchants is confirmed by the retail surface productivity according to which 50 % of the part-time wine merchants earn less than 1.488 €/m². The median of the retail surface productivity of the large area wine merchants is 2.304 €/m² followed by the conventional wine retailers, the diversifiers and the wholesaling specialists whose retail surface productivity is about 3.000 €/m². With a median of 4.803 €/m² the modern premium wine retailers are the best performing strategic group in regard to retail surface productivity. The mean comparison test also showed the significant poorer performance of the part-time wine merchants compared to the conventional wine retailers and the modern premium wine retailers. In contrast to the findings of company performance, there are no significant differences between the wholesaling specialists and the other strategic groups. This shows that in spite of the companies setting different priorities, like focusing on retail in case of the conventional wine retailers and the diversifiers, not results in differences in retail performance compared to the wholesaling specialists for whom the retail activities play a minor role.

The large area wine merchants have an only middling retail surface productivity, thus the poorest of the other full-time operated strategic groups. This shows the limited proportional relation between sales area and retail turnover. The large area wine merchants are located on low traffic locations, on which there is no agglomeration effect from other retailers. In respect to retail activities this disadvantage of location cannot be balanced through their own

attractiveness. But the balance is accomplished through wholesale and e-commerce activities, so that regarding the company performance the large area wine merchants are as successful as the conventional wine retailers.

Degree of Target Achievement

For the subjective performance index, the targets safeguarding independency, increase in turnover, increase in profit and safeguarding competitiveness had been provided to the respondents. Furthermore the interviewees had the possibility to add up to three other targets. All targets had to be ranked according to their importance. Then the degree of target achievement had to be stated on a seven-point-scale ranging from 1= “not at all achieved” to 7= “far exceeded”. The following formula shows the calculation of the subjective performance index (SPI):

$$\text{SPI} = \text{degree of target achievement} \left[\frac{\sum \text{rank } n * \text{degree of target achievement } n}{\text{number of targets}} \right]$$

The values of the subjective performance index range from 10 stating the comparably poorest performance in terms of target achievement to 28 stating the comparably best performance. As embodied in the following table the analysis of variance did not show any significant differences.

Table 5: Degree of Target Achievement

	Conven. WR	Large Area WM	Part-Time WM	Diversifier	Wholesaling Specialists	Modern Premium-WM	Total	Sig.	Test
n	57	36	39	15	33	8	188	,072	ANOVA
MV	17,8	19,0	18,3	18,3	18,9	21,7	18,5		
SD	3,0	4,0	3,8	3,9	3,1	3,9	3,5		

4. DISCUSSION AND CONCLUSIONS

Besides providing various, so far unavailable information about the specialized wine retail, interesting implications for the strategic management of wine shops can be deduced from these findings.

On the level of corporate strategy, the entrepreneurs have to decide which customer groups they want to serve and with it, to what extent they want to be engaged in *retailing or wholesaling*. The study showed three occurrences of corporate retail strategies. The conventional wine retailers and the diversifiers follow a strict retail strategy whereas the wholesaling specialists are to a considerable part engaged in wholesaling activities, thus following a wholesaling strategy. The modern large-area wine merchants and the modern premium wine merchants complement their main retailing activities with wholesaling activities accounting for approximately one-third of their yearly turnover.

Moreover, the entrepreneurs have to decide to what extent they pursue a *specialization or a diversification* strategy. Following a diversification strategy, the diversifiers offer a wide range of goods and services whereas the conventional wine retailers, the wholesaling specialists and the modern premium wine retailers focus on selling wine and sparkling wine. Since neither on company nor on retail level performance differences between the diversifiers

and the other clusters exist, those two strategy characteristics are comparably promising.

Different *price strategies* could be identified. The conventional wine retailers and the diversifiers focus on wines between 7.50 and 15 €/ bottle which offer good quality but not too expensive whereas the modern large-area wine merchants and the part-time wine merchants offer an average part of wines in all price ranges. The modern premium wine merchants follow a clear high-price strategy, because the focus of the wine assortment is on wines costing more than 15 €/ bottle. The wholesaling specialists on the other hand follow a price leadership strategy, offering an above average part of wines costing less than 4 €/ bottle and a below average part of wines costing more than 30 €/ bottle.

Furthermore the retailers follow different *location strategies*. Whereas the conventional wine retailers and the modern premium wine merchants chose locations with many other retailers around and thereby benefiting from high pedestrian traffic, the modern large-area wine merchants and the part-time retailers chose very car-friendly but therefore less frequented locations. According to the retail performance measure, the high-traffic location strategy is more promising, which is in line with findings of other retail studies (Kube, 1991; Wölk, 1991; Hurth 1998; Guerrier, 2007). For the consumers, the attractiveness of the specific retailer is not sufficient to compensate the attractiveness of retail agglomerations.

Concerning *performance measurement* the findings show that the turnover based objective indicators in terms of company performance as well as retail performance indicate performance differences between the strategic groups. However, subjective indicators do not show any performance differences. This shows that despite objective performance differences the wine retailers comparably meet their objectives and feel likewise successful.

In summary, the following recommendations for wine retailers can be inferred from the results: Depending on company size, but also on the traffic of the specific location, growth in sales is generated through wholesaling. Supplying to gastronomy or other retailers makes greater demands on the strategic management in terms of storage facility and logistics. Wine retailers have to be aware of this fact and decide in accordance with their own personal objectives, which way they want to proceed. Furthermore, the individual specialized wine retailers should prefer locations, which are either adjacent, in close proximity or even better integrated into retail agglomerations. This especially applies if the specialized retailer or his brand is not strong enough to attract the consumers to make an effort to visit the retailers in peripheral locations, which applies in most of the cases.

For the wine growers it is recommended to carefully check out the retailers in question and chose the one best fitting to the own strategic direction. Being a producer of an easy-drinking wine with sufficient volumes, the wholesaling specialists might be the best partners, but being the producer of a brand wine one should look out for the modern premium wine merchants and being a not well known producer with good or high quality wines the conventional wine retailers would be the best partners. At the same time the wine growers should watch out for the part-time wine merchants, because they are not on first sight distinguishable and distribute way lower volumes.

The aim of this study was to give an insight in the structures and strategies of specialized wine retail in Germany. Based on this fundamental structures future research could focus on the consumers which are clients to the different strategic groups and to specialized wine retail as such. This was not considered in this study, because preliminary studies showed the inability of the retailers to describe their clients. Conducting a consumer survey in the specialized wine retail would also allow to analyze the success factors resulting from customer satisfaction or customer loyalty, which also represent an important aspect of success.

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