

The Relative Importance of Benchmarks on the Economic Success of Wine Estates

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Abstract

Purpose: The Economic sustainability of wine estates is important to succeed in an increasingly competitive wine market. This paper analyses the relative importance of economic benchmarks in their effect on economic success and profitability of German wineries.

Design/methodology/approach: Key economic benchmarks of between 264 and 319 German wineries per year over a span of seven years (n=2,086) were analysed using random forest models. This new statistical model that is rooted in machine learning has proven strong prediction accuracy and robustness compared to other learning algorithms.

Findings: Overall turnover variables were more essential drivers in determining economic success, than cost variables. However further analysis concluded, that yield and business size were also important factors to take into account.

Practical implications: In line with previous findings, larger wineries seem to be more successful by working more efficiently. Generally, focussing on increasing turnover through pricing and volume should be prioritised over controlling cost.

Key words: Economic sustainability, benchmarks, cost and pricing strategies.
