Mapping the Czech wine market

2 AUTHORS, INCLUDING:

Pavel Zufan
Mendel University in Brno

7 PUBLICATIONS   **7** CITATIONS

MAPPING THE CZECH WINE MARKET

MAPOVÁNÍ ČESKÉHO VINAŘSKÉHO TRHU

RENATA KUČEROVÁ[1], PAVEL ŽUFAN[2]

Abstract

Paper comes from key economic indicators of eight Czech wine producers, and compares their levels reached in 2000 and 2005 based on the Map of the Marketplace approach. This application shows, that even though the Czech Republic have entered the European Union, in that period, the changes that happened did not have a major influence on the position of selected competitors. Authors also discuss the applicability of selected approach, which does not seem to automatically suggest particular actions to be taken and has to be considered a help in decision making. Interpretation of a particular position in the map, and its development in time can provide an important input for strategy formulation.

The paper is a part of solution of research plan of FBE MUAF in Brno, No. MSM 6215648904.

Key words

Map of Marketplace, Wine Production, Market Share, Return on Assets

Abstrakt

Příspěvek vychází z klíčových ekonomických ukazatelů osmi českých producentů vína a srovnává úroveň těchto ukazatelů v období 2000-2005 na základě přístupu Mapování trhu. Aplikace tohoto přístupu ukazuje, že přestože Česká republika vstoupila ve zmiňovaném období do EU, změny, k nimž došlo, neměly rozhodující dopad na pozici vybraných konkurentů. Autoři rovněž diskutují využitelnost zvoleného přístupu, který automaticky nenavrhuje konkrétní kroky k řešení nastalé situace, ale musí být vnímán jako pomůcka pro rozhodování. Interpretace konkrétní pozice na mapě a její vývoj mohou poskytnout vhodný podklad pro formulaci strategií.

Příspěvek vzniká jako součást řešení výzkumného záměru PEF MZLU v Brně, č. MSM 6215648904.

Klíčová slova

Mapa trhu, vinařství, tržní podíl, návratnost aktiv

Operation in a highly competitive environment is a reality for many businesses and organisations in general. Being able to formulate a strategy in such an environment is (and – even though one can argue to what extent – also should be) based on identifying the starting point; recognizing where the organisation is now in order to derive the possible future

---

[1] Renata Kučerová, Ph.D., e-mail: cerna@mendelu.cz, Department of Management FBE MUAF in Brno, Zemědělská 1, 613 00 Brno, Czech Republic, tel.: +420-545 132 501

[2] Ass. Prof. Pavel Žufan, PhD., e-mail: zufan@mendelu.cz, Department of Management FBE MUAF in Brno, Zemědělská 1, 613 00 Brno, Czech Republic, tel.: +420-545 132 500

"destinations". Even though the concept of strategy can be grasped from different angles, and some current approaches (e. g. that of Kim and Mauborgne, 2005) emphasize the necessity to break the rules of "traditional" ways of competing and try to re-define markets, segments, products, no one would probably disagree, that if we want to talk about "where to go", we should be well aware of "where we actually are".

OBJECTIVES

This paper focuses on the wine production industry in the Czech Repblic, and its objective is to "map the marketplace" according to the concept presented by Gottfredson et al. (2008). This approach comes from combining the relative market share and return on assets reached by particular competitors to show their current position. Finding the position of a particular company not only shows the current situation, but enables to specify future actions necessary to be taken in order to move to a more desired position in the future – based on comparison with other competitors and learning what do they do better and what can be learned from them.

MATERIAL AND METHODS

Material of the paper is the wine production industry in the Czech Republic and selected competitors in this market, for which it was possible to gain sufficient data to define their position in the period of 2000-2005. This also enables to show the development of particular competitors in time and could serve as a basis for defining desired objectives and some features of future strategies of these competitors.

Main method used in the paper is the Map of the marketplace presented in Harvard Business Review by Gottfredson et al. (2008). Relative market share is calculated based on the sales of particular competitors in the period of 2000-2005 and their comparison. Return on assets (ROA) is calculated based on the well known formula:

$$\text{ROA} = \frac{\text{Profits after taxation}}{\text{Total assets}} \qquad (1)$$

Particular evaluation of these two input dimensions was done by the authors basically coming from the mutual differences of neighbouring values. The indicators of relative market share and return on assets are used to define the position of a particular company in the Map of the Marketplace scheme (see Figure 1), and its comparison in 2000 and 2005, based on which we can derive particular features of strategies used in the past, and possible implications for the future.

Due to the difficulties in gathering necessary data, the set of monitored competitors was set on eight – representing the biggest player, and its three major competitors, and then four smaller producers interesting due to their other characteristics connected with a specific way of assuring supplies, specific approach in processing and distribution.

RESULTS AND DISCUSSION

Four main competitors in the Czech wine market include Bohemia Sekt (the biggest player, with almost 50% share), Vinium Velké Pavlovice, Znovín Znojmo, and Moravské vinařské závody Bzenec. In 2004, though, the Czech Republic have entered the European Union, which have influenced many markets, specifically those connected with agriculture, where wine production belongs, as well. Therefore it should be also interesting to look at the wine market in the Czech Republic before and after the EU membership, and monitor the development of competitive positions of different wine producers and its possible changes connected with a more intensive competition from abroad.
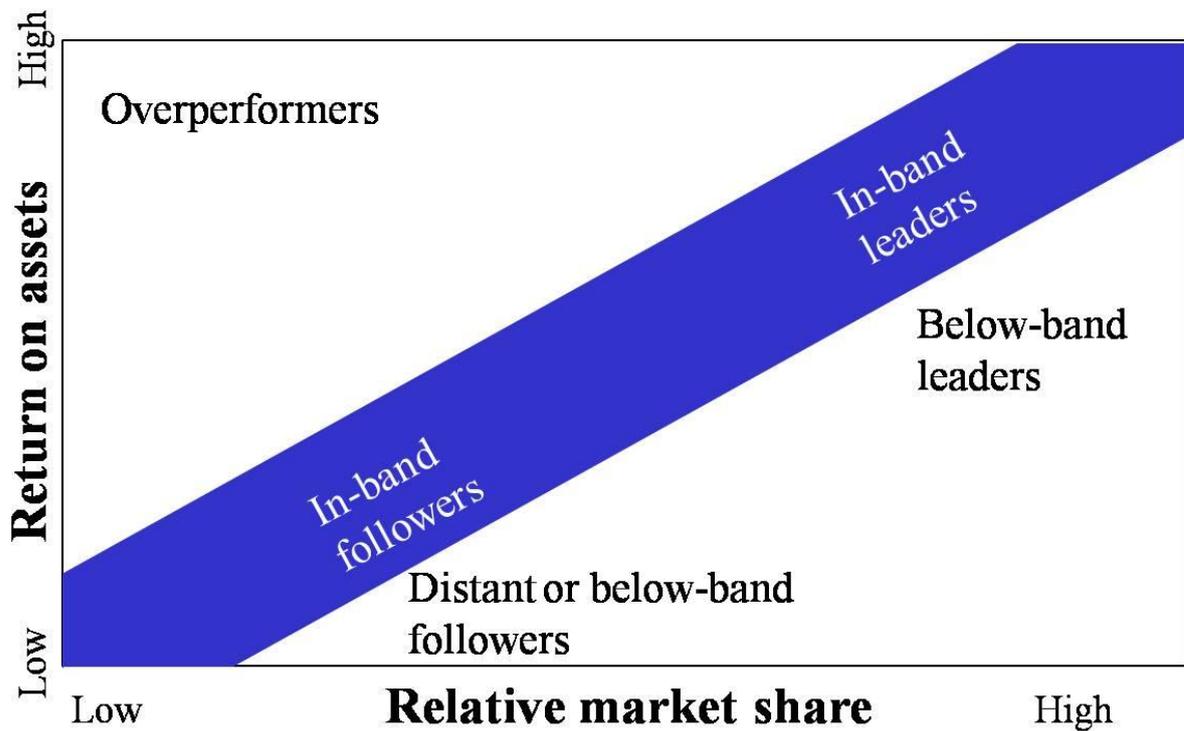
Fig. 1: Map of the marketplace (Gottfredson et al., 2008)

Table 1: Comparison of key indicators in 2000 and 2005 [thous. CZK]

Wine producer	2000			2005		
	Sales	Assets	Profits	Sales	Assets	Profits
Ampelos, a.s.	5 000	10 685	33	12 000	11 372	-6 341
Bohemia Sekt, a.s.	1 260 000	1 185 883	82 627	1 467 000	1 481 774	96 354
Moravské vinařské závody Bzenec, s.r.o.	336 000	133 157	2 359	432 000	251 867	10 345
Patria Kobylí, a.s.	215 000	188 000	900	192 000	229 799	8 920
Vinium, a.s.	414 000	427 934	1 803	408 000	534 310	-32 254
Vinné sklepy Lechovice, s.r.o.	27 000	25 732	5 223	55 000	84 472	5 340
Vinné sklepy Valtice, a.s.	200 000	248 289	11 828	168 000	323 452	14 408
Znovín Znojmo, a.s.	302 000	243 761	2 696	262 000	269 758	16 554

Source: Creditinfo (2008)

Data presented in Table 1 can be transferred into the concept of marketplace map in the way shown in Figure 2. There we can see that in majority of cases there did not happen any major changes, and most of them kept their position in terms of both, market shares and profits. On the other hand, the most important differences include a decline of ROA in case of Vinné sklepy Lechovice, and improvement of both indicators in case of Znovín Znojmo. Moravské vinařské závody Bzenec have gone through an important reengineering process in 2005 and 2006, which could project into some changes, but the data for 2006 are not public, yet.
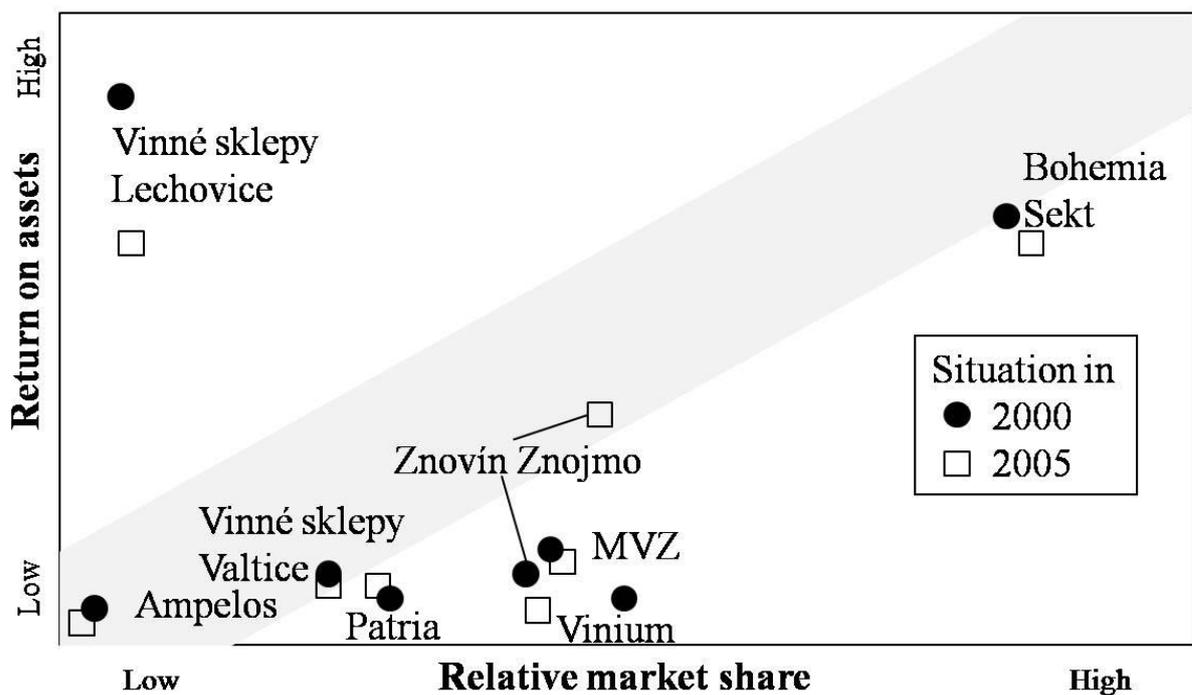
Source: Creditinfo and own calculations and evaluation

Figure 2: Simplified comparison of selected Czech wine-producers

CONCLUSION

Map of the marketplace can be an important input for strategists in their effort to identify their own position and that of their competitors. It can be used to examine future development scenarios in order to get ready for possible actions of competitors.

On the other hand it still comes from the past events – they tell us, what we have been doing till now, but not so much, what are our chances for tomorrow. And that should be the major concern of strategists, who have to cope with the uncertain future, and prepare actions to succeed in tomorrow's environment.

REFERENCES

Creditinfo Czech Republic, s. r. o. *Creditinfo – firemní monitor*. CD

GOTTFREDSON, M., SCHAUBERT, S., SAENZ, H. The New Leader's Guide to Diagnosing the Business. *Harvard Business Review*, 2008, Vol. 86, No. 2, p. 62-73. ISSN 0017-8012

KIM, W. CH., MAUBORGNE, R. *Strategie modrého oceánu.* Praha: Management Press, 2005, 236 p. ISBN 80-7261-128-3