



The Wine Economist



The Future of Small Wineries in the Global Wine Economy



Mike Veseth

University of Puget Sound & The Wine Economist

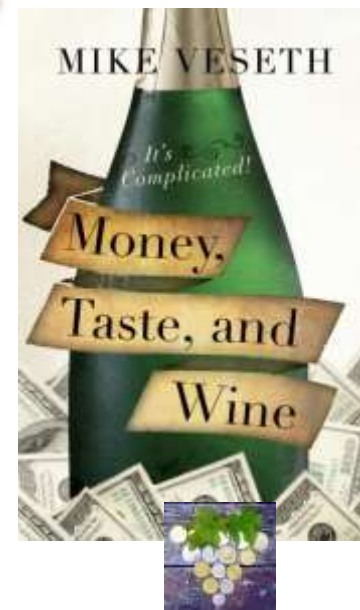
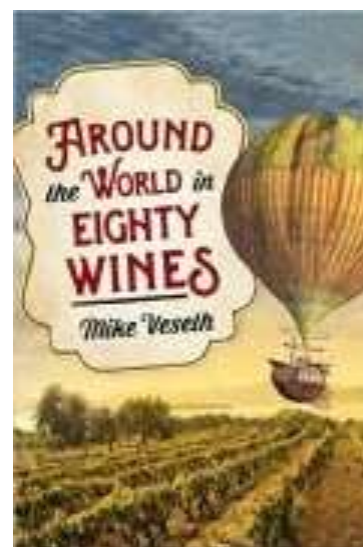
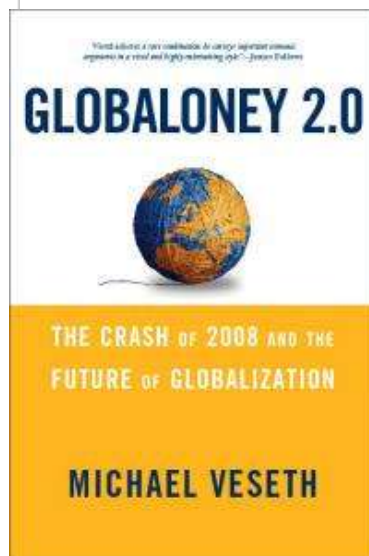
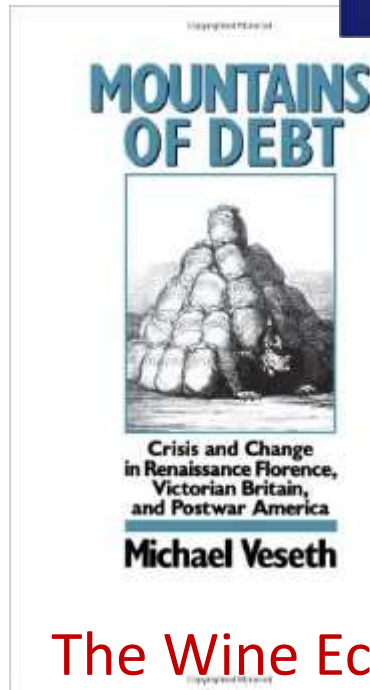
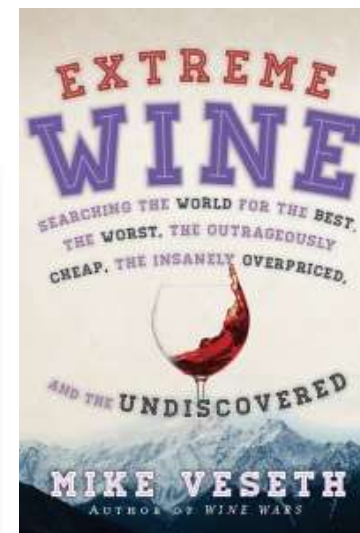
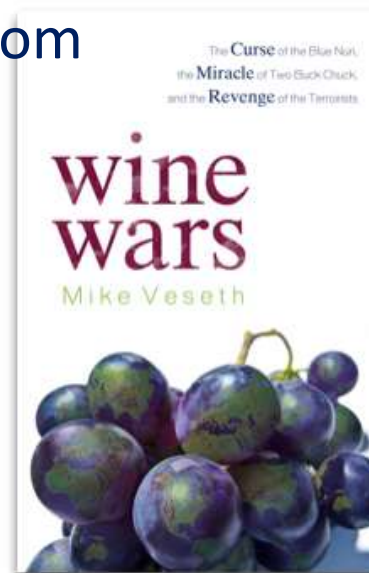
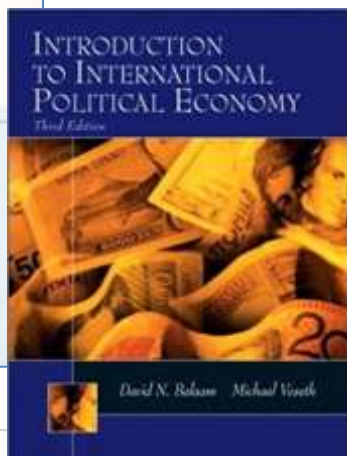
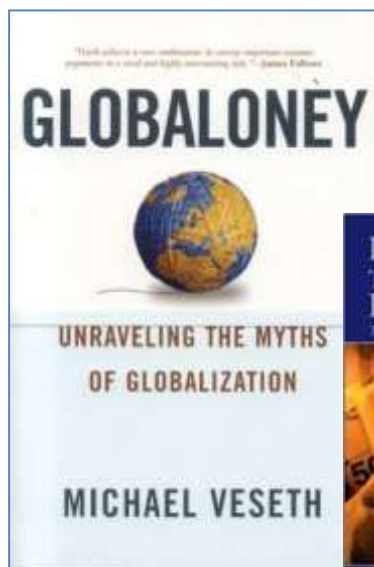


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WineEconomist.com

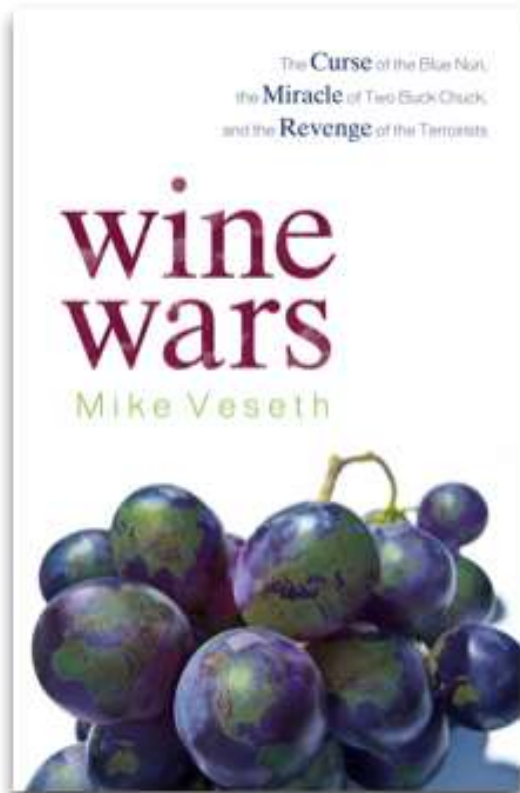


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All Over the (Global Wine) Map



Today's Presentation

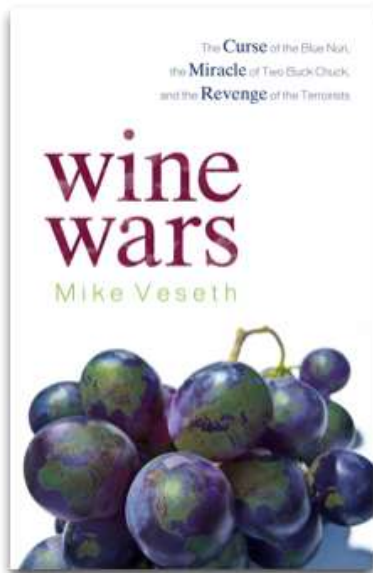


The Wine Wars global
market analytical
framework

The future of small
wineries:
Insights from other
industries



Global Wine Dynamic Tension



Globalization

Commodification

Thirst for Authenticity

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Global Opportunities & Competition

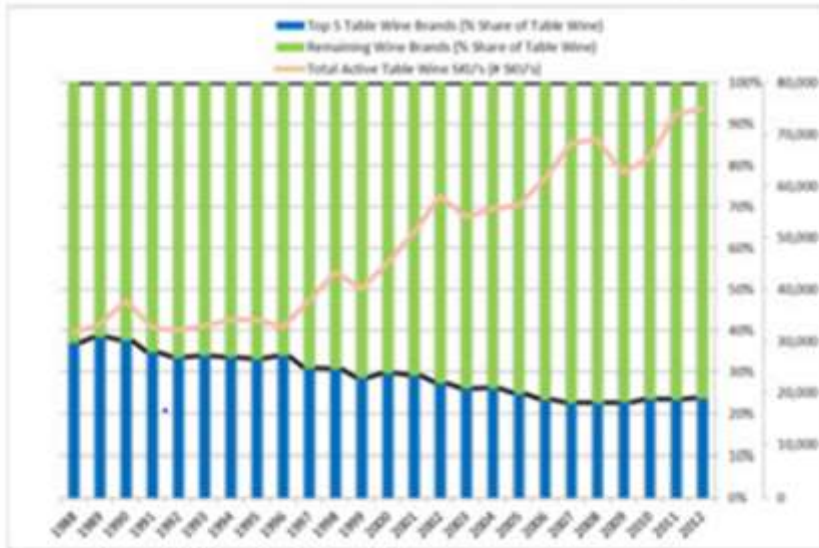


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Globalization's Market Impact

US wine market- proliferation of SKU's

Number of active table wine SKU's in the US, 1988-2012



Source: Beverage Information Group, 2013

Rising competition,
greater consumer choice,
market fragmentation

More that 80,000 SKUs in
the US wine market!

Fragmentation: new
entrants cannibalize
market share of brand
leaders

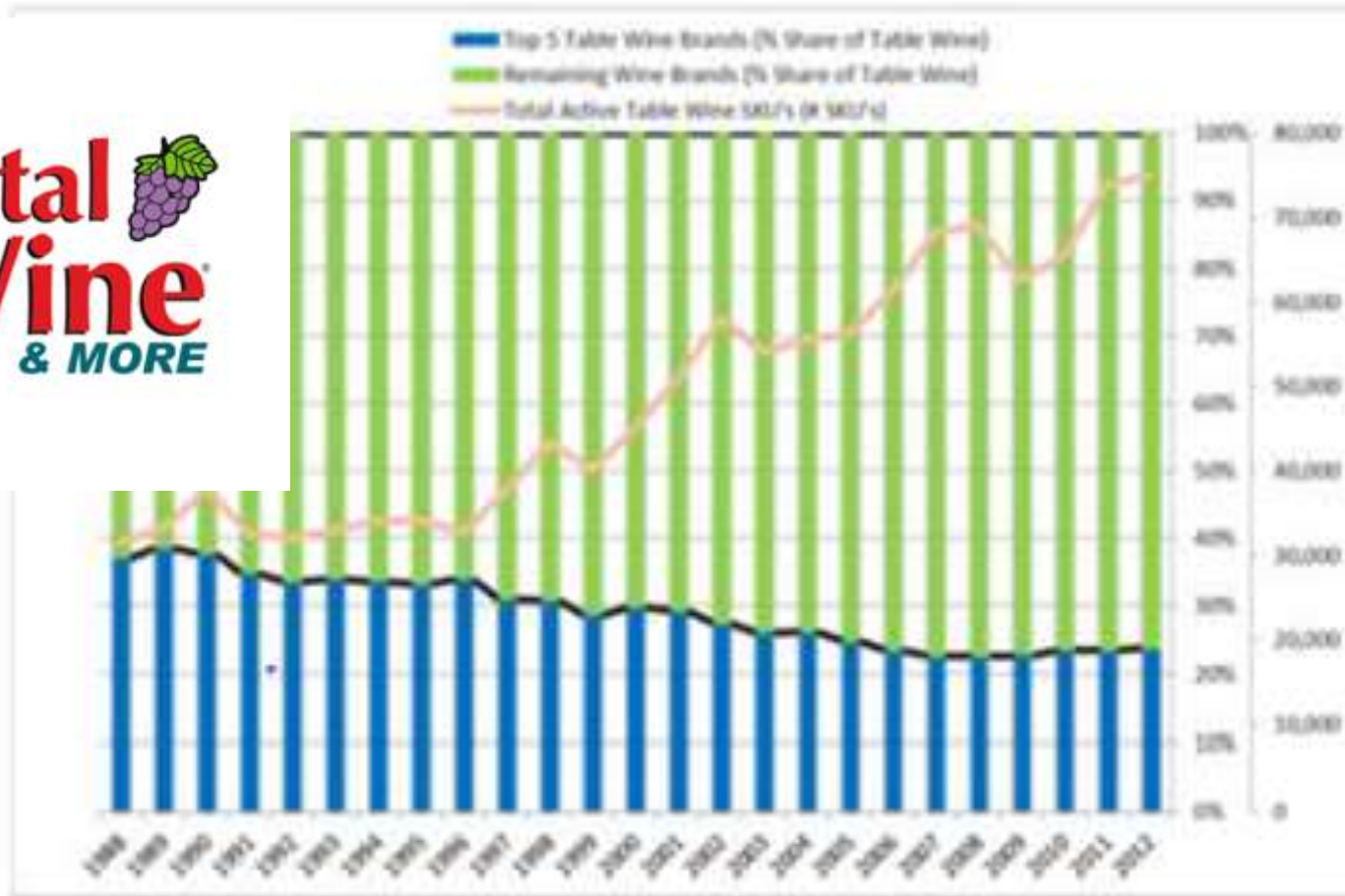
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US wine market- proliferation of SKU's

Number of active table wine SKU's in the US, 1988-2012

**Total
Wine**
& MORE



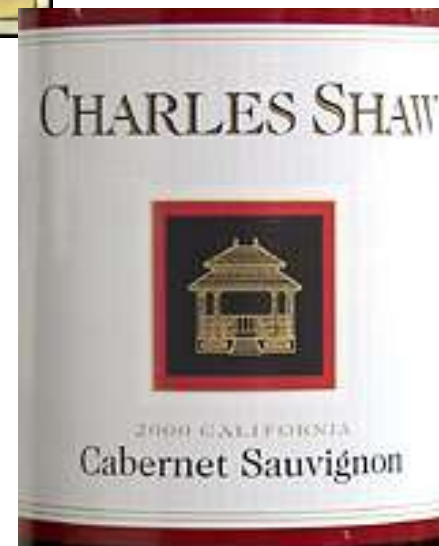
Source: Beverage Information Group, 2013

Source: Rabobank

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Solution? Powerful Wine Brands



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Beware the Commodity Trap



Brands promise consistent quality and value

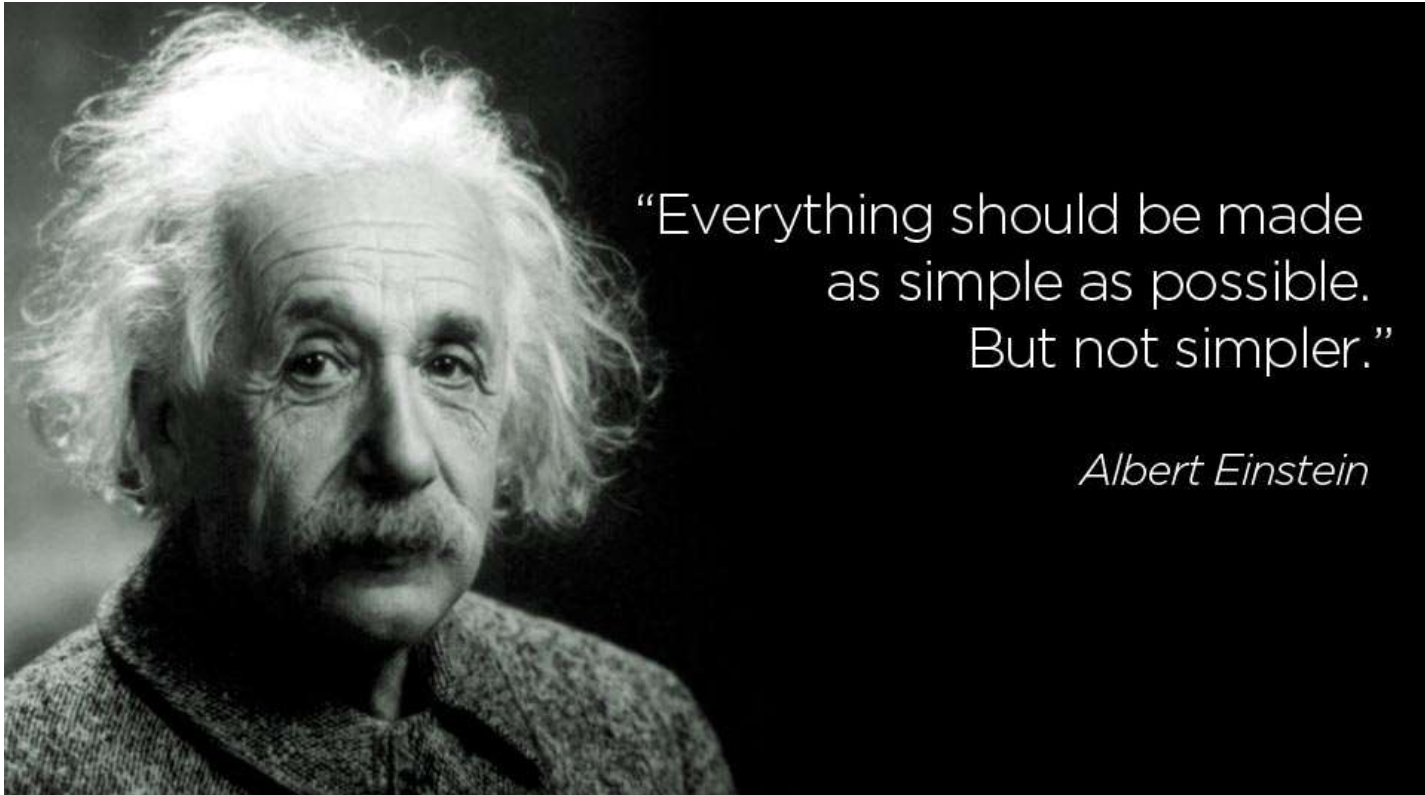
For consumers, trusting brands simplifies choice in a crowded market place

But brands can backfire if wines become commodities

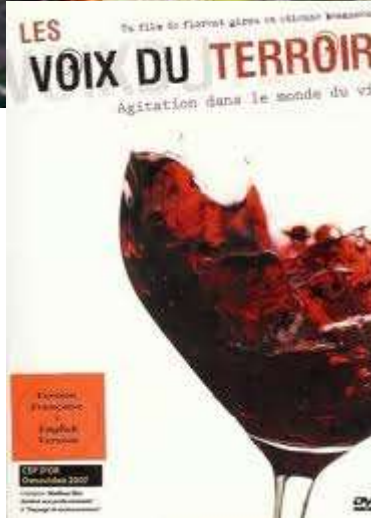
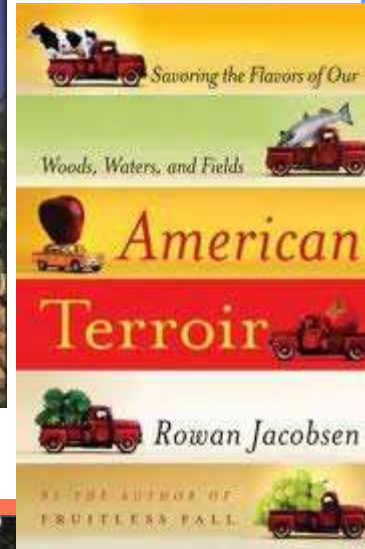
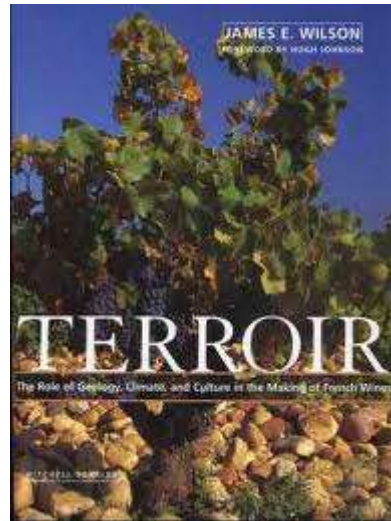
The sad story of “Brand Australia”



Einstein's Law [of Wine]

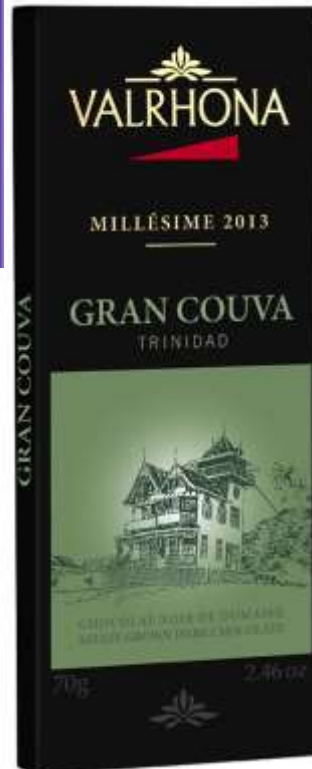
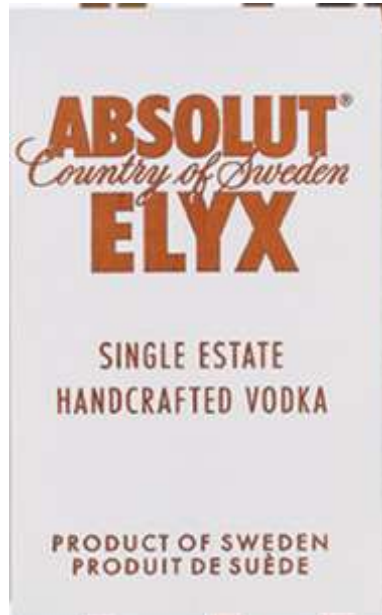
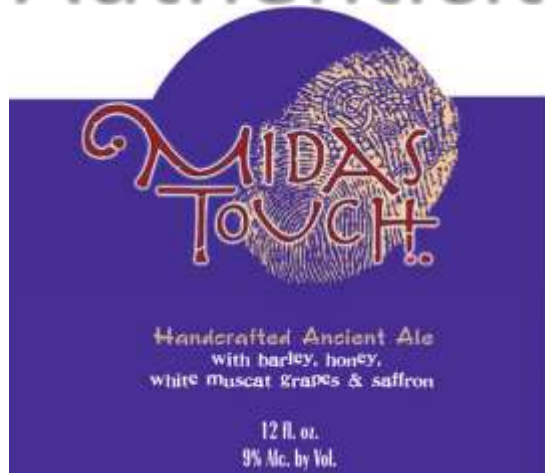


Cure for Commodification: Authenticity



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Authenticity: Not Just About Wine



Where Do Small Wineries Fit In?

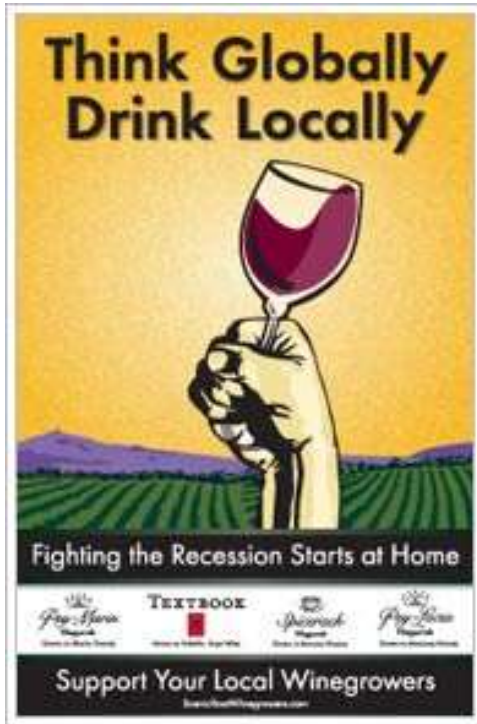
The Wine Wars Framework
Case Studies: Lessons from
Other Industries

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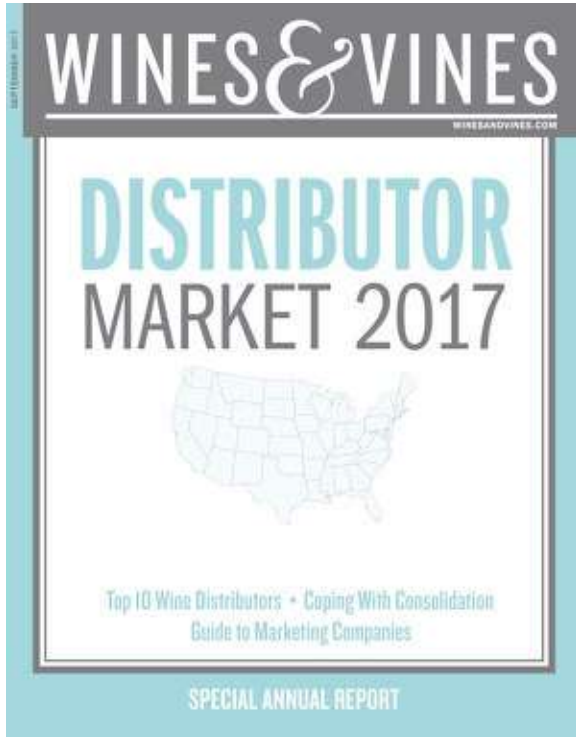
The Bottleneck Theory of
Industrial Organization

The Future of Small Banks

Globalization and Blue Ribbon
Sports



Bottleneck Theory of Industrial Organization



Every industry evolves around its greatest inefficiency – its particular bottleneck

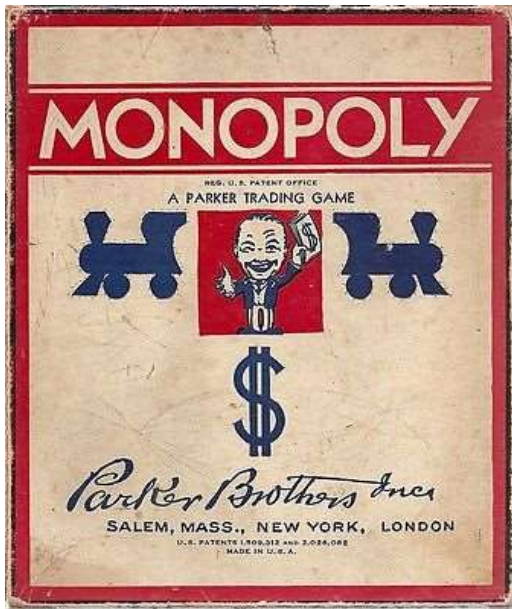
In the United States, the wine bottleneck is distribution

Distributor consolidation trends

Implications for small wineries



How is a Bank Like a Winery?



The financial industry cycle –
consolidation creates
openings for small operators

What can small banks do that
big banks can't (or don't or
won't)?

Implications for small wineries



Lessons from Blue Ribbon Sports



An Inconvenient Question

The big order from Blue
Ribbon Sports

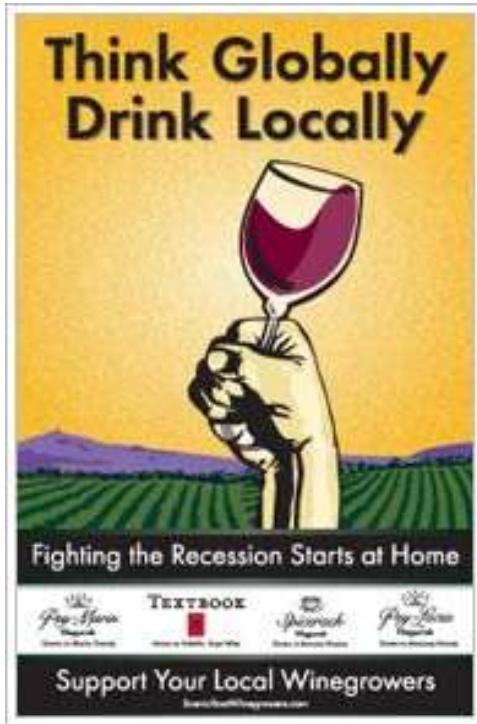
Out-Sourcing Competition

What is your *real* business?

Implications for small wineries



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