Increasing Competitiveness of Wine Producers in Strategic Alliances VOC

“Cogita mundi, sed agere localiter”

Enometrics XIX
Coimbra & Viseu, PT
May 30 – June 2, 2012

Wine of Czech Republic

Vineyards Area
Increasing Competitiveness

- secondary products of the vine
- development of wine tourism
- establishment of new strategic alliances VOC (Wine Producer Cluster)

Varieties are (were) Brand

New Trends

- Consumers are placing more emphasis on the selection of wine on its origin from:
  - a particular area
  - a growing community /vineyard village/
  - a individual grower

- There is new system for appellations wine “Vína Originální Certifikace – VOC”, which means wines of original certification
VOC Znojmo

Research Aim

- a plan for new development of associations of Wine Producers VOC
- Results are compared with already operating on associations for the appellation in Austria DAC

New Facts
Consumers & Producers

- Viticulture and wine sector (industry) in the Czech Republic has undergone over the last twenty years extensive reform
- has experienced a significant shift from the quantitative orientation of production towards high quality

Czech Wine Market

tabel vs quality wines in 1999 (%)

Source: Ministry of Agriculture CR, 2012
**Methology**

- alliances are described in the context of:
  - establishment
  - operation
  - development and expansion
  - possibility of involvement of additional organizations suppliers and research institutions

- Research method was interview
- Localization Quotient (LQ) (Porter, 1998)
- Concentration Quotient (CQ)

**Localization Quotient**

\[ x/X \]

\[ (LQ) = \frac{y/Y}{X} \]

- LQ - location quotient of employment in the region
- \( x \) - employees working in the sector in the region
- \( X \) - total number of employees in the region
- \( y \) - employees working in the sector in the state
- \( Y \) - total number of employees in the state

- Potential for regional clusters is where are groups of related industries with LQ greater than 1

**Concentration Quotient**

\[ \frac{a}{A} \]

\[ CQ = \frac{b}{B} \]

- CQ - concentration quotient of vineyards in the region or in a certain area for the establishment of an association of wine growers or cluster

- \( a \) - the number of vineyards in the region certified by the association rules (ha)
- \( A \) - total number of vineyards across the region (ha)
- \( b \) - the number of vineyards of all associations (ha)
- \( B \) - the total area of vineyards in the country (ha)

**VOC in the Czech Republic**

[Map of the Czech Republic with focus on Brno region]
**VOC in the Czech Republic**

- The primary motive for establishing a new regional association was effective cooperation in communication highlighting the uniqueness of the primary origin of wine.

  U.S.P. = unique selling position

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**Second VOC Blue Hills - 2011**

- Successful setting of strategic alliance VOC Blue Hills, 30 wine producers of 5 villages around the center Velké Pavlovice.

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**Wine Producers - cooperation**

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**VOC in the Czech Republic**

<table>
<thead>
<tr>
<th>Wine Region</th>
<th>Potential VOC (ha)</th>
<th>Vineyards in region (ha)</th>
<th>share VOC potential (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOC Znojmo</td>
<td>392</td>
<td>552</td>
<td>71%</td>
</tr>
<tr>
<td>VOC Blue Hills</td>
<td>129</td>
<td>1 138</td>
<td>11%</td>
</tr>
<tr>
<td>Southern Moravia (3 VOCs)</td>
<td>3 241</td>
<td>12 376</td>
<td>26%</td>
</tr>
</tbody>
</table>
Blue?

DAC in Austria

### DAC in Austria

<table>
<thead>
<tr>
<th>Wine Region</th>
<th>vineyards with DAC potential in ha</th>
<th>vineyards in region in ha</th>
<th>rate DAC potential in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weinstrasse</td>
<td>7377</td>
<td>13389</td>
<td>55.1</td>
</tr>
<tr>
<td>Mittelburgland</td>
<td>1164</td>
<td>2121</td>
<td>54.9</td>
</tr>
<tr>
<td>Südburgenland</td>
<td>177</td>
<td>499</td>
<td>35.39</td>
</tr>
<tr>
<td>Kamptal</td>
<td>1502</td>
<td>2246</td>
<td>66.89</td>
</tr>
<tr>
<td>Traisenland</td>
<td>2301</td>
<td>3802</td>
<td>60.53</td>
</tr>
<tr>
<td>Neusiedlersee-Hügelland</td>
<td>463</td>
<td>790</td>
<td>58.64</td>
</tr>
</tbody>
</table>

Source: Statistik Austria, Ministry of Agriculture, 2011

### DAC Weinstrasse

Source: Weinkomitee Weinstrasse, 2011
### Results

<table>
<thead>
<tr>
<th>Wine Region</th>
<th>LQ</th>
<th>CQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAC Weinviertel</td>
<td>1.61</td>
<td>3.6</td>
</tr>
<tr>
<td>DAC Mittelburgenland</td>
<td>1.61</td>
<td>4.9</td>
</tr>
<tr>
<td>DAC Südburgenland</td>
<td>1.04</td>
<td>2.5</td>
</tr>
</tbody>
</table>

### Conclusion

- Association DAC Weinviertel showed positive results of cooperation
- DACs Assoc. meet conditions for a cluster
- Used by some elements of cooperation specific to cluster together in the form, such as joint marketing, research and education
- New association VOCs in CR has QC & LC larger than a minimum value & quotients are in the similar values like in Austria
- Could create an institutionalized cluster

### Results

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<tr>
<th>Wine Region</th>
<th>LQ</th>
<th>CQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>VOC Znojmo</td>
<td>1.02</td>
<td>1.51</td>
</tr>
<tr>
<td>VOC Blue Mountains</td>
<td>1.30</td>
<td>2.46</td>
</tr>
<tr>
<td>Southern Moravia (3 VOC’s)</td>
<td>2.26</td>
<td>2.81</td>
</tr>
</tbody>
</table>

### Conclusion

- The application of the results of LQ & CQ was a plan for the establishment of various associations of VOC’s
- Specifically VOC Blue Mountain, 30 wine producers of 5 villages around the city Velké Pavlovice.
What is new 2012?

- Mendel University is author and management coordinator of establishing cluster of the 3 sub-region in Moravian wine area
- Project is project is based on the results of research and based primarily on the factors for the establishment of the cluster
- to obtain a full-fledged competitive advantage

Methodology to set up cluster

- strategic analysis
- defining the mission and alliance competence
- formation of an alliance strategy
- structuring alliances
- implementation of strategies adopted
- diagnostics, feedback

THANK YOU

THANK YOU FOR YOUR ATTENTION!

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