



Teaching case study: Entrepreneurship and innovation in winemaking

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May 2022

Abstract: The case study is devoted to the company VINIUM, which is an important entity on the Czech wine market. Within the specification of conditions and the context of the case study, the market, legislative, international, but also climatic specifics of business in the field of winemaking are defined. The key source of information for the creation of the educational case study was an interview with the company's sales director. The case study is divided into four main parts, they are the introduction of the company, access to opportunities, the introduction of new and innovative products and operations in international markets and the impact of covid-19. These sections represent the main professional focus of the case study. Each section contains questions for elaboration and discussion.

Key words: winemaking, VINIUM, opportunities, innovation, international markets, impact of covid-19

Company presentation

VINIUM is one of the largest wineries in the Czech Republic, which focuses on Moravian and imported wines. The real history of this company's business can be found in its organized form already in 1936, when two hundred farmers decided to establish the Vinopa wine cooperative in Velké Pavlovice with the aim of strengthening their position on the market.

In the 1990s, the company was transformed during the period of coupon privatization from its predecessor, the state-owned enterprise VINIUM Velké Pavlovice, a state-owned enterprise with headquarters in Velké Pavlovice.

Important milestones in the company's history also included 2004, when significant investments in cutting-edge technologies for vine processing were completed, with which VINIUM acquired the most modern equipment to produce quality varietal wines in the Czech Republic.

In 2007, VINIUM was bought by České vinařské závody a.s., which is a member of the Prosperita holding a.s. group, and thus became the sole shareholder of this company. (VINIUM, 2022a).

In 2021, the company defended the IFS FOOD 7 certificate, which is a recognized standard in the field of food production and emphasizes food safety and the quality of processes and products (VINIUM, 2022b).

The teaching case study was developed as part of the Research and teaching case studies project as a tool for the transfer of current knowledge from business practice to the academic sphere (2020-1-CZ01-KA203-078348). The project was supported by the ERASMUS+ program (KA203 – Strategic partnerships in the field of higher education).

The teaching case study is one of four teaching case studies. Based on the analysis of individual research case studies, teaching case studies, a multiple comparative case study is developed. The theoretical and methodological framework for creating case studies is presented in a multiple case study.

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In recent years the situation on the wine market has been significantly influenced by the development of small wineries. While the number of large players in the market is in the units, the number of small wineries can be estimated at 200-300. The number of entities on the market results in strong competition for customers. Chains also have an influence, where the trend is to also offer products from small winemakers, which give the customer a positive impression in relation to quality. Large companies are heavily dependent on chains. The customer may also have the impression that a large company has sufficient resources compared to smaller ones and does not need another customer so much. On the other hand, the real situation can be more complicated for larger companies, whether from the point of view of records, tax collection or access to subsidies.

The characteristic end customer of the company is a high school educated person who focuses on quality combined with a favorable price. The intermediate link is the chains and discounters that these customers visit. Other customers include the independent market, such as the COOP center, wholesalers and, to a lesser extent, wine shops, which, however, are more oriented towards smaller producers.

The company's main competitor is Zámecké vinařství Bzenec, Víno Valtice, Bohemia. Competition affects the price of products, which can subsequently affect the deformation of the wine.

The company has 250 hectares of our own vineyards, and we also process wine from our contracted supplier and small winegrowers. The purchase of wine depends on the harvest.

Because the company focuses on the food market, its activities are significantly influenced from the outside by the legislative framework of food production, and at the same time, the production or trade process is often interfered with by control institutions. The control of State Food Inspection comes every 14 days. Every 14 days comes because they can check every wine we import, every tank, there is a protection period of 14 days during which you cannot do anything with the wine. Within the 14, they can come again for inspection, and check and take away the wine again. Next, they have the next 14 days to examine it.

The legislative framework of business in the field of winemaking is represented by the Act on Viticulture and Viniculture, which regulates, for example, the labeling of products (origin of wine, batch of wine, residual sugar, etc.), but also matters of importation and purchase of wine.

Wine production is also dependent on climatic conditions.

The company realizes the importance of social networks and other digital channels for advertising and promoting its products and uses them. These are mainly Facebook, Instagram and own websites. On the other hand, personal contact with customers is also used for these purposes, e.g., in the form of tastings, tours, etc. The company can establish a direct connection with the customer (wine degustation, visitation etc.) to explain to him how wine is produced, processed, etc.

The members of the sales team are remunerated flexibly with a basic salary and a variable salary, which makes it possible to evaluate the employee's performance and at the same time consider the influence of factors beyond the employee's control.

Questions for discussion:

- **What are the advantages and disadvantages of large wineries from the point of view of the market and access to customers?**

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- **What combination of distribution channels would you recommend VINIUM use?**
- **Does the company optimally use the possibilities of social networks and other tools of the digital environment?**

Creating and taking advantage of opportunities

The company is dedicated to market research, when it has available surveys from the Vinařské fund, but due to high costs, it uses them less than in the earlier period. The company obtains additional partial information based on cooperation with a person who, as part of his university studies, dealt with, among other things, how people perceive VINIUM and what they emphasize when purchasing. In the area of market research, the company therefore has rather partial information at its disposal, the main barrier to the implementation of more detailed research is their price.

The sales director of the company considers the sales department to be the key element of the company in finding and shaping opportunities. However, working with opportunities is not only the work of the store, but all departments, workers, and even the real owners of the company participate in it. All company employees participate in the search for opportunities, as well as in subsequent evaluation and development.

The company's vision is its own wine shops, which should strengthen the portfolio of its sales channels. This plan relates to the subsidiary company Pavlovín, which focuses more on gastronomy. These are the first steps in building wine shops, and the VINIUM company is trying to build on this strategy. However, this is a longer-term plan, also due to financial demands.

Questions for discussion:

- **How do you evaluate the company's market research activities?**
- **What other activities would you recommend to the company?**
- **In your opinion, in the case of VINIUM, is building your own wine shops a suitable way to expand your portfolio of distribution channels?**
- **In which of the company's procedures do you see elements of a causal approach and in which, on the contrary, elements of an effectuation approach?**

Introducing new and innovative products

VINIUM responds to current market trends and in this context offers, for example, frizzante, which is a completely new product, as the company had not produced sparkling wine before. The main barriers to the introduction of new products are production technology and price.

One of the possibilities of creating new products is the crossing of varieties. An example is the variety Hibernál. The main idea of crossing is to achieve a higher resistance of new varieties and, subsequently, also a suitable combination of tastes. However, modern varieties have a harder time breaking into the market. The reason is the fact that the Czech market is relatively conservative, and customers prefer traditional varieties.

However, customer preferences evolve in relation to individual varieties, and in some cases, there is even a loss of interest in older varieties. An important factor that influences consumer interest in each

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product is whether the variety is attractive and fashionable. Another factor is the sweetness of the varieties, which customers associate with a particular variety. The company is intensively concerned with consumer preferences.

The innovation process begins with an idea, continues with consideration of whether the customer will accept the given innovation, and subsequently evaluates the expected costs and revenues associated with the innovation, as well as production possibilities. The tradition and culture of the country also have an influence on the acceptance of some changes by customers (e.g. replacing the classic cork).

The VINIUM company continuously innovates its products. The technological process of introducing new products is ensured by technologists in production on a smaller scale, e.g. in a thousand liter container. The tasting committee then tastes the different aromas and flavours of the product and evaluates them. The company does not implement process innovation.

Questions for discussion:

- **Design new products for the company that will reflect the specifics of the Czech wine market.**
- **How do you evaluate the innovation processes in the company on the example of the "Nachmelené" product?**
- **Have you come across an advertising campaign for this product? Suggest suitable forms and ways of promoting the product "Nachmelené".**
- **How do you evaluate the possibility of selling the "Nachmelené" product in a can on the Czech market? What kind of customer response do you expect?**
- **In which of the company's procedures do you see elements of a causal approach and in which, on the contrary, elements of an effectuation approach?**

Operating on international markets

The VINIUM company is active not only on the domestic but also on the international market. It cooperates with several companies outside the territory of the Czech Republic, both in the area of supply and in the area of customers. In terms of supplier relations, the company focuses on long-term cooperation and proven business partners, both between domestic and foreign suppliers (especially wines).

In terms of customers, the main market is the country and Slovakia, while the company is also intensively targeting the Polish market, where it sees great market potential, which it has not yet been able to use more actively. As stated by the company's sales director, the specifics of individual markets can represent both a barrier (Slovakia) and an opportunity (Poland) for the company's trading.

Other European countries such as Hungary, France and Spain produce their own wines. This situation limits access to their markets. Countries that do not grow wine themselves usually import it from wine-growing powers such as Italy, Spain or Argentina. A significant factor affecting export possibilities is the competitive price of imported wine from other countries, e.g. from Italy or Spain.

Compared to other countries (e.g. Slovakia), Czech customers prefer semi-dry wines with a higher sugar content.

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The effects of the coronavirus epidemic on the functioning of society were diverse. In the first year, the epidemic had a positive impact mainly on the volume of sales in chains. Anti-epidemic measures and the lack of material had a negative impact. In 2021, the sales success was not repeated. The reasons can be seen in the fact that customers saved more and there was a fragmentation of demand between different products. The company also assumes that wine consumption is at its peak and will not increase further

The company imports and offers commodities mainly from Argentina, Spain and Hungary. There was a problem from Spain, where imports were delayed. From Argentina, the same problem. Their supplier himself buys the material abroad anyway, which are other problems that arise.

Despite all the covid measures and restrictions, the company invested in a new automatic line to produce bag-in-box wine in 2020, and at the same time very significantly increased its share in the bag-in-box wine market.

“On the one hand, with this step, she managed to reach several customers, and on the other hand, she was able to maintain the high quality of her products even in the form of B-I-B. At the same time, since 2020, the company has started work on the renewal and complete reconstruction of the bottling line, which is related to the high investments that the company makes, because it considers innovation and keeping pace with the development of technology as a necessary condition for the company’s main vision “to maintain the position of the largest supplier of bottled wine in the Czech Republic”, but also as a possibility for further growth and development.” (Vozňáková, Folvarčn, 2021)

Questions for discussion:

- Evaluate the possibilities of VINIUM's entry into foreign markets. In which markets and with which products do you think it could be successful?
- How do you assess the effects of the epidemic situation on the wine market and VINIUM? What measures could the company have taken to minimize the negative impacts?
- Which aspects of the specific epidemic situation was the company able to use to its advantage?

Notes and sources used

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