

## Bodegas Enrique Mendoza

Source:

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### Objectives of the case study

- \* Use a real example to illustrate the development phases of a marketing plan in an SME
- \* Extend knowledge of the SWOT analysis and its use in marketing plans
- \* Underline the importance of marketing strategies to a wine company

Bodegas Enrique Mendoza (<http://www.bodegasmendoza.com/>) had its modest beginnings in the 1970s when Enrique Mendoza started buying, collecting and investing in the wines of other wineries. Later he decided to continue the family tradition in Marina Baixa of producing wine for day to day consumption and he planted the first 2,000 vines beside his house in Alfás del Pi, his family's home village. However, it soon became clear that if he wanted to take wine making seriously and produce quality wines Alfás del Pi (very close to the coast and with high humidity) was not the best place for his company.



In 1989, after this experimental phase in Alfás, the Mendoza family moved to Finca Chaconero in Villena to put the second expansion into action with a total of 120,000 vines of international varieties such as Cabernet Sauvignon, Merlot, Pinot Noir and Petit Verdot. In those days it was very unusual to have someone try to acclimatise noble grapes (cabernet, merlot, the always difficult pinot noir and a shiraz that was little heard of at that time), and even more unusual to have someone travel throughout the New World making second harvests to educate himself.

In 1987 he put his first wine on the market. Geographically, he began in Valencia, followed by Madrid and Barcelona with Alicante coming later. In 1995 the company started its international expansion, firstly in Europe and later in the USA. The expansion decision making criterion was proximity, starting with the closest European countries. Today the company has a presence in Spain, France, the UK, Germany, Italy, Austria, Denmark, Sweden, Norway, Australia, Japan, the USA, Mexico and Brazil, among others.

There is no doubt that one of the key aspects of the success of the wines of Enrique Mendoza is their acceptance in foreign markets. Initially the foreign market accounted for 80% of the company's turnover with 20% remaining in the national market. These figures reflect the difficulties faced by the company in having the quality of its products recognised in comparison with those of the large national D.O.s (chiefly Rioja). Today the situation has balanced out and turnover is split 50/50 between the two markets.

### Managing a family company with an environmental approach

Bodegas Enrique Mendoza has a total of 300,000 plants in production in its two vineyards. Finca El Chaconero in Villena is the main vineyard (65 hectares) and winery and this is where the red grape varieties are grown. In Alfás del Pi (beside the sea), in the style of a French chateaux, the company has its cellars and bottling plant, with an annual output of some 400,000 bottles. The white grape varieties such as Chardonnay and 4.5 hectares of Moscatel Romano (Muscat of Alexandria) are also cultivated here. According to figures from 2009, the company's income was 1,526,148 euros and there were 19 employees.

The company is run by two of Enrique Mendoza's sons: Pepe and Julián. Julián Mendoza is the CEO and is in charge of marketing and commercialising the wines. Pepe Mendoza is the wine maker of the company (one of the most prestigious in Spain). In terms of internal management, the company has made a strong commitment to investing in technology and R&D&i. They use advanced techniques such as

sensors to measure the hydro stress of the vines to produce fresher, more concentrated and better quality grapes. Another important aspect is that 100% of the wine production is from their own grapes. However, the fixed costs of production (especially those of the barrels) are high.

Another characteristic aspect of the company is its commitment to the environment. They have developed a system of viticulture with the concept of zero residues which means that they use no herbicides insecticides or systemics, they only use sulphur powder, copper, organic pest control (such as bacillus turugensis for moths) and lots of commitment. The soil is nourished and cared for naturally with compost made by their own animals. “We approach things from two angles, the organic and the agrotecnological” says Pepe, who is recognised as belonging to the generation of technicians whose philosophy is do not damage the land while benefitting from technology.

### Target market

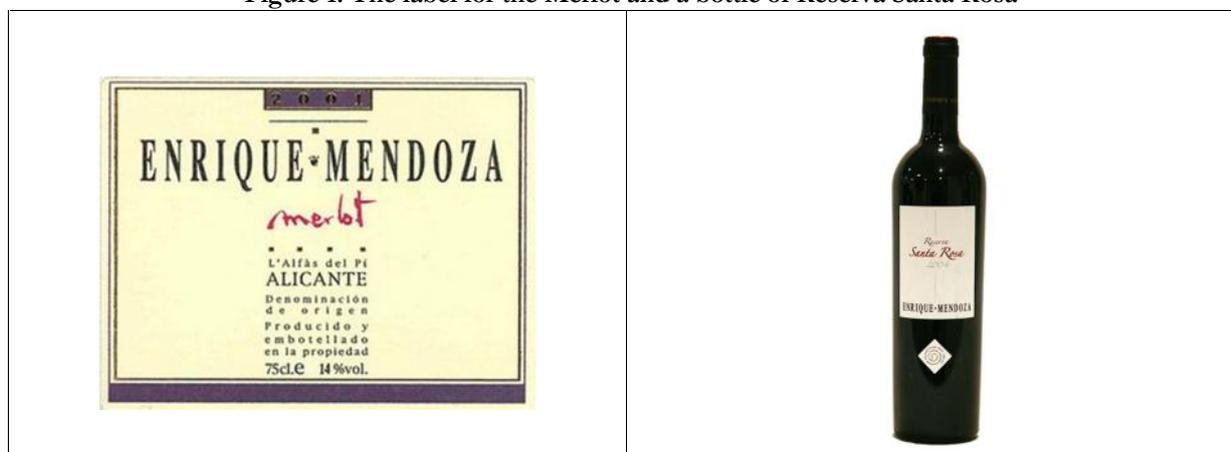
The target market of the winery consists of a consumer profile that, in terms of market segmentation, is over the age of 30 and of middle or upper middle class. From the psychographic point of view we can say that the market we look to is that of the modern crowd (“open minded and non-prejudiced”, in the words of Julián Mendoza).

### Marketing-mix strategy

Bodegas Enrique Mendoza has specialised in making high quality wines that are recognised both nationally and internationally for their quality in foreign grape varieties: “own vines, water control, the latest and best viticulture techniques and the best grapes; are the basis for making the best wine”.

The company markets a total of 13 different wines – whites, reds and sweet wines- using various grape varieties: Chardonnay and Moscatel for whites and Cabernet Sauvignon, Merlot, Pinot Noir, Petit Verdot, Shiraz and Monastrell for reds. Bodegas Enrique Mendoza has direct control over labelling, branding, bottling and all other product related matters.

Figure 1. The label for the Merlot and a bottle of Reserva Santa Rosa



The wines made by Bodegas Enrique Mendoza are marketed under the umbrella of the Alicante P.D.O. In Spain the P.D.O. is used as an indicator of the quality of a product. However, many consumers still think that the best quality can only be found in the traditional wine making areas such as La Rioja or Ribera del Duero. Because of this, and conscious that an association with Alicante could be a drawback, the company decided to create a strong brand image - Enrique Mendoza -, so as not to have an inseparable link with the Alicante P.D.O. Also, as part of the brand strategy, the wines are identified by the grape variety they are made from: Enrique Mendoza Pinot Noir Crianza, Enrique Mendoza Merlot-Monastrell, Enrique Mendoza Shiraz Crianza, Enrique Mendoza Petit Verdot Crianza, Enrique Mendoza Cabernet-Shiraz Reserva, which was something new in the Spanish market, more accustomed to wines being classified according to their age (“cosechero”, “crianza”, “reserva” and “gran reserva”).

The company motto is “the best wine is in the best vineyard”, which reflects their commitment to quality raw materials. The wines of Enrique Mendoza can always be found in specialised guides with high scores and they can be bought in the best wine retailers and restaurants all over Spain (e.g., Guía Peñín, Guía Andrés Proensa). Last year the American wine guru Robert Parker, manager of the specialised publication The Wine Advocate, awarded scores of 90+ over 100 to two of the vineyard’s wines, the Santa Rosa and the Estrecho.

As part of their diversification process they also offer their own olive oil, Aceite Tagarina, which is made from ancient olive trees grown in the Sierra de Aitana using sustainable agriculture. Also, in 2009, Bodegas Enrique Mendoza joined with Chocolates Valor to create a box of wine chocolates. The four types of chocolates were made with Merlot, Monastrell, Santa Rosa and Dolç wines. Initially the box was only available to order or as complementary offer with a bottle of Dolç de Mendoza in the winery, in the Valor shops and in the supermarket of La Nucía ([www.valor.es/promociones/maridajes/maridajes.swf](http://www.valor.es/promociones/maridajes/maridajes.swf)). After making various agreements with certain large retailers the product is now available in some hypermarket and supermarket chains.

The wines range in price from 6.50 euros for a young Chardonnay to 26 euros for one of their star wines, Enrique Mendoza Reserva Santa Rosa. The average price is around 14 euros. According to the wine studies of the consultant Nielsen, the average prices of the company place is in the medium-high range of the sector.

In terms of distribution the company uses three channels: restaurants (20% of total sales), specialised wine shops (60% of total sales) and direct sales in the winery (20%). Furthermore, the company is starting to introduce its wines into large retail outlets (for example, Carrefour). However, and despite the efforts of the distributors to differentiate them, the placement of the wines in this type of outlet is not without problems. With regard to the first two of these channels, Bodegas Enrique Mendoza has 31 distributors for the national market and 26 importers for the foreign markets (Europe, America, Australia and Japan) who they sell their wine to and who in turn supply the restaurants and specialised retailers that bring the wine to the final consumer.

Direct sales at the winery (to residents and tourists) have increased their sales volume by 100% (sales through this channel have risen from 10% to 20%) since the company decided to utilise enotourism as a diversification strategy a few years ago. Obviously direct sales have many advantages such as high profit margins or the opportunity to educate consumers, obtain information directly from the market and generate loyalty. Conversely, sales volumes will always be lower than sales through intermediaries. Currently the company has no plans to directly commercialise its products online.

Finally, the company spends almost nothing on their communication strategy (no press or television advertising); instead they are confident that the visits to the winery will foment word-of-mouth communication to publicise the wines.

At the professional level, however, they attend the various sector fairs such as the London International Wine Fair, to exhibit and to view new market tendencies. They have also made informational leaflets about the products and the activities of the winery which are placed in hotels, travel agents, tourism offices and other leisure companies in the area.

Only about one year ago, Bodegas Enrique Mendoza engaged the Elche company, Grupo Antón to develop a company website. It includes information, in Spanish and English, on the wines and the enotourism activities of the winery. There is a blog called “Cuaderno de campo” where they post about the work in the vineyard, articles on viticulture, etc. The company also has some space in the leisure section of the website Destino Guadalest ([www.destinogudalest.com](http://www.destinogudalest.com)).

One of the future projects is to incorporate social networks (Facebook, Twitter and Youtube) into the company’s communication strategy.

Figure 2. Website of Bodega Enrique Mendoza (www.bodegasmendoza.com)



## Diversification strategies

### *Enotourism*

Four years ago the company decided to move into a new business area related to enotourism. So for the price of 20 euros per person (free for under 18s as they cannot participate in the wine tasting), there are 90 minute guided tours of the winery. This is the highest price of any other winery tours in the area (and in most of Spain), but “it is among the cheapest given the type and quality of the services received”, affirms Julián Mendoza. One differentiating factor is that visits can be made when the winery is in production, unlike other areas, such as California, where visits are only permitted in certain sections which are not currently working. During the visit, the guide explains the most important aspects of harvesting, making and storing wine and at the end of the tour there is a guided tasting of some of the wines along with some food to accompany them. The tours and tastings can be held in Spanish, English or French and the visit can be combined with a meal at the winery (minimum 10 people and by prior arrangement). The typical visitor profile is adult, with an average age of 35, medium-high income level, staying in a hotel of at least 3 stars and of Spanish or foreign nationality.

Bodegas Enrique Mendoza collaborates with the Hotel Casa del Maco (Benissa) and the Hotel Castell de la Solana (Alcalalí) to complete its enotourism product with the possibility of staying in the area. The hotels offer the chance to purchase an enological package of two nights at the hotel, a visit to the winery and dinner with degustation of the wines. Also the Hotel Albir Playa (Alfás del Pi) gives its clients tickets for a day in the hotel spa for purchases over 300 or 600 euros in the winery. In the future, Julián Mendoza intends to remodel one of the buildings beside the winery to have onsite accommodation and catering, which would strengthen and consolidate their firm commitment to enotourism. They also offer the following services: personalised visits in the company of Pepe Mendoza, who designs a tour and tasting according to the visitor’s profile; and free wine tastings in the winery shop on Saturday mornings.

The Alicante province has only a few years’ experience with enotourism. The Alicante wine route was inaugurated recently and integrated into the Wine Routes of Spain, which is part of ACEVIN (The Spanish Association of Wine Cities). The idea is to promote enotourism as a complementary activity to

the sun, sea and sand tourism of the area and thus help improve the infrastructures and the economy of the inland towns. There is still a lot of work to be done though before enotourism is established in the province. Bodegas Enrique Mendoza forms part of the project as a member of the route.

#### *Events*

The winery has also entered into the events business, offering its installations for weddings, family celebrations, exhibitions, presentations and other private or business functions. Bodegas Enrique Mendoza has various rooms available depending on the number of participants and the time of year: interior (up to 100 seated or 200 standing); exterior uncovered (up to 250 seated and 500 standing); and an uncovered garden area (up to 20 seated and 150 standing). In collaboration with the restaurant El Xato, in La Nucía, they offer four themed menus that are open to suggestions by customers. All types of events can be combined with visits and/or tastings in the winery. Services range from business breakfasts to lunches to dinners, 7 days a week including holidays. There is also the possibility of having guided tastings in the winery or at your own premises or hotel in Spanish, English or French.

#### *Premium Experience*

One of the latest ventures of Bodegas Enrique Mendoza is a service called “Premium Experience”. This high quality experience consists in offering customers the chance to create their own wine, “Premium Wine” (1 barrel = 300 bottles) from the 1,400 barrels in the winery. The company provides eight different grape varieties from different soil types, and allows ageing in different barrel types (French and American oak), to create a unique tailor made product, “a real signature wine, with the signature being that of the customer”. The Premium Experiences are held from the 1<sup>st</sup> of June to the 30<sup>th</sup> of October and always by prior booking and take place over one day. The experience includes a day with Pepe Mendoza to explore the tastes and preferences of the customer and the delivery of 300 bottles of the Premium Experience wine to any point on the peninsula. It also includes lunch for 6 at the winery for family or friends. The bottles are delivered in wooden boxes of 3 bottles with personalised labels. The price is 50 euros per bottle for the full service with VAT included. To make a booking for this service customers have to pay 50% of the total cost in advance.

## QUESTIONS:

In groups of 3-5, answer the following questions:

### 1. With reference to the SWOT analysis of Bodegas Enrique Mendoza.

<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Increased consumer interest in wine.</li> <li>• Increased production of Spanish wines and their great success in foreign markets (e.g. USA and BRICS).</li> <li>• Growing environmental awareness.</li> <li>• Interest in enotourism (tourism area).</li> <li>• Creation of the Alicante Wine Route.</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• High competition in the sector.</li> <li>• Importance of other better known D.Os. (Rioja, Ribera, etc.).</li> <li>• Positioning of the Alicante D.O.</li> <li>• Economic crisis.</li> <li>• Fall in demand for wine (volume).</li> <li>• Legislation (driving license points, etc.).</li> </ul>
<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Control over wine making, bottling and commercialisation. Own production.</li> <li>• Recognised brand.</li> <li>• High scores from specialised guides and prescribers (R. Parker).</li> <li>• Investments in R&amp;D&amp;I.</li> <li>• Product diversification (Olive oil, chocolates).</li> <li>• Wide range of wines and prices.</li> </ul>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Small company with limited resources.</li> <li>• High production costs.</li> <li>• Lack of professional management: no marketing plan, clear objectives or defined strategies.</li> <li>• Little communication directed at the final consumer.</li> <li>• Excessive dependence on distributors.</li> <li>• Enotourism: No overnight stays at the winery.</li> </ul>

- a. To what extent does belonging to the Alicante DO pose a threat to the company?
- b. How do you think the current economic crisis affects wine consumption?
- c. What synergies can the winery gain from the alliance with Chocolates Valor?
- d. How important is the fact that the company's wines are awarded high scores in wine guides? Why are guides important in the consumer choice process? Are these guides equally important in all markets?
- e. How might the company's future be affected by its lack of direct communication with the final consumer and its overreliance on distributors?

## 2. With reference to the growth strategies of Bodegas Enrique Mendoza.

	STRENGTHS	WEAKNESSES
Enotourism	<ul style="list-style-type: none"> <li>Fashionable product.</li> <li>Allows direct contact with target consumers to introduce them to the wines.</li> <li>Serves as a communication tool, via WOM</li> <li>High added value: Personalised visits with Pepe Mendoza, possibility of choosing language and of eating at the winery.</li> </ul>	<ul style="list-style-type: none"> <li>High price compared to other wineries in the area.</li> <li>Alicante Wine Route is still in construction.</li> <li>No overnight stays at the winery.</li> </ul>
Events	<ul style="list-style-type: none"> <li>Brings income from the premises.</li> <li>Communication element for the main product.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of know-how.</li> <li>Externalisation: Need to collaborate with other companies.</li> </ul>
Premium experience	<ul style="list-style-type: none"> <li>Innovative concept, novelty.</li> <li>High added value.</li> <li>Possibility of capturing high class customers.</li> </ul>	<ul style="list-style-type: none"> <li>High price.</li> <li>Lack of communication plan.</li> </ul>

- How is the fact that customers can tour the winery with the winemaker a strength?
- Do you think the enotourism visits are well priced?
- In what ways do you think that not being able to stay overnight at the winery supposes a weakness?
- How is the holding of events a communication tool?
- What are the risks of externalising some aspects of event management?
- Do you think that the Premium Experience is viable?
- Can you think of any other strategies? If so, provide details.

## 3. With reference to the marketing-mix strategy for the Enrique Mendoza brand, what aspects do you think can be improved?

	STRENGTHS	WEAKNESSES
Product	<ul style="list-style-type: none"> <li>Wide range.</li> <li>Brand positioned as high quality.</li> <li>Co-branding with chocolates Valor.</li> </ul>	<ul style="list-style-type: none"> <li>Image (name, logos, labels, packaging, etc.) does not evoke a modern/dynamic/young image in accordance with the target market.</li> </ul>
Price	<ul style="list-style-type: none"> <li>In line with quality.</li> <li>Wide range.</li> </ul>	<ul style="list-style-type: none"> <li>Somewhat high?</li> </ul>
Distribution	<ul style="list-style-type: none"> <li>Diversification.</li> <li>Given the crisis situation (decreased wine consumption in restaurants), a multi-channel approach is suitable.</li> </ul>	<ul style="list-style-type: none"> <li>The use of intermediaries distances the company from the market. It does not use strategies directed at customers to increase sales in the different channels.</li> <li>On line sales undeveloped.</li> </ul>
Communication	<ul style="list-style-type: none"> <li>“Cuaderno de campo” blog, differentiating factor with additional content on viticulture.</li> </ul>	<ul style="list-style-type: none"> <li>No spending on advertising (however it should be stressed that 80% of the production is sold to wholesalers, not to the final consumer).</li> <li>Web page with low content, not updated.</li> <li>Sales in the winery, a growing channel, should provide more.</li> </ul>