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ASSESSMENT OF ATTRACTIVENESS OF THE WINE-PRODUCTION INDUSTRY IN THE CZECH REPUBLIC

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Abstract

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The paper is focused on evaluation of attractiveness of the wine sector in the Czech Republic and on the competitive position assessment of company Věstonické sklepy, s. r. o. using the assessment of key factors and applying the GE matrix. Wine-production can be described as very attractive, favorably developing industry with significant potential for growth and expansion. In particular, the growing popularity of wine consumption, increasing consumption and production, increasing competitiveness, introduction of new technical innovations and introduction of innovative changes in production, storage and sales, are aspects that have a positive impact on the attractiveness of the sector.
The permanent trend of development and market growth represent a well-verifiable criterion that implies there still is a significant share of the untapped potential. Assessment of the competitive position indicates relatively good strategic situation of the company in the attractive environment, but it is necessary to invest considerable financial resources with an uncertain impact on maintaining the position. Main problems of the company namely include the financial situation which is specifically addressed by utilizing short-term liabilities. The company can be described as prosperous in terms of established technologies and implementation of innovative changes, human resource management, use of production and storage capacities, marketing factors, selection of the appropriate type of promotion, and contracting reliable customers.
The strategy based on the position in the GE matrix suggests that the company should focus on production of quality wines and on the offer of specialties to penetrate stronger into the market and with a better competitive advantage. The company should not forget the completion of the proper functioning of the website, which should lead to an increase of the number of potential customers.

wine-production industry, attractiveness, competitive position, GE matrix, strategy

The wine sector is one of the dynamically developing industries in the Czech Republic (CZ). Changes in this sector started before the entry into the European Union (EU) in 2004, when many new vineyards were planted mainly owing to government subsidies. The entry to the EU had led to a more strict conditions and legislative regulation, which had to be adapted by many growers. The structure of grown varieties, which are ensuring the quality of production and competitiveness of Czech wines not only in the EU market, are modified significantly at present. Natural and climatic conditions provide Czech wines with uniqueness, originality and exceptional taste that is characteristically spicy, and it gives Czech wine a potential advantage in the global market. All these changes are reflected in the existence of individual producers, who must respond to these changes appropriately. The existences of these changes in relation to the physical possibilities of companies to respond to them are the primary prerequisites for consideration of further stay in sector.

The aim of this paper is focused on evaluation of attractiveness of the wine sector in the Czech Republic and on the assessment of the competitive position of company Věstonické sklepy, s. r. o. Based on the findings it is suggested whether the company should remain in the wine sector or whether the company should terminate its business or whether it should re-orientate to doing business in another industry. At the same time, it is proposed the appropriate strategy which is focused on the future activities of the company.

MATERIALS AND METHODS

To reach the aim of this paper, the authors used the GE matrix, which comes from knowledge about the whole wine market and determines the exact position in the sector in connection with its attractiveness. The GE matrix is composed via the point score of attractiveness and recognition of the competitive position of the company in the sector. The detected position helps to determine further business behavior. It will provide information about whether the company should stay in the market or whether it should leave this sector and focus on another business.

The Attractiveness-Competitiveness Matrix – the GE matrix – is a modification of BCG Matrix, and it is also sometimes referred to as *McKinsey Matrix.* This matrix (Fig. 1) is based on two criteria – the attractiveness and the competitiveness (Bartes, 2008). According to Keřkovský and Vykypěl (1998) it follows this procedure:

1. When processing the matrix, it is important to determine firstly the attractiveness criteria – size of the sector, annual market growth rate, microenvironment profitability, technology stability, capital demands, competitive rivalry, the impact on the environment, industry capacity, stage of the life-cycle, government subsidies, the cost of raw materials, location, stakeholdes etc., and competitiveness criteria – market size, market growth, business quality, price, costs, efficiency, innovation, finance, management skills, productivity, etc.
2. With expert assessment the importance and power of specific criteria will be quantified using scoring scale in the interval <–5; 5>. These two values are multiplied among themselves and result in total ***score***. This procedure is applied to every single criterion.
3. By calculating ***the total score*** – the sum of the partial results – and by calculating ***the maximum possible score***, which is determined by the number of criteria x multiplied by positive border value of the interval of the importance and the force so: *maximum possible score* = $x \times 5 \times 5$**,** we get a ***percentage score***, which we can calculate as

$$\textit{percentage score} = \frac{\textit{total score} \times 100}{\textit{maximum possible score}}.$$

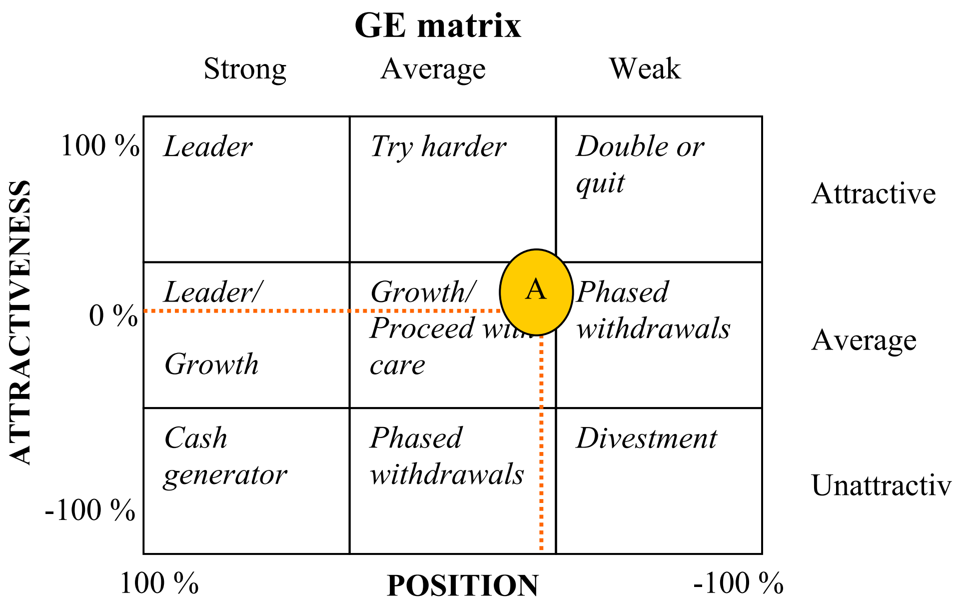
The obtained percentage score will determine the position of the company in the GE matrix.

After the quantification it is possible to record the company's position in the matrix (Fig. 1) and identify the square, which, based on its interpretation, will help to formulate proposal of strategies for the company. (Keřkovský, Vykypěl, 1998):

Leader means many advantages, high growth rate, and ability to influence the sector, low costs.

Leader/ growth – the most important is to hold the position with maximizing sales.

Cash generator – lo w attractiveness inducts that there is a competitive danger. Income derived from



1: *The GE matrix*
Source: Keřkovský, Vykypěl (1998)

the sales of these products is used for more attractive ones.

Try harder is relatively attractive strategic position. It is necessary to ensure improvement of the position, which is expensive, profits are low.

Double or quit forces companies to get into better positions. However, it is necessary to have enough financial resources for the movement.

Growth/ Proceed with care is an average position. The product is competitive and the company has to try to have the maximal sales without subsidies and expansion.

Phased withdrawals mean that it is better to pull off the product from the sector.

Divestment intuitively suggests the company's approach in a given situation.

RESULTS

Evaluation of attractiveness

Attractiveness of the wine sector is influenced by many factors. For purpose of this paper it is used a division according to Sedláčková (2000), which is oriented to *the sector dimension, sector structure, influence of the driving forces of change, a probability of entry or exit of a big company, capital requirements, demand stability, technological level and innovations, costs conditions, intensity of competitive fight* and *the legislative, legal and other regulations.*

Market size and growth

Market size and growth can be analyzed from many viewpoints. One of them is a character of the development of wine production. The total volume of wine production was 840 000 hl in the wine year 2008/2009, including 530 000 hl of white wine and 310 000 hl of red wine. In comparison with the wine year 2000/2001, when the production was only 520 000 hl, the wine production is permanently growing. Development of the wine production has a growing character.

Another important aspect of this dimension is consumption. Consumption of table grapes and wine (Fig. 2) is growing. For the future assessment of the consumption in the Czech Republic there were interleaved the data with a trend line (Fig. 2), which has the form $y = 7{,}4855 + 0{,}1736x$.

Parameters of the trend line come out from the system of equations:

$$\Sigma y_t - nb_0 - b_1\Sigma t = 0.$$

$$\Sigma y_t t - b_0\Sigma t - b_1\Sigma t^2 = 0,$$

where:

$n = 60$

$\Sigma y_t = 766{,}9$

$\Sigma y_t \times t = 26\,515{,}2 \quad \Rightarrow \quad b_0 = 7{,}4855 \quad \Rightarrow$

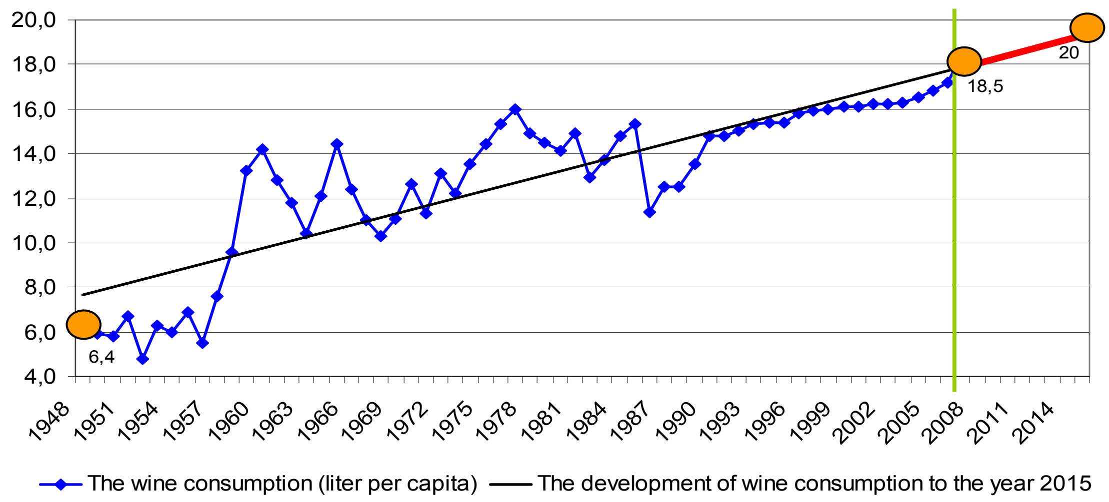
$\Sigma t = 1\,830{,}0 \qquad\qquad b_1 = 0{,}1736$

$\Sigma t^2 = 7\,3810{,}0$

$$\Rightarrow \qquad y = 7{,}4855 + 0{,}1736x.$$

From the trend of consumption development in the Czech Republic the consumption would be approximately 20 liters per capita in 2015. It is evident, that the Czech Republic will not approximate to European average, but this development can be evaluated as very positive for the developing sector.

From these facts it is possible to conclude, that the wine sector is a positively developing sector, which is in a *growth* phase of the life cycle. It is possible to derive it primarily from the growing wine production and growing quantity of wine import in connection with its growing consumption in the Czech Republic.



2: *Development of wine consumption in 1948–2015*
Source: Czech Statistical Office, own work

I: *The table of estimated sector rate*

Wine companies	Production in bottles	Production in liters	Estimated market rate
Vinařství Mutěnice, spol. s r. o.	28 000 000	21 000 000	25.00 %
Skupina Bohemia Sekt	25 500 000	19 125 000	22.77 %
Moravské vinařské závody Bzenec	9 500 000	7 125 000	8.48 %
Vinium, a. s.	9 200 000	6 900 000	8.21 %
České vinařské závody, a. s.	8 000 000	6 000 000	7.14 %
Templářské sklepy Čejkovice, vin. druž.	7 000 000	5 250 000	6.25 %
Znovín Znojmo, a. s.	6 000 000	4 500 000	5.36 %
Skupina Soare Sekt	4 400 000	3 300 000	3.93 %
VINSELEKT Michlovský	4 000 000	3 000 000	3.57 %
Vinné sklepy Roztoky, s. r. o.	2 400 000	1 800 000	2.14 %
VÍNO BLATEL, a. s.	2 000 000	1 500 000	1.79 %
Zámecké sklepy Strážnice	1 300 000	975 000	1.16 %
PATRIA Kobylí, a. s.	1 200 000	900 000	1.07 %
Ostatní	3 500 000	2 625 000	3.13 %

Source: Czech Statistical Office

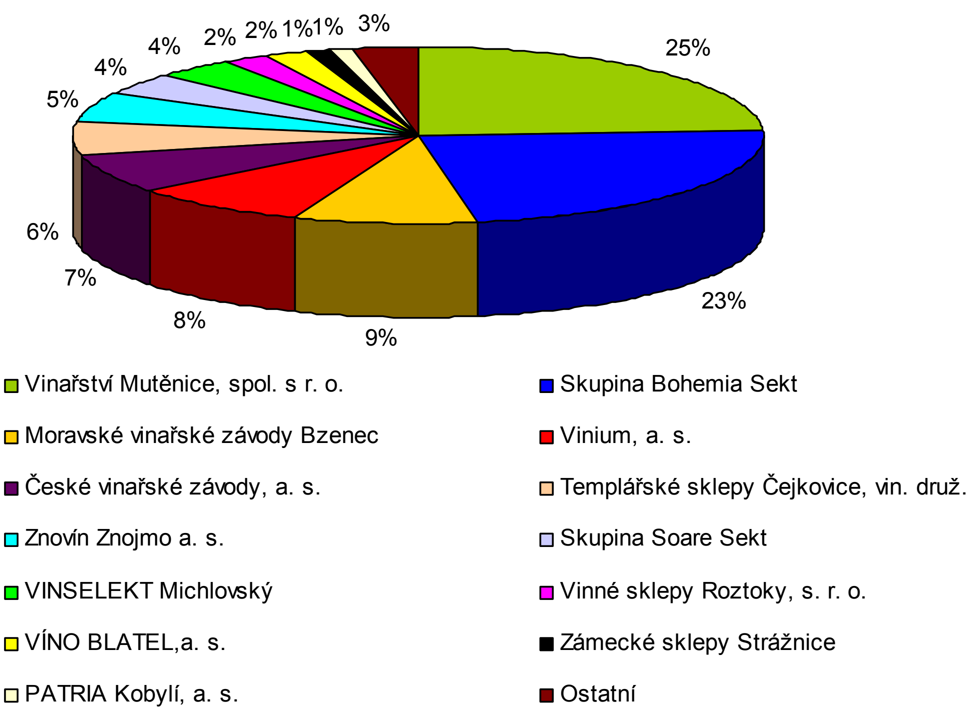
Sector structure from the level of concentration viewpoint

The quantification of sector concentration comes from market shares of particular companies in Tab. I and Fig. 3.

Major influence on the wine sector has about ten biggest companies with the highest market share. From the point of view of smaller producers and potential new entering companies the sector structure is less attractive, because there is relatively strong competition with minimal influence of small companies on the situation.

The driving forces of change

The main driving forces of change forces are *long-term industry growth rate* and *new customers*. The wine popularity in the Czech Republic is growing (Tab. I) at the expense of other alcoholic beverages (Bublíková, 2010). Consumers are already able to recognize and appreciate quality range (quality



3: *Estimated market rate*
Source: Czech Statistical Office, own work

wines are evaluated in average from 100 CZK to 200 CZK) and gradually they stop buying cheaper wine from table category and they start to concentrate on quality and on supply of better quality and so-called land-wines. These facts arise from research by Focus, Marketing & Social Research in 2009, which was addressed to 1200 respondents from whole country (Vaculová, 2009).

It is necessary, that the national wine merchants will aim their production mainly to the quality, but also to fulfill a demand of different kinds of wines, news and specialties like very popular "vintage", "selection of grapes", or the ice-wine and straw-wine. The pink wines are becoming very popular as well, mainly in France. Specialties like barrique wine (it ripens in oak barrel and it takes oaks aroma), botrytis selection (made from grapes with the grey noble rot) and Sur-lie wine (ripens in a vessel on mild yeast) are an effective way to the differentiation of products and the opportunity to extend the offer to customers. The differentiation is connected with new marketing forms. For the sector it is valid so far, that many customers perceive wine as indifferent and when buying they are concentrating on prices, availability or only on "colors" (Tomšík, Sedlo, Šperková, 2007).

Other movement forces are the changes of social priorities and life style. Their influence is mirrored very much in the whole sector. As we can see from Tab. I, the wine consumption is growing. Wine is becoming a part of a life style; it is an important part of social life. Nowadays trend promotes wine drinking and customers demand more information about this product.

Globalization is a force, which cannot be left out. Globalization is mirrored in all areas. With the entry to the EU the Czech Republic became an opened country, so there is a growing pressure on home producers. An important influence has the Common Market Organization (CMO), which went through a planned reform in 2008, and which tries to support successful vintners and financially support the abortive vintners, who would leave the sector.

Competition

The competitive structure is going through a development phase, when the concentration is growing. Today the groups are arising, they concentrate many little producers and they obtain stronger competitiveness and economies of scale. The main player in the sector is Vinařství Mutěnice, s. r. o., which is followed by The Group of Bohemia Sekt, a. s. (Fig. 3). There are also other about ten prestigious wine producers and many other companies, which do not have such an influence in the sector, but they hold a very important place and have their own customers. There is also a big number of small vintners, who mostly operate on a local bases (Šperková, Vránová, 2007).

For newly coming companies to the sector the biggest barriers are the legislation, the country politics and the wine sector politics, legislative demands and the EU restrictions, the competitive influence, geographical location, unstable climatic condition and mainly high input costs. The input costs are very high and return rate is low or none. These high demands on capital investments introduce a risk above all for he small businessmen with low capital and insufficient business knowledge. In spite of these factors, the threat of new entrants is considered high.

Capital requirements

Capital requirements in the wine sector are high and they represent a strong barrier of entry to the sector. Particularly the input costs require a lot of capital needed. In a case when a company does not own a vineyard and the company wants to buy the vineyard, because it does not want only to buy the grapes, it is not a small investment. It is also necessary to have or to hire required places for production, storage and sales. Inevitable is to obtain the equipment for processing the grapes, like a press, pumps, barrels, stainless steel containers, different preparations, labeling line, bottles, corks etc. It is necessary to highlight, that capital requirements are grow in time, because all equipment is becoming constantly out-dated. It is obvious, that entry into the sector is practically impossible without enough capital.

Demand stability

The demand in this sector is relatively stable and even, what is supported by used technologies, which extend durability of the products. So regardless the demand deviations it is possible to hold a stable volume of production. The seasonality of the demand is showed especially at the harvest time, when the grapes are processed and at a so-called young-wine time, when the first wines of the year are coming to the market.

Technology and innovations

The technological development, which is represented by new pieces of information and techniques, can lead to the change of production capacity and other company's activities. In the wine sector the quality of distributed products is very important. The primary raw materials for the wine production are the wine grapes. The development of new varieties is very important technologic trend. If a new variety is accepted as suitable for growing in wine regions in the Czech Republic, it is registered in the State variety book. In year 2008 there were registered three new blue varieties (Cearason, Fratava, Sevar) and one white variety (Rinot) in the book (Bublíková, 2009).

Many possible procedures exist in connection with the production process itself. The most important is technology-driven wine fermentation and gravity technology, and then it is, for example, the integrated production, which is most favored in Austria. In the Czech Republic it is used only for one third of the whole production.

From the packaging materials according to Bublíková (2009) the most favored are the glass bottles (38 %), than the wine in paper boxes (33 %). Boxes are popular thanks to the low price, but most often these boxes contain lower-quality wine. Wine from barrels (19 %) and wine in PET bottles (10 %) follow. For customers the quality-wine is linked with glass bottles (Bublíková 2007). The new type of packaging is wine in tins, and packaging in bigger volume BiB (bag-in-box) with typical volume ranging from 3.5 to 10 liters. Their special valve prevents re-introduction of air.

The newest trend is production of non-alcoholic wine. It is really wine, which was produced from standard grape-wine with the help of dealcoholisation process (removing of the alcohol). This trend is connected with healthy life style, but with an impossibility to drink alcohol too (e.g. due to health problems or driving).

Costs conditions

The costs conditions are relatively positive for wine producers, although there is a growing competition in this sector, and a pressure on price reduction. There is a pressure coming from the big players in the sector, who produce big volumes with lower direct, variable and transaction costs.

Legal and other regulations

These factors include a group of laws, regulations and legislative measures, which influence the companies. The sector of wine production in the Czech Republic is influenced by many politic and legislative factors. The factors include for example subsidy policy, support for non-governmental organizations, monitoring the quality of wine, fiscal policy, the Law on viticulture and wine production, licensing and aids policy, etc. (Šperková, Duda, 2009).

The fiscal policy is adapted by the Act No. 235/2004 effective from May 1, 2004, which determines the VAT rate for wine to 19 %. Based on the Act No.129/1999 with validity from July 1, 2000, the excise tax for the wine with price to the 2.5 CZK/l was cancelled. This tax was left only for sparkling wines, champagnes, dessert wines and spicy dessert wines on the level of 2 340 CZK/hl. The excise tax for wine is 0 CZK/l. For the wine intermediate products there is imposed the excise tax of 2 340 CZK/hl.

Wine legislation is governed by the Act on viticulture and wine production No. 311/2008, which replaced on the 17th July 2008 the Act No. 321/2004, used till 2008. The other legislative measures are The Notice determining the sub-regions of villages and tracks No. 324/2004. The government notice on the implementation of certain things in common market organization for wine (restructuring) No. 245/2004, Ministry of Agriculture Notice No. 97/2006, Notice of the Ministry of Agriculture to the aid of the Wine Fund. The EU legislature cannot be omitted, because it needs to be followed since 2004, when the CZ has become the EU member. The most important European legislation is Council Regulation (EC) No. 1493/1999 and Commission Regulation (EC) No. 1227/2000 on the common market organization for wine. Today there is a large amount of aid flowing into the wine sector. It is the support from the Czech Republic, the EU and from non-governmental institutions.

The state support

The subsidy policy is determined by Principals, with which it is assessing conditions for providing subsidies by § 2 of the Act No. 252/1997, about agriculture, for year 2008 (Bublíková, 2010). The next resource from which it is possible to draw finance are supports from the Support and Guarantee Agricultural and Forestry Fund. The main activities of this Fund are maintaining supports in the form of interest subsidy and guarantee the principal part of their loans to the economically recoverable business plans announced in the following program – The farmer and the land program (Bublíková, 2010).

Very important are also the supports from Wine Fund by Act No. 321/2004 (Bublíková, 2010), which go to the marketing strategies, sales, protection of labeling wines by geographical origin, public awareness, the development of cultural traditions as part of the country and European heritage, the development of wine tourism and the development of public relations in the field of viticulture and wine production.

The EU support

The EU supports are applied by government regulation No. 245/2004 together with implementing legislation. In 2009 the reform of the common market in wine sector had cancelled all applicable regulations until that time, according to which it was possible to pay the aid for the restructuring and conversion (Agris, 2009). The support is aimed at a change of *vineyards varietals, an increase in number of vines, moving into the hillside vineyards,* and *protection against damage of vines.*

Wine producers can also demand an investment support from the CMO with wine now. Investments within the CMO with wine offer the possibility of subsidies *for purchase of a new press for grapes, purchase a new wine-filter* and *special containers for fermentation of red wine to obtain an active equipment to diving grape marc hat.*

The support from non-governmental organizations

It is run by Agrarian Chamber, National Wine Centre, o. p. s., Moravian winemakers Moravín Association, Partnership Foundation, and other institutions.

Assessment of attractiveness

Sector development has been very favorable in the past fifty years. The continual development trend and growth of the sector is a very well evaluable criterion. It forecasts that there is a large share of unused potential. The wine consumption is not on the level of EU average, even though it is growing. It is expected that this development will continue. The customers prefer the Czech wine. But it is observed that the Czech production can supply only about one third of the overall demand in the Czech Republic.

It is clear, that the attractiveness is influenced by the subjective view of the evaluator. Evaluation is different for companies of different size. Big players in the wine sector have different view than smaller companies with a lower production and lower possibility to influence the market development. Very important is also the time factor. It is assumed, that the sector concentration will grow and companies in will try to unite their strengths with smaller companies and increase their competitiveness. It is possible, that new foreign investors will come as well, which will result in other changes. The time is very important in the assessment of the market attractiveness, which is assessed as attractive under the current assumptions and conditions. The attractiveness quantification based on evaluation of selected indicators is shown in Tab. II.

Assessment of competitive position

The company Věstonické sklepy, s. r. o. resides in the village Dolní Věstonice, which is in the Moravian wine region and belongs into the sub-region Mikulov. It has been entered in Commercial register on 29th October 2009. This company is possessed by two owners and it has a paid-up primary capital of 300 000 CZK. The business subject is wholesale, beverage, commission trade, agriculture, including the sale of unprocessed agricultural products for resale or processing, warehousing and cargo handling. Věstonické sklepy, s. r. o. focuses on use of new technologies for wine production and they connect culture, tradition and history. The grapes come only from the neighboring villages. Now this company has 4.35 hectares, which cover approximately 75% of their total production. They must buy the rest of the grapes. The company produces around about 60 000 bottles per year. The price range is from CZK 85 for quality wines to 400 CZK for vintage wines, they also offer the ice-wine, straw and a newly also barrique wines.

Internal environment of the company

It is possible to divide the internal environment into factors of scientific and technological development, marketing and distribution factors, factors of production and management, factors of business and labor resources, and financial and budgetary factors.

Scientific and technological factors

The company is trying to follow new developments in the sector. The company is aware, that without the innovation it is losing competitiveness. Introduction of controlled fermentation technology, the overall modernization of equipment and use of resistant varieties of quality wine contribute to the expansion, retention, and strengthening market position.

Marketing and distribution factors

Marketing strategy comes from the historical evolution of the region. The main characterization is a clay sculpture of the Věstonice Venus, which was found by Karel Absolón near the company seat, it formed the basis for a unified visual style. The company distributes its products particularly to the gastronomy, wine shops and it is engaged in direct sales to customers – mainly regular subscribers. It is connected to the project Moravian wine trails, too. The products are given to the wine actions, festivals, ex-

II: *Quantification of attractiveness of the wine sector*

Attractiveness of the wine sector (points <–5;5>)			
Factors	**Importance**	**Power**	**Score**
Market growth	5	3	15
Market size	4	3	12
Concentration rate	3	2	6
Driving forces of change	5	3	15
Competition in the sector	3	3	9
Intensity of competitive fight	4	3	12
Demands for the capital	3	4	12
Demand stability	5	4	20
Technological level and innovations	4	3	12
Costs conditions	3	2	6
Legal and other regulations	4	4	16
Total score			135
Maximal score			275
Percentage score			49.1 %

Source: Own work

hibitions and fairs. The sales promotion should be aided by the website <www.vestonicke-sklepy.cz>, which has been started, but is not fully functional, yet.

Factors of production and management

The production technology is based on the prompt processing of healthy and quality grapes. After the purge the musts fore-ferments with pure cultures of yeast. The process of fermentation takes place in stainless steel containers under controlled fermentation temperature. The ready wine is filled into bottles in whole parts, bottles are placed in the boxes in the archival cellar. Today, young vineyards, which have been planted before 2004 (before EU entry) have started to produce. The production quality is higher, so they can produce harmonic and balanced wine.

Factors of business and labor resources

The company has a family character. It has only one worker – cellarman. In grape harvest time the company is taking seasonal workers. They own facilities for storage, archiving, and wine production, which will not be sufficient in case of bigger production.

Financial and budgetary factors

Authors performed financial analysis based on obtained data from profit and loss accounts and balance sheets. The financial analysis helps to the assessment of the financial situation. From ascertained facts it was found out, that to cover its obligations the company mostly uses external resources, which represent the main part of liabilities, and the equity capital is insignificant. The structure of assets is made mainly from short-term assets. Fixed assets have positive development trend, their percentage share on the total assets is growing.

The company uses mainly short-term financial resources, share of which constantly grows. Long-term financial sources are not used much by the company, mainly because of uncertain ability to pay. The company has a big problem with liquidity; it means that it is not able to pay its obligations on time. The analysis of turnover testifies about situation of these indicators, when turnover time of inventory, receivables and liabilities are balanced over time, which is favorable. Inventory management is made easier by the fact that there are not many variations.

The analysis of particular return indicators shows a negative development. The profit from invested, equity and long-term capital is not satisfactory. Main influence on the development of return indicators represents the uneven profits, which is highly volatile and mostly negative. The financial leverage shows, that the company should use more own resources and less external resources, i.e. it should limit the increasing debt. Also the bankruptcy prediction models (Altman and it's Czech version in the form of index IN) confirm bad financial situation, when neither of the indicators reaches optimal values.

Assessment of competitive position

From detailed internal environment analysis it is possible to reason, that the company has problems mainly with the financial situation, which it handles mostly by using short-term sources. From the viewpoint of used technologies and implementation of innovative changes, human resources management, use of the production and storage space, and marketing factors (appropriate type of promotion and contracting reliable buyers), it is possible to classify this company as prosperous. Quantification of competitive position of the company based on assessment of selected factors is shown in Tab. III.

The GE matrix

The GE matrix is based on the assessment of attractiveness of wine sector and on the assessment of competitive the position of company Věstonické sklepy, when every single factor was quantified and then the percentage score was obtained (Tab. II and Tab. III), it results in the position of company in the GE matrix (Fig. 4).

The position was quantified to –2,2 % and the wine sector attractiveness on 49,1%, what determines the "*Try harder*" square in the GE matrix. It is possible to interpret this square as a necessity for the company to work on its position. It represents an average strategic position in an attractive environment; nevertheless it is necessary to invest a lot of resources to keep this position. It is possible, though, to determine this result as very good, auspicious and very hopeful.

The strategy, which arises from the position in GE matrix (Fig. 4), is that the company should be oriented on production of quality wine and specialties to get to the market with a stronger competitive advantage. The company must have a better promotion with functional websites to be more visible and it must look for new lucrative customers. It is also important to improve its financial situation.

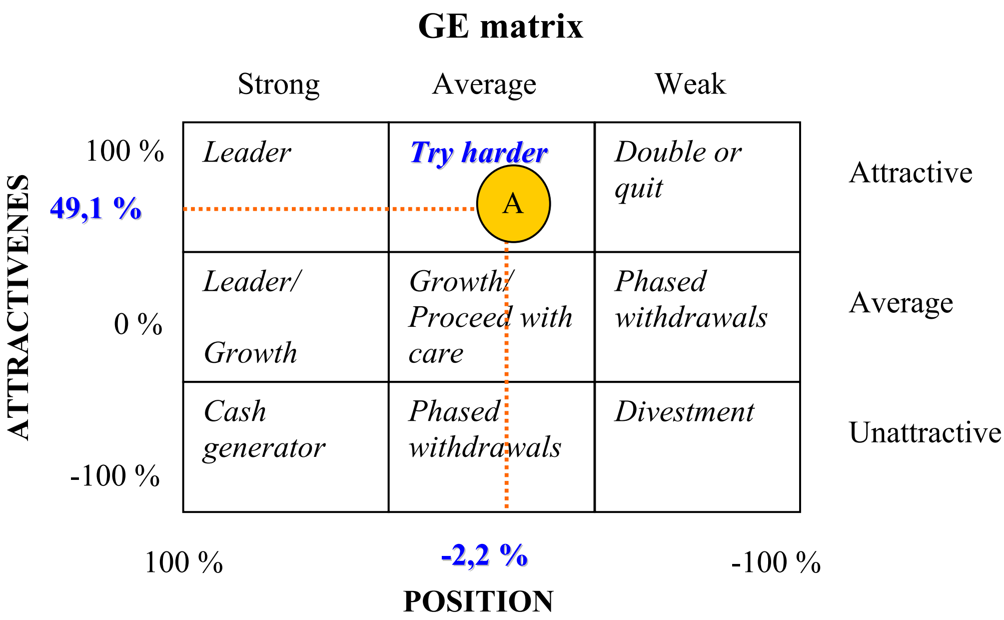
DISCUSSION

Based on the performed analysis it is possible to conclude, that this sector is in the growth stage of life cycle, and its size is not final. The number of customers and the number of vintners is growing. However, it is important to emphasize, that although the prediction of consumption trends is indicating an increase, it is a fairly risky environment mainly in terms of dependence on natural and climatic conditions, uncertainty of future development of agriculture within the EU, CZ and EU laws and regulations, and the technical and technological development. Also the overall economic situation of the country with its strong indebtedness and with consequences of the global economic crisis can negatively influence the development of many companies not only within the wine sector. Decline

III: *Quantification of competitive position*

Quantification of competitive position (points <–5;5>)			
Factors	**Importance**	**Power**	**Score**
Quality of production	5	2	10
Differentiation of production	4	1	4
Price level	2	2	4
Production costs	3	–2	–6
Promotion, advertisements	5	–2	–10
Image	4	1	4
Assets and investments	4	–3	–12
Technical a technological level	3	1	3
Financial situation	4	–5	–20
Distribution advantage	4	2	8
Location advantage	3	3	9
Total score			–6
Maximal score			275
Percentage score			–2,2 %

Source: Own work



4: *GE matrix for Věstonické sklepy, s. r. o.*
Source: Own work

in purchasing power of population can cause a decrease in demand for high quality and special wines, which again can be reflected negatively in the development of the financial results of companies. Wine production industry in the CZ can be classified as very attractive. It is necessary, that this sector will further develop specifically in promotion, technical and technological innovations and efforts to produce top quality wines. Without these developments advantages of the wine production connected with its revival or renascence will be lost.

The company position in the GE matrix was identified as “*Try harder*”. That may be interpreted as a necessity to work on the company position. It means, that it must resolve its own bad financial situation. There are many possibilities; one of them is integration with another company or finding a foreign investor. This possibility isn’t real, because it wants to have its own name and sole ownership. So it needs to produce quality and special wines that can be competitive. It doesn’t seem to be good to distribute the wines through supermarkets, but it is better to concentrate on wine shops and gastronomy. It would be good to use the potential of the Moravian wine trails project.

SUMMARY

Based on the analysis of particular factors of attractiveness the actual situation of wine production industry was determined. This sector is evaluated as very attractive and develops positively. The growing popularity, increasing consumption and production, increasing competitiveness, the introduction of new technical innovations and introduction of innovative changes in production, storage and sales, are aspects that have a positive impact on the attractiveness of the sector.

From the detailed analysis of the internal environment it is possible to infer, that the company has troubles with use of short-term external sources. In terms of established technologies and implementation of innovative changes, human resources management, use of production and storage facilities, marketing factors, selection of the appropriate type of promotion and contracting reliable customers, the company can be described as prosperous.

Thanks to the GE matrix we may look at the sector and we have instructions how the company should behave so that it will stay in this sector. Věstonické sklepy, s. r. o. despite their bad financial situation, has perfectly unified visual style, which is important for the immediate identification of the product, which is one of the strongest promotions. The strategy for this company should also concentrate on right functioning of the website. This will attract more potential customers. Above all the company must focus on the quality production with recommendation to specialize on products such as ice wine, straw or barrique.

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