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EKA CHOKHELI

Ivane Javakhishvili Tbilisi State University, Georgia

THE IMPACT OF THE COMPETITIVE STRATEGY ON THE SUCCESS OF WINE COMPANIES (THE CASE OF GEORGIA)

Abstract:

In the global environment, the success of any company largely depends on how swiftly and fast a company can react to the external challenges. Wine industry is one of the priority branches in Georgia. The competition is very tough in this field and the market is almost totally saturated. Therefore, the wine companies have to do their utmost efforts to establish themselves on the local market and think of further growth. Successful are the companies permanently trying to create competitive advantage and develop relevant competitive strategies.

The goal of the study is to estimate the importance of the strategy based on the competitive advantage for the companies, to study the degree of using such competitive strategies by wine companies in Georgia and to develop relevant recommendations.

The theoretical study is based on the works in management by the world scientists, while the practical study is based on the qualitative study of the business companies of Georgia. The study used questionnaires and interviews, as well as graphical, grouping and comparison methods.

The results of the study will reveal the problems of using competitive strategies at wine companies operating in Georgia and will help them to focus on the strategies based on competitive advantage. The novelty of the study lies in the identification of trends of using the competitive strategies in wine industry and development of the recommendations to improve the degree of using them.

Keywords:

Competitive advantage, Strategy, Wine industry

JEL Classification: M19

Introduction

The success of business companies much depends on their activities in response to the external factors and competitive companies. In this respect, working out and selecting a competitive strategy is very important. Competitive strategies allow the companies to establish themselves in the market and gain advantage in the competition with other companies by using the actions planned in advance, which are based on the environmental factor analysis and internal potential of the company (Chokheli, 1).

The importance of the competitive strategy for wine companies is increasing progressively. The global competition and challenges the Georgian wine companies have faced in recent years, particularly following the Russian embargo in 2006 have made the use of competitive strategies particularly topical.

It should be noted that for years, the wine produced in Georgia was sold on the Russian market without any competition what prevented the Georgian wine companies from mastering the rules and methods of operation in a competitive environment. Consequently, the goal of the study is to evaluate the role of the competitive strategy in the global environment and degree of its use by the Georgian wine companies and to work out the relevant recommendations.

Following this goal, the following objectives were set:

- Identifying the role of the competitive strategy.
- Evaluating the degree of use of the competitive strategy and developing the recommendations to improve its use.

Georgian wine companies were selected as the object of the study. The research uses qualitative and quantitative analyses. The study uses questionnaires, interviews and information sources of the companies, as well as graphical, grouping and comparison methods.

The research outcomes are important for the wine business companies and any interested person, and the recommendations will help the business companies to understand the importance of the competitive strategy and extend its use.

Importance of the competitive strategy in the wine industry of Georgia

Georgia has an 8 thousand-year-long history of wine culture evidenced by numerous archeological findings and historical facts¹. The museums of Georgia house a great number of exhibits, which are many thousands years old. One of the most important periods in the wine history of Georgia is the XIX century. In the 1870s, the wine from the cellars of Ivane Bagration of Mukhrani was taken to foreign countries. The XIX

¹ [http://georgianwine.gov.ge/upload/file/1437139832-komp1\(1\).pdf](http://georgianwine.gov.ge/upload/file/1437139832-komp1(1).pdf)

century was marked by many world exhibitions, with Georgia as one of their participants. It was then Europe learned about Georgian wines and brands.

Later, the Georgian wine was much influenced by the Russian market. Since the XIX century, the market of Russian Empire and of the Soviet Union and Soviet countries consequently became the traditional markets of Georgian wine. On the one hand, the Georgian wine was successfully established on this quite a large market and gained favorable reputation, but on the other hand, it was confined to the market of these countries and consequently, lost the awareness it had in Europe in the past centuries.

After Georgia gained its independence, wine industry strengthened at the end of the 1990s and export not only to the Russian, but also to other foreign markets grew swiftly. However, in 2006, the prohibition of the Georgian wine on the Russian market with over 80% of all Georgian wine export, struck a blow to Georgian wine-making industry².

Such state of affairs urged the Georgian wine companies to think about the problem and start using the approaches used by the world wine companies to grow sales on different markets. The state of Georgia also took certain measures; a National Wine Agency of Georgia was established helping the wine companies to popularize the Georgian wine in different countries. However, the principal responsibility rests with the companies. They must be able to use various competitive strategies and establish themselves in the global environment.

It is true that as the data of the National Wine Agency suggest, the wine export is expanding and in 2015, the export of Georgian wine to 46 foreign countries amounted to 36 071 399 bottles of wine (0,75-litre bottles), but the wine companies of Georgia are still unable to realize all their wine production either on local, or on the international market. The top five export countries are as follows: Russia - 18 308 177, Kazakhstan - 5 195 949, Ukraine - 3 412 453, China - 2 672 154 and Poland - 1 600 302 bottles of wine.³

Methodology

The study aimed to evaluate the degree of use of the competitive strategies by the wine companies and identifying relevant trends. The research was based on the qualitative and quantitative analyses and used the web-sites of different companies and assessment of different organizations. In addition, questionnaires were developed and distributed among the companies both, via mail and personal communication.

The wine companies were selected for the study. 132 effective wine companies were selected and the information was gained from 75 of them. The gained data were

² http://www.geostat.ge/index.php?action=page&p_id=137&lang=eng

³ [http://georgianwine.gov.ge/upload/file/1437139832-komp1\(1\).pdf](http://georgianwine.gov.ge/upload/file/1437139832-komp1(1).pdf)

analyzed by using computer software MS Excel-2012 and by using graphical, grouping and comparison methods.

The following questionnaires were used during the study:

The first questionnaire inquired about the companies' opinion about the decisive factor to gain success.

The second questionnaire inquired about the completeness of the companies' strategic view and mission, and mostly web-sites were used for this purpose.

The third and fourth questionnaires inquired whether and how the companies had strategies, and if they had, which elements of the strategic brilliance they used.

Results

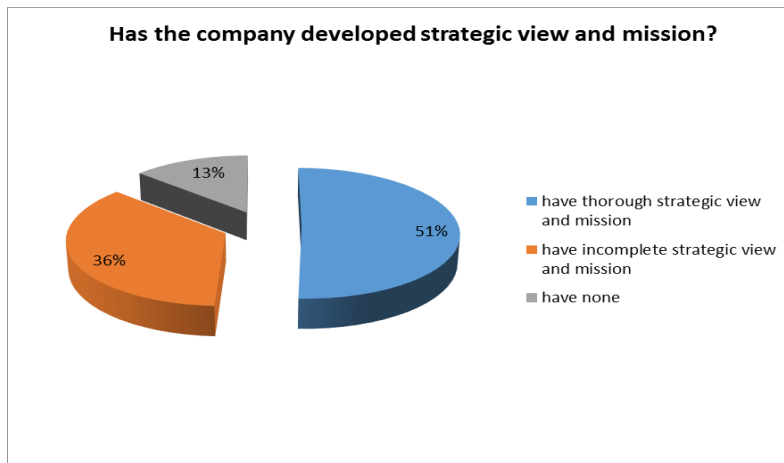
In evaluating the degree of use of the competitive strategy by the wine companies, first, the approach of the companies to the question of competitive strategy was studied. The analysis showed that for 40 companies (54%) think that the important factor of success is qualified staff; 35 companies (48%) think in terms of a strategy; organizational culture is decisive for 15% of the companies and 10% of the companies thinks of some other factors (Figure 1).

Figure 1. Important factors of success of wine companies



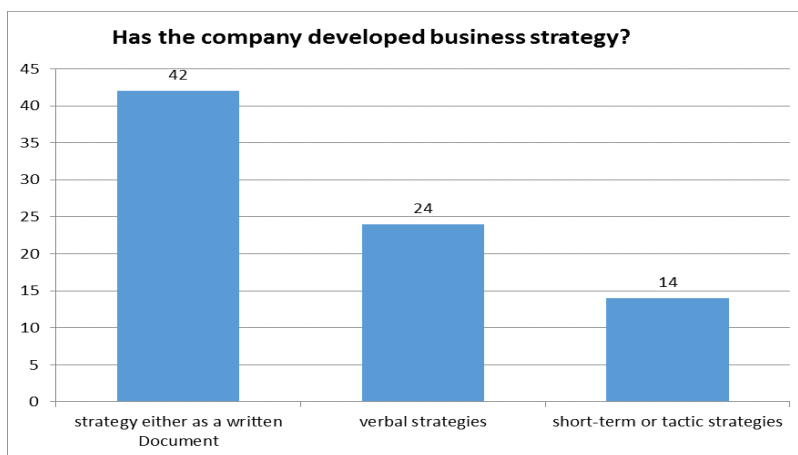
Then, the research examined if the companies had developed strategic view and mission. The web-sites of the companies were analyzed. The study showed that 38 (51%) companies have thorough strategic view and mission; 27 (36%) companies have incomplete strategic view and mission and 10 companies (13%) have none (Figure 2).

Figure 2. Existence of strategic view and mission at the company



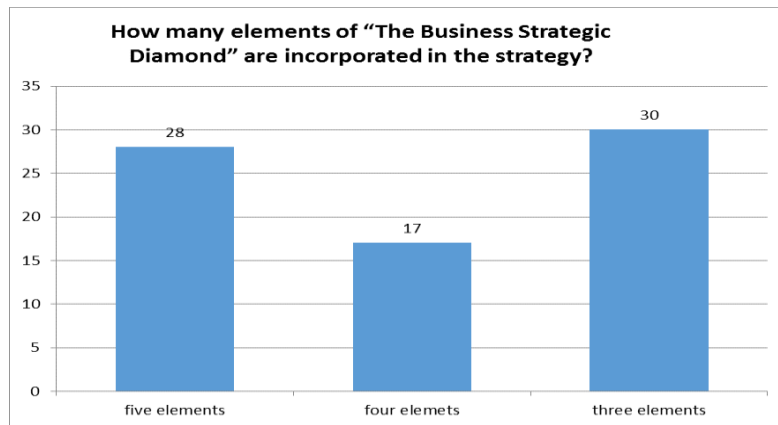
During the study, a focus was made on the development and application of competitive strategies. The analysis showed that 80% of the companies have developed and are using the strategy, while 42 (51%) of them have developed a concrete strategy either as a written document, or a formalized procedure, 24 companies have verbal strategies and 14 companies have short-term or tactic strategies (Figure 3).

Figure 3. Degree of development and use of strategy



Then, the research studied how thoroughly companies develop the strategies. The analysis of the companies having written or formalized procedures showed that 28 companies have all five elements of “The Business Strategic Diamond” (Carpenter, Sanders, 2010): arena, differentiators, vehicles, staging and economic logic; 17 companies have only the first four elements and other companies have three elements only (Figure 4).

Figure 4. Thoroughness of the developed strategy



Conclusion

Thus, following the results of the study, we can conclude that the level of use of strategy at wine companies is low. In addition to the opportunity to use the state support, the company managers must try to be more active to develop strategies. Only thorough and formalized strategies are capable of showing the right way to the companies to establish themselves in the global environment. For this purpose, the companies must permanently evaluate the environmental factors and competitive companies and try to identify different niches to increase the sales of wine.

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