

VEGA - SICILIA

Problems

- The main discussion problems on the case are:
 - The Group Expansion opportunities
 - The consolidation of some of the business they have created in recent years such as Oremus in Hungary, Pintia in Toro Valladolid Spain, or Alion in Valladolid
 - The creation of a white wine with French roussanne varieties, marsanne, viogner and chardonnay
 - The bullock adventure called Valle del Esla in which they have invested many money and also lost so much.





History

- **1848. Acquisition of land:** The history of this estate began in 1848, when Toribio Lecanda, a landowner of Basque origin, bought a 2,000 hectare estate used for agriculture and cattle farming from the Marquis of Valbuena.
- **1864. Vega Sicilia founded:** Eloy, son of Toribio Lecanda, founder of the Vega Sicilia winery in 1864, bought 18,000 shoots of cabernet sauvignon, malbec, merlot and pinot noir in Bordeaux, to be used in the making of brandy and ratafias. In 1876, in the Philadelphia Fair, Lecanda obtained a quality certificate for his brandies. That same year, he succeeded in achieving the position as supplier to the Royal Family, and in 1880, he obtained the Grand Cross of Isabel the Catholic; all before the birth of the red wine that was to make the company famous.
- **1904. The incorporation of Domingo Garramiola:** With the estate having been acquired by the Herrero family, it is rented to Cosme Palacio, who creates the winery of Domingo Garramiola, a person who is crucial to the history of Vega Sicilia. In Vega Sicilia, Domingo used Bordeaux techniques for making wine. He renewed the aging casks and, above all, made great efforts in cleaning the wine presses.



History

- **1915. The birth of two exceptional wines:** The hard work of Txomin Garramiola gave fruit in 1915, with the birth of two exceptional wines: Vega Sicilia and Valbuena. These wines followed along the lines of the Rioja wines of the day: lengthy aging in vats and wooden casks and bottled to order. The distribution of these first bottles began among the upper class bourgeoisie and the aristocracy, but not for commercial purposes. The owners of the winery offered this wine as a gift to the good friends of the family. Thus began the forging of the legend of Spain's most exclusive wine, as it cannot be bought with money, but only with friendship.



History

- **1929. Prize at the World Fair.** The wines of Vega Sicilia reached great public recognition thanks to prizes such as that of the World Fair in Barcelona in 1929, awarded to the 1917 and 1918 harvests.
- **1933. The Death of Domingo Garramiola.** The winemaker left a very personal stamp on the best classic Spanish wine. The responsibility of continuing with his work fell on his closest collaborator, Martiniano Renedo.
- **1956- The arrival of Jesús Anadón to Vega Sicilia:** Jesús Anadón joined the wineries in 1956. He was to be director of the company for several decades and his incorporation was transcendental to Vega Sicilia and he started up the Ribera del Duero Designation of Origin.



History

- **1982. The Álvarez family acquired Bodegas Vega Sicilia.** The current stage began in 1982, when David Álvarez acquired the winery and the vineyards from the Venezuelan businessman Miguel Neumann. Since that year, the Álvarez Mezquíriz family has developed a policy of harmonisation of present innovative techniques required by the wine sector with the traditional winemaking process. The vineyard area has been extended and a modernisation process has taken place both in and out of the winery.
- **1985. The retirement of Jesús Anadón** The retirement of Jesús Anadón meant the leaving of a man who assumed his responsibilities as director and oenologist of Vega Sicilia in a highly personal way. On his departure, Pablo Álvarez took full possession of the general management of the winery; the oenology area was taken on by Mariano García, who had been Jesús Anadón's assistant since joining the company in 1968.



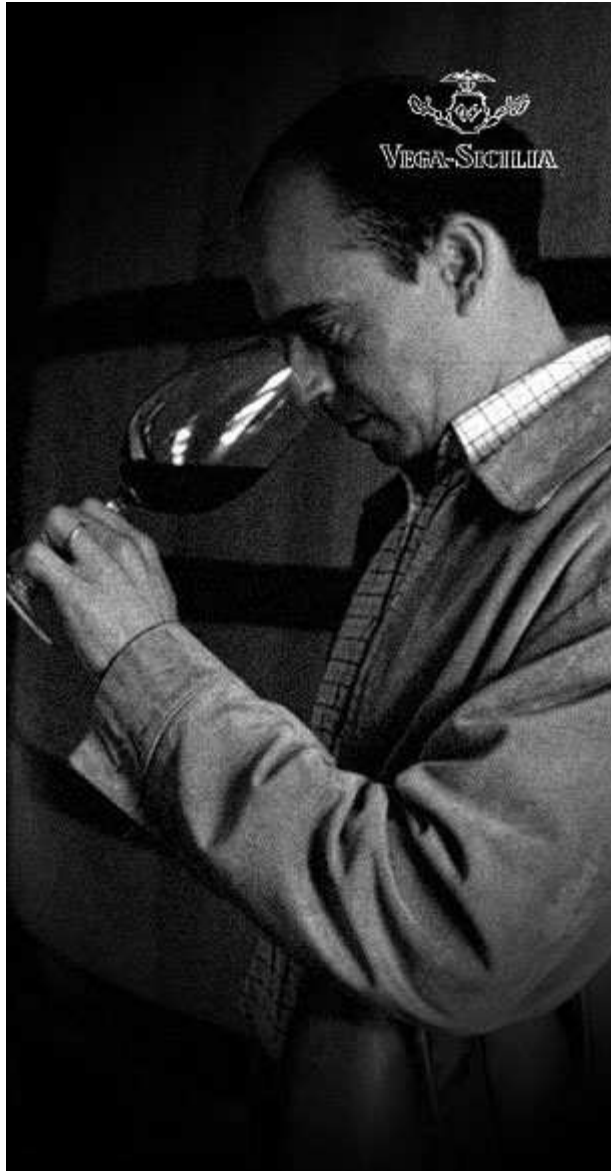
History

- **1992. Creation of Bodegas Alión** Investigations led to the doors of Bodegas Liceo, a company founded in 1990 and located in Peñafiel (Valladolid). The winery had just begun and had all the technological requirements required. After lengthy discussion, the family acquired the winery on 5th November 1992. Alión was born; a name laden with emotion as it corresponds to the town of León in which the family patriarch, David Álvarez, was born. In next years Alión will reduce the production from 200.000 bottles in a 20% and will increase prices (20 euros per bottle) in 20%



History

- **The Álvarez family arrives in Hungary In 1993.** Vega Sicilia founds Tokaj Oremus. The personality of the Álvarez family adds to the historic tradition of both wines. Pablo Álvarez, managing director of Vega Sicilia, is also responsible for this new project. The wine is studied in great detail and with great respect, together with its significance, its laborious winemaking process, historical practices... An experienced team of professionals with good knowledge of the region's wines is also sought. From the moment the vineyards were founded to present day, the Álvarez family, respecting the Tokaj traditions, has made considerable investment in Tokaj Oremus with a view to increasing the technical level of the treatment of the grape and the winemaking installations, so as to make the best wines possible. The objective of the Álvarez family is to give its former grandeur to this vineyard, which is one of the best situated, the most emblematic and significant of Tokaj. After 15 years the Tokaj adventure is now profitable.



History

- **1998. Consolidation of a team of expert oenologists.** 1998 saw the incorporation of Xavier Ausás into the technical management of the winery group after working for six years as oenologist in Vega Sicilia. Xavier, together with Begoña Jovellar, is the father, master and educator of the company's wines.
- **2000. Primum Familiae Vini and Vega Sicilia Primum Familiae Vini,** and organisation formed by the twelve family-run wineries of the highest international prestige, which includes Vega Sicilia, held its annual reunion on the state, presided by Pablo Álvarez. The year 2000 was also the year which saw the end of the renovation and modernisation process of the winery.



History

- **2001. Purchase and constitution of Bodegas Pintia.** Bodegas Pintia is the new project that is to promote Vega Sicilia. The desire of the Álvarez family is to make the best Toro wine, a designation that gives wines body, exoticism, an explosion of aromas, and a modern personality and character. For this, since the harvest of 1997, 70 hectares of vineyard have been bought in different places within the Designation of Origin. After four years' study of the concept of the wine, it is begun to be made in 2001 for commercial purposes. The strategy of this new winery is common to all those in the group: make wines with personality and high quality, which implies limited production of wine.



History

- **The Álvarez Family.** The current stage began in 1982, when El Enebro S.A., a company owned by the Álvarez Mezquíriz family, acquired the winery and the vineyards from the Venezuelan businessman Miguel Neumann. From that year onwards, the family, with David Álvarez and his sons and daughters Pablo, Jesús David, María José, Emilio, Juan Carlos, Elvira and Marta, have developed a policy of harmonization of present innovative techniques required by the wine sector with the traditional winemaking process. The vineyard area has been extended and the vineyards and vines, which were almost half a century old, have been replanted in rotation.
- The acquisition of the winery for 5 million Euros was recovered in 3 years with the 40% price raise, losing only 3 of the 3.500 direct customers

Enviroment

- **The Vega Sicilia wineries are located in Valbuena de Duero, in the province of Valladolid, on an estate made up of a fertile plain that follows the course of the river. The river is the northern boundary of the 1,000 hectares of the property; the southern limit is set by the woods, which stand on the slopes leading to the plain. The estate has a plantation of 250 hectares of vineyard, which contains 80% of the autochthonous tinto fino variety or tempranillo de la Ribera, and the rest is cabernet sauvignon, merlot and malbec. The soils are clayey-limestone, with brown-grey streaks and an alluvial area.**



Climate

- **The Ribera del Duero area has a continental-type climate, with an Atlantic influence. Rainfall is low, with annual averages below 500 mm, concentrated especially in spring and autumn. Sunshine, which is high extensive and abundant, reaches annual averages of 2,200 hours, and the River Duero favours the morning mists and fogs that provide an additional source of humidity.**



Vineyards

- The pine groves on the right bank of the River Duero protect the higher vineyards of the 250 Ha in total. The soils are clayey-limestone, with grey-brown streaks and an alluvial part. The vines have different ages, some are over 100 years old but the usual vineyard policy at Vega Sicilia is to replant after 60 years.



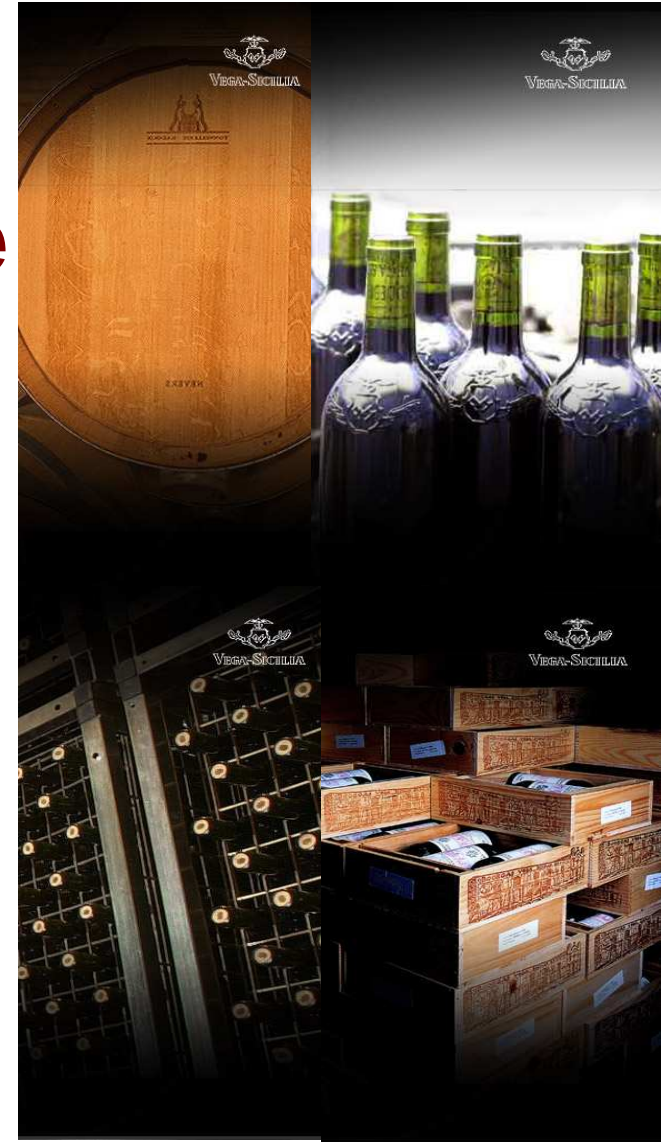
Fermentation & Cask

- Fundamentally the wines ferment in French oak vats and stain steel vats. Malolactic fermentation is made in concrete vats.
- In Vega Sicilia, the cask is not only for storing wine, but also to give it a noble character with the transfer of its olfactory and tannic composites, thus forming part of the philosophical essence of the winery.



Ageing in Cask, Bottling, Ageing in Bottle

- In the aging rooms, the wine rotates from a new cask to one that is more and more used in order to achieve a perfect balance between wine and wood.
- Each bottle leaving the winery is numbered, which is the only way to control the final destination of each one.
- Aging in the bottle requires time and care. The Vega Sicilia wines end their journey with a calm rest in the bottle in specially acclimatized installations.
- The consideration of this wine as an exclusive product is given special attention to detail at every stage. A luxurious wine requires luxurious wrapping.



The vine

- **The estate of Vega Sicilia has a plantation of 250 hectares of vineyards. The rigour involved in making these wines begins with the racemes of grapes, which are controlled down to each detail. In this way, the winery has established limits to the production of its vines, which do not surpass 22 hectolitres per hectare; the grape is not picked if it has less than 13 degrees; the number of vines per hectare is around 2,200; irrigation is not used, but a careful system of green pruning to eliminate racemes so that each vine produces less than two kilos, with the minerals and nutrients from the soil being concentrated in this low production.**



Fermentation

- The alcoholic fermentation usually lasts fifteen days, and the maximum temperature it may reach is of 32 degrees. The optimum ripeness of the selected grape from the harvest and the alcohol content, which varies between 13% and 14.5%, facilitate the extraction of colour and tannins. Vega Sicilia Unico ferments preferentially in oak vats, and Valbuena in stainless steel vats.
- Then, the wine undergoes malolactic fermentation. With the Valbuena wines, this second fermentation takes place in cement vats. For the Unico wines, the liquid is poured directly into oak storage containers. There, the wines undergo malolactic fermentation at the same temperature as the Valbuena. Once finished, the wine remains in the containers for a further year, calmly resting and clearing.



Manufacture of casks

- In Vega Sicilia, the oak cask forms part of the philosophical essence, forging a true consortium with the wine. In the same way that the grape used for these wines has its origin in the vineyards themselves, most of the casks are made in the winery itself. In a part of the estate, Vega Sicilia has a small cooper's workshop, which not only repairs and reconditions, but also makes new casks with American oak. The wood is left to dry for at least three years: two in the open air, and then under cover. Once its humidity has been reduced to 12%, the master cooper works the wood and, with fire, hammer, know-how and tradition, forges its geometry into the familiar shape of the barrel.



Aging in the cask

- The aging of the wine begins in January; first in containers and then in new casks. For the Valbuena, the duration of the aging process in wood is three and a half years, and for the Único, a minimum of seven years. During this time, the wine is rotated from new casks to casks that are more and more used. With a view to achieving a perfect balance between the wine and the wood. Once this has been achieved, the wines finally rest in large wooden vats, which prepares them for later bottling.



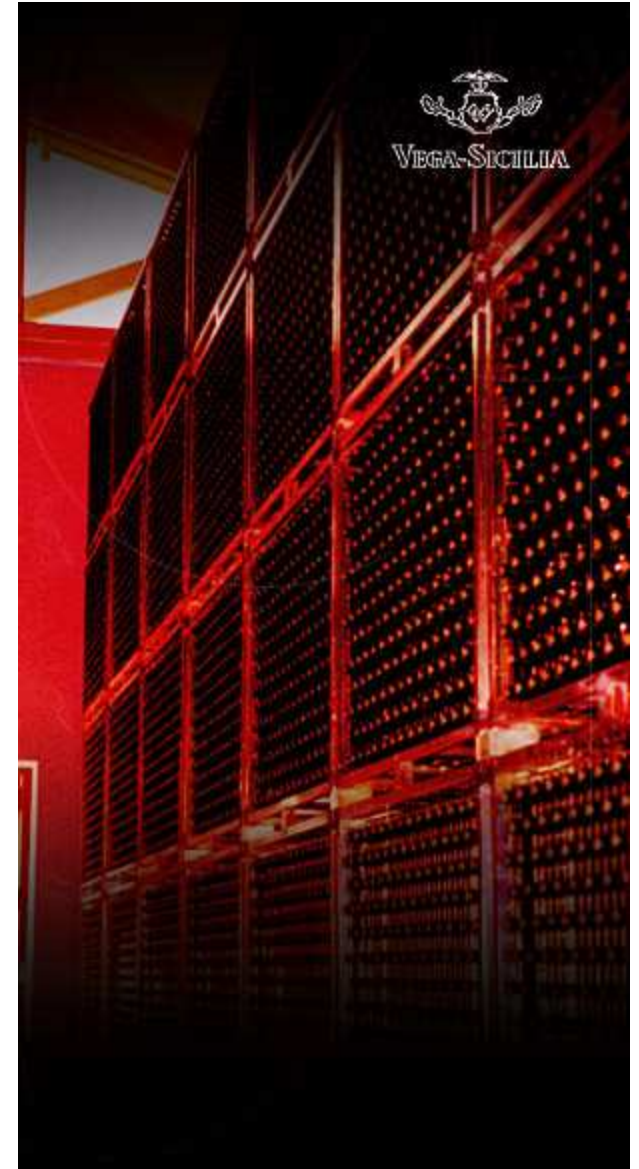
Bottling

- **The bottling process of the wines takes place in very modern installations, with the winery's dual mechanical and chemical control system of the corks. For this, the samples sent by the manufacturer are passed on to the prestigious French laboratory Excel. If the specified requirements are fulfilled, the supplier is told to send the order. On reception, random samples are taken from the different lots and resent to France for examination. If the order meets the winery's quality standards, the wines are bottled using the corks in question.**



Aging in the bottle

- The aging in the bottle requires time and care. The wines of Vega Sicilia end their journey with a calm rest in the bottle in specially acclimatised installations. The time they remain there depends on the format of the bottle: Vega Sicilia Unico in Bordeaux format (0.75 litres) takes three years or more to age; the Magnum (one and a half litres) and the Double Magnum (three litres) are subjected to much longer periods of aging in the bottle. For the Valbuena, the period for aging in the bottle is the same for all three formats: around a year and a half. A system that takes us back in time. There is no hurry in Vega Sicilia.



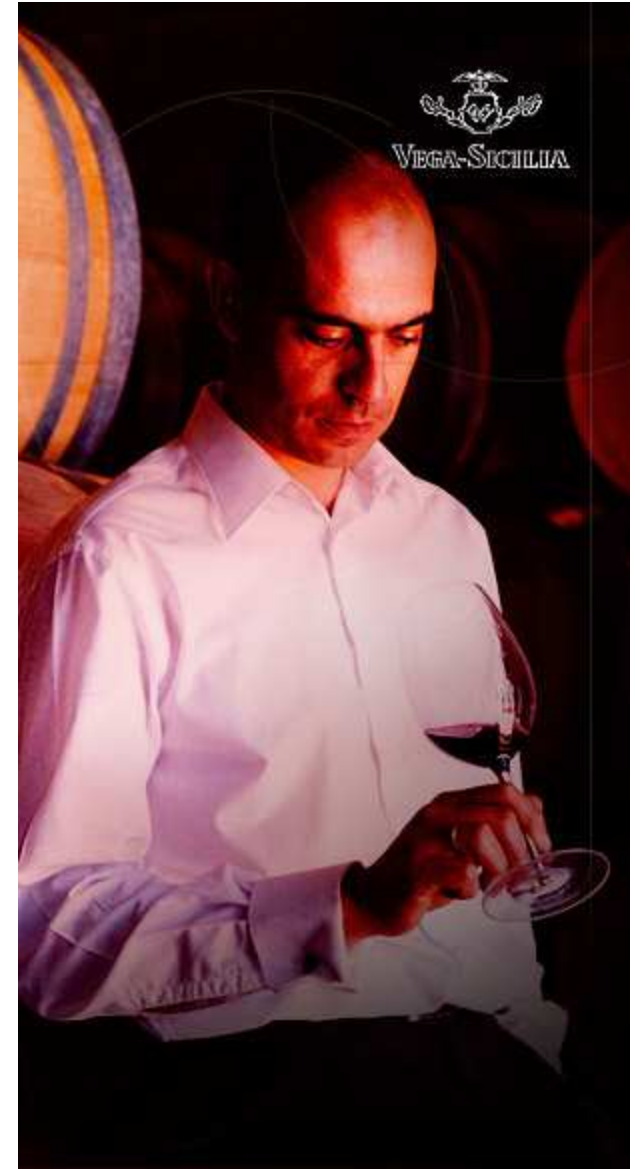
A faithful and select clientele

- In Spain, only 4.000 clients (mostly private individuals) share most of the 200,000 to 240,000 bottles produced each year of Valbuena and Unico together, a very select club dating to the beginning of the 20th century. If you're not one of the select few, you can find these wines at Corte Inglés stores in big cities.



Staff

- **General Director: Pablo Álvarez** is a member of the family that owns Vega Sicilia, and is currently the director of the winery group. This young man, completely given to absolute respect for quality, maintains a feeling of sincere admiration for the wines of Vega Sicilia and is efficiently directing the Alión, Tokaj Oremus and Alquiriz companies. Without letting himself be carried away by his passion for wine, he applies the rigour and scrupulousness in this microcosm of four unique wineries as if they were sacred precepts.
- **Oenologists: Xavier Ausás López de Castro** - Technical Director is the oenological shadow of Pablo Álvarez. Xavier Ausás, technical director of Vega Sicilia. This great wine chef was born in Figueres (Gerona) in 1968. In 1986, he studied in the School of Oenologists in Requena (Valencia), but soon looked to France, where he attended oenology classes in the Brevet Technicien, in Blanquefort. From 1990 to 1992, he achieved the Diplome National d'Oenologue from the Paul Sabatier University in Toulouse. Xavier began working as an oenologist in Vega Sicilia in 1992, working on the supervision of fermentation, aging and bottling processes. He is currently technical director of the wines of the winery group.
- **Begoña Jovellar**, Highly-qualified young professionals, with great love for our wines, work with Xavier in the technical and oenological areas of responsibility.



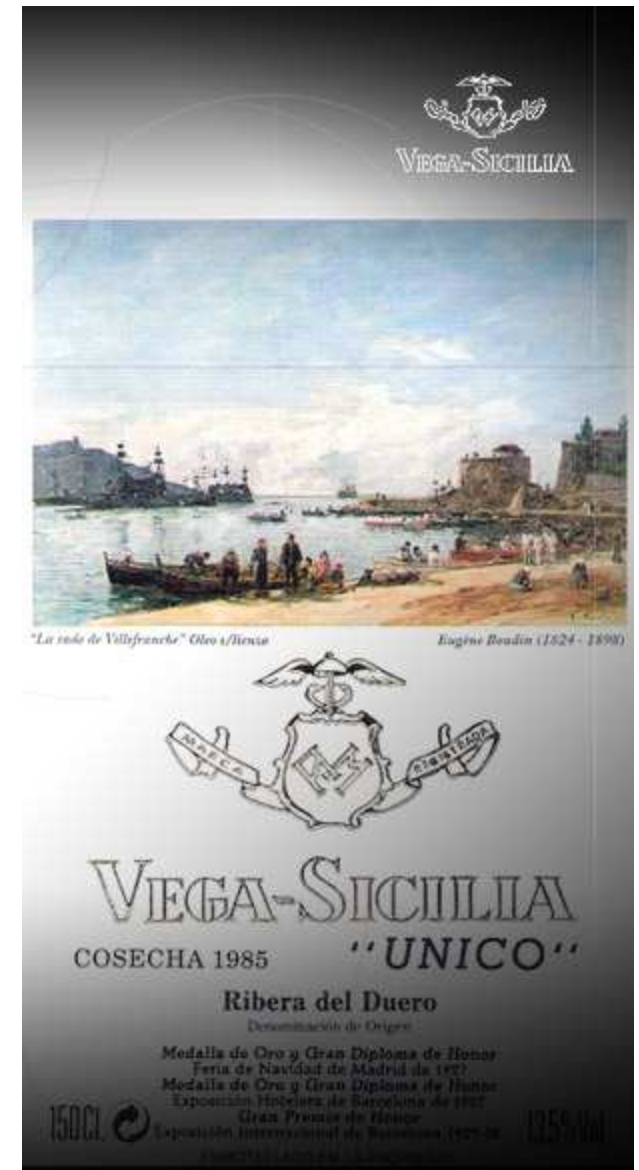
Staff

- **Vineyard manager** Enrique Macías Gómez
- Enrique studied at the Agriculture Engineering School as well as at the Oenology School in Madrid. Masters Degree in viticulture and winemaking by the UNESCO. After some years working at leading companies in the field, he starts in Vega Sicilia with the 2003 harvest as vineyard manager for the group of wineries.
- **Master Cooper** Jesús Rodríguez
- In 1987, the Álvarez family introduced cooperage into Bodegas Vega Sicilia. For this, the winery contracted the services and machinery of José María Payueta, who was from the region of La Rioja, and who was to teach his trade to a worker of the company. Jesús Rodríguez, who had joined Vega Sicilia in 1985, was the person who, after retiring from Payueta in 1991, took charge of the cooperage.
- Jesús has passed on all his knowledge to his son José Enrique, who has taken the baton and continues the traditional craft methods of the trade. José Enrique is 31 years old and began working in Vega Sicilia at the age of 19.



Lessons

- The main discoveries on the case discussions are:
 - A successful and profitable craft wine in the XXI century
 - The quality obsession in all the production processes
 - The business model marketing mix, segment, value chain and direct distribution channel
 - The successful cloning of the experience (Alión, Pintia, Oremus)



Challenges

- The main future challenges are:
 - The white wine adventure
 - The reconversion of the bullock adventure
 - The cloning of the experience in other Spanish regions like Rioja
 - The cloning of the experience in other non Spanish regions like Burgundi in France
 - The Succession of David in the family second genartion

