

J. GARCÍA CARRIÓN 2016-2018¹

At the end of 2013, José García-Carrión Jordán, president of J. García Carrión (JGC), was getting ready for the final annual meeting of the company's Board of Directors. The main idea in his mind in the past months had been the new strategic plan that would be implemented at the beginning of 2014. About this plan José said: *"Our vision for the future is very clear: we will double the company in five years. After that period, Spain will only represent 25% of our sales; Europe will represent another 25% and rest of the world, the remaining 50%."* Also of concern was the likely admission of new partners into the family group, since some of the shareholders (credit unions that together held a total of 26% of shares in the company) had informed the family of their intention to settle up the financial position they held dating back to 2005.

JGC defined its philosophy as: *"Being a leading family owned business in Spain in wines and juices for the quality value of all its products, its attention and service to its clients and respectful attitude towards everyone; continuing with the commitment to the development and knowledge of agriculture that begun in 1890; combining the latest technology with the best raw materials; innovating permanently in all areas of the company; focusing on the clients' demands and continuing with a marketing strategy based on consumer information about the quality of its products."*

JGC, established in Jumilla (Murcia), was a leader in wines and juices in the Spanish market. It was present in 10 Protected Designations of Origin, and its brand Don Simón ranked 4th consumer brand of choice in Spain (see Exhibit 1). In 2013 the company's turnover amounted to EUR 745 million from the sale of juices, wine and other products that JGC manufactured and marketed. The raw materials, wine, fruit and vegetables, were acquired from its own vineyards and farms, and from long-term contracts with organizations of

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Spanish farmers and cooperatives. The products were manufactured only in the company's plants located in the main production areas in Spain.

In 2006, JGC inaugurated its modern facilities in the province of Huelva, getting ahead of its time and revolutionizing the world of ready-made juices. According to the company's president: *"In 1995 we realized how important juices would become. We set up a pilot plant in Jumilla with a capacity of 30 million kilos of oranges. We began to develop the market and visited Florida (U.S.A., the main world industrial site of the sector). Eight years later, the results were what we had expected. That was when we took on the project that we had had in mind since 2000, which was completely innovative at the time, because the culture in Spain was, above all, about "fresh" oranges at the table: until then, it was the fruit that the industry rejected that was squeezed for juice. But depending on these to serve a big market was unstable, so we decided to create a plant surrounded by oranges exclusively for juice."*

In early February of 2008 JGC concluded the acquisition of the company Vinartis, in Valdepeñas, owner of recognized brands such as *Cumbres de Gredos*, *Señorío de los Llanos* and *Pata Negra*, until then controlled by the Dutch Rabobank. This acquisition reinforced the company's position in the Valdepeñas Protected Designation of Origin, as well as its market share in central Spain, where the volume of Vinartis' business was more than 50 million bottles, of which 14 million were catalogued as Protected Designations of Origin² (D.O.). Between 2008 and 2013, JGC's D.O. wines had grown by 158%, compared to the 26% of the market.

In 2008, the company modified the strategy it had followed until then: marketing expenses were reduced and prices were lowered by 30%, including vintage wines (where the company was the undisputed leader) and reserve wines. While the Spanish wine market grew at a rate of 15% from that year until 2013, JGC experienced a growth of 51%. When large landholders refused to reduce their profit margins, the company introduced a policy of rounded prices (1, 2 or 3 € containers). All of this led the company to go up, in five years, from the eighth or tenth position it held in many markets, such as Rioja or Cava (a sparkling D.O. wine), to a leading one in all designations of origin where it competed, except the Cataluña and Penedés D.O., where the company was second in 2013. Additionally, JGC had become the leader in Gran Reserva wines out the total D.O. wines in Spain, increasing its volume by 200% in only one year.

Regarding exports, JGC had promoted agreements with major international distributors, some of which were official suppliers of juices and wines. Exports made directly from Jumilla used ground and sea transportation. For Europe and the United Kingdom, the company used the former, with a delivery time of three days. Although it was tough to compete in

² This is a type of geographic indication applied to an agricultural or food product whose quality or characteristics are due fundamentally and exclusively to the geographic area where they are produced, transformed and manufactured.

juices in the United Kingdom, for two consecutive years ASDA (Wal-Mart in that country) had awarded JGC a first prize as the best supplier for the giant distributor. ASDA submitted its orders at 2:00 p.m. and expected to receive them in its eight platforms by the following day. The company was able to provide a level of service of 99%, thanks to the fact that it knew and followed the demand of products by store. Shipments by sea were mainly comprised of Jaume Serra products sent to the United States, and juices and wines that went from Jumilla to Valencia on their way to Africa.

In general, the goal of the company was to grow at an annual rate of 15% beginning in 2014, with a significant part of this growth coming from exports. In this regard, the company's president pointed out that: *"This percentage of growth means doubling the size of the company in the mid-term. Our plants are ready because the investments have been made."*

In 2010, JGC had begun a research project with the Polytechnic University of Murcia to evaluate the possibility of planting 10,000 hectares of tropical fruits in the countryside of Cartagena, specifically pineapple, mango and passion fruit. If the project was successful, JGC could put an end to the import of these fruits, which came mostly from South American countries, thus reducing importation costs and market fluctuations.

In 2012, the company was able to position its brand *Jaume Serra*, a sparkling wine, as the leader of this segment in the Spanish market. Since its debut in 2008, it had improved its market share by more than 13 points, going from 1.7% to 15%, and beating two great competitors, *Anna Codorniú*, with 11.3%, and Freixenet's *Carta Nevada*, with 11%.

The García Carrión group increased its sales in 2013 by 4.7% compared to the previous year. *"This is a setback in our growth rate since our turnover has increased by an average of 18% between 2000 and 2012,"* stated the president of JGC.

Other significant milestones in JGC's portfolio of products had been the launch of PET³ bottles for *Don Simón* wine in April 2013 and of *Sidra Don Simón*, having marketed two million bottles during the Christmas campaign that year.

At the end of 2013, after a legal battle that lasted 10 years, JGC convinced the Supreme Court to put an end to the obstacles that the Wine Council of Penedés had established, allowing the brands distributed in this territory to be used in other areas with designations of origin as well. Thanks to this decision, the unique brand *Pata Negra*, present in more than 155 countries, would allow the company to keep growing in the international market (in

³ PET (polyethylene terephthalate) is a plastic polymer obtained through a process of polymerization of terephthalate acid and monoethylene glycol. Its physical properties and its ability to comply with several technical specifications are the reasons why this material has achieved relevant growth in the manufacture of textile fibers and in the production of a great variety of containers, especially in the production of bottles, trays, bands and laminates.