

# PATRIARCHAL FORCE

## INTERVIEW WITH EDUARDO GUILISASTI

The presence of Eduardo Guilisasti at wine events in Chile is a rare occurrence, and, though he is its Managing Director, he seldom even appears at Concha y Toro presentations. Always close to the church, Eduardo has firmly handled the family's wine venture from behind the scenes, and the past ten years have brought the company innumerable accolades – and economic profit. He granted Ana Maria Barahona and Jürgen Mathäß one of the few annual interviews that he agrees to, smiling serenely throughout as he analyzed the past, present and future of Concha y Toro.

-----*Wine Business*: You have been phenomenally successful, but let us start this from the other end. Has Concha y Toro ever made any mistakes?

-----*Eduardo Guilisasti*: We have always believed in wine and in the eventual success of high-value products. Maybe we were a bit too optimistic between 1990 and 1996 – some people thought we were crazy. Indeed, the market was not prepared for that kind of wine at that time, but things have changed. Certainly, the joint venture with Rothschild to create Almaviva was an important step forward. We garnered international acclaim as a respected producer of a world-class wine.

-----*Wine Business*: That didn't happen overnight.

-----*Eduardo Guilisasti*: No, there were other important factors. A lot of work had already been done in our vineyards to improve grape quality. That began in years when nobody would pay a peso for Chilean vineyards, when agricultural production was completely separated from the technical work in the cellars. It was very important to bring those two aspects together. The idea was to use selected grapes from individual vineyards for each premium brand, and have a different winemaker responsible for each. Between 1990 and 2005 we invested US\$350 million. Most of that money went into improving quality. In 1990 we had 600 hectares of vineyards; now we own 6,500.

-----*Wine Business*: In most export markets Chile is known as a supplier of inexpensive wine. What must Chile do to improve its image?

-----*Eduardo Guilisasti*: Chile must establish itself as a producer of premium quality wine, much like we have done over the past years. Just to show you what I mean, when we started in the premium market with the first Don Melchor, it sold for US\$50 a case. Now it sells for US\$250, and we are no longer the only winery doing this. Look at Casa Lapostolle, Casa Silva, Montes and others. Chile has the potential to make great wines.

-----*Wine Business*: That is easy to say today.

-----*Eduardo Guilisasti*: For a long time, Chile was not very well known, either as a wine producer or as a country. The only thing most potential consumers knew was Pinochet. As we have no large national market, we had to sell a lot on export markets. This was only possible with well-made value-for-money varietal wines. We thus began that way, and had a great deal of success during the late 1980s and early 1990s. Don't forget the background. We were not wealthy, and success bred success. We were only able to invest as exports rose.

-----*Wine Business*: Although you speak of those great wines in the super premium category, Chile has not yet managed to shake off the stigma of being a volume producer at affordable prices.

-----*Eduardo Guilisasti*: It is always necessary to have a commercial vision. While Australia was gaining strength in the United Kingdom, Chile had a large production, but with little international image. Our only option was to remove those large-volume wines and invest in quality with our other export earnings. Until then, consumers thought in terms of countries and regions. Today, thanks largely to Robert Mondavi's varietal concept, they think Chardonnay and Cabernet Sauvignon. This helped American producers enter important export markets. We were able to follow suit because we had Chardonnay, Cabernet Sauvignon and value for money.

-----*Wine Business*: What must Chile do to raise its image and price-points in the worldwide market?

-----*Eduardo Guilisasti*: It is vital that we construct brands. The consumer does not understand the different zones in Chile. Our image is in a stage of transition. Some consumers already know the quality of our premium brands such as



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Almaviva, Don Melchor and Marqués de Casa Concha; but they are generally sold out. We make only 20,000 cases of Don Melchor, of which 40% goes to the US and 25% to Europe. We could sell more, but we cannot produce enough of the same quality.

-----**Wine Business:** Most consumers never see those wines.

-----**Eduardo Guisasti:** The consumer, though, should find high qualities in all of our bottles, not only the icon wines. Marqués de Casa Concha, for example, scored at least 90 points in Wine Spectator with every wine in the range from the 2003 vintage. That line sells for only \$15-17(€13) in the States.

-----**Wine Business:** What impact has Wines of Chile had?

-----**Eduardo Guisasti:** Wines of Chile does not have sufficient resources, so it has to concentrate on key markets and a small number of activities. In the United Kingdom, where it has an own office, the influence can be felt.

-----**Wine Business:** What do you think about the growing bulk wine exports from Chile?

-----**Eduardo Guisasti:** Yes, it exists. I don't care too much about it. We don't participate in that business. Our business is building strong brands.

-----**Wine Business:** What advantages does Chile have over Argentina?

-----**Eduardo Guisasti:** Chile has a Cabernet Sauvignon of great quality, perhaps the best in the world. I think Chile has the better soils and we are always discovering more. Four years ago we didn't even think about Leyda or Limarí, but look at those regions today. Argentina has begun modernizing and things are improving. It is slowly being discovered, but it cannot skip the stages in its development that we have been through.

-----**Wine Business:** What role do you see for Concha y Toro in the new era of Chilean wine?

-----**Eduardo Guisasti:** The market knows who we are and knows that we are serious. The diversity of our brands, with Casillero del Diablo and Frontera, which sells 2 million cases in the United States alone, allows us to believe that we should pursue that premium potential.

-----**Wine Business:** In terms of global brands, do you see a single world market with the same promotional campaign in all countries, or does a brand need a special profile in every

#### Concha y Toro

**Sales 2006: CLP 215.8 billion (US\$ 405 million)**

**Sales 2000: CLP 100.4 billion (US\$ 187 million)**

**Exports 2006: US\$ 252 million (+ 17 %)**

**Vineyards 2006: 6,530 ha (5,750 Chile, 780 Argentina)**

**Vineyards 1990: 600 ha**

country? Maybe your campaign for Casillero del Diablo in 2006 could set an example.

-----**Eduardo Guisasti:** Casillero del Diablo, which we call a global brand, is different from wines like Don Melchor or Trio. There has been a generic campaign with selected national aspects for each country, and it has worked well in different cultures. We sold 1.6 million cases in 2005 and 2 million in 2006. Although it does not generate the highest volume, Casillero del Diablo has the strongest promotion of all Chilean brands, and Frontera is now present in more than 100 countries.

-----**Wine Business:** There are lots of brands being bought and sold in the international wine trade. Are people knocking at your door?

-----**Eduardo Guisasti:** No.

-----**Wine Business:** What are your greatest strengths?

-----**Eduardo Guisasti:** First, we produce quality at very different price levels. People all over the world recognize that fact. Second, we have developed long-term, solid relations to our distributors. Third, we have been investing a lot in building our brands.

-----**Wine Business:** In your company profile, you describe Concha y Toro as 'a truly global company'. In terms of distribution you are right, but did you also think about producing more globally?

-----**Eduardo Guisasti:** Concha y Toro is multinational, but we must be realistic about our comparative advantages. Beyond Chile, we have vineyards in Argentina. Going elsewhere would mean exporting the brand. At the moment, we prefer investing in the potential here.

-----**Wine Business:**How did your business develop in 2006?

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**Main Brands:**

**Frontera (3.5 million cases), Casillero del Diablo (2 million cases), Sunrise (1 million cases), Marqués de Casa Concha (115,000 cases), Don Melchor (15,000 cases), Trio, Terrunyo, Amelia, Cono Sur, Viña Maipo, Almaviva and Trivento (Argentina).**

-----**Eduardo Guisasti:** On the whole, Viña Concha y Toro posted an increase in consolidated sales of 5% for 2006, reaching a total of CLP215,843 million (US\$405 million, €310 million). This was driven by rising export shipments across all regions and larger sales from our Argentinean operation, which together more than compensated for the decrease in domestic sales and the impact of a lower exchange rate on the company’s foreign currency revenues.

-----**Wine Business:** Were there any particular highlights?

-----**Eduardo Guisasti:** Yes, I am particularly pleased that our higher quality wines, notably Don Melchor, performed so well.

-----**Wine Business:** Was that particularly true for exports?

-----**Eduardo Guisasti:** Of course, our exports continue to show strong momentum, posting an increase of 17% in value in 2006 over 2005. That growth has been driven by a healthy increase of 10% in volumes and a respectable rise in average price, mainly, as I stated earlier, as a result of a better sales mix led by the premium category.

-----**Wine Business:** Which brands led this growth? And in which markets?

-----**Eduardo Guisasti:** All of our main brands fared well. Casillero del Diablo reached our target of 2 million nine litre cases, up 17% over 2005. The main drivers for this growth were the United Kingdom, Latin America, Benelux, Canada and Russia. Generally speaking, though, almost every relevant market showed a positive trend for this brand.

-----**Wine Business:** And Frontera?

-----**Eduardo Guisasti:** Frontera reached total sales of 3.5 million cases, up 7.7% on 2005 despite the fact that our biggest market, the United States, posted a decline of 1.5%.

Elsewhere, Frontera grew by 24.3% over all other markets, which is very much in line with our strategy of expanding the brand into the world markets. Our greatest success for Frontera in 2006 came in Canada, Russia, Asia and Latin America.

-----**Wine Business:** You spoke earlier about Marques de Casa Concha. How did it perform?

-----**Eduardo Guisasti:** As I said earlier, the high scores in various publications around the world have made our job easier. The sales of these wines today are conditioned by the amount of wine that we can produce. Depletions are thus regulated more or less by the allocations that we give our different distributors. Still, this is not a boutique wine. Total production today, across all varietals, is over 150,000 cases.

-----**Wine Business:** In last year’s annual report you had already mentioned that the strength of the Chilean peso was creating a difficult business environment. That was 2005. Things have become even more difficult. Was 2006 also a profitable year for Concha y Toro?

-----**Eduardo Guisasti:** As 70% of our sales are denominated in foreign currency, movements in the exchange rate do have a significant impact on our financial results. As a result, the total 2006 sales figures stated in Chilean pesos include the impact of an 8% appreciation of the peso year-on-year. We state our net income for 2006 at CLP16.2 billion (US\$30.4 million, €23.5 million), which represents a decrease of 16.9% compared to 2005. This is explained, as I indicated, primarily by the lower exchange rate and, in addition, by small increases in costs.

-----**Wine Business:** Do you think currency problems will continue to affect Chilean exports?

-----**Eduardo Guisasti:** We believe today that the currency outlook for 2007 is more positive, in particular when compared to 2006. The trend seen in the fourth quarter of 2006 and the first months of 2007 indicate a slight depreciation of the Chilean peso against the Euro, British Sterling and American Dollar. We therefore hope that the downward trend has stopped and that we will have a more stable year in terms of exchange rates, which we trust will also have a positive effect on sales.

This is an excerpt from a longer interview.  
Read the full text at [www.wine-business-international.com](http://www.wine-business-international.com)