

# The Taste of Success

Barón de Ley Group has been creating high-quality, affordable wines for almost two decades and the company has set its sights on international markets.

Images courtesy of Barón de Ley

The seeds of Barón de Ley's success were first planted in 1985 when a group of prestigious Rioja professionals decided to establish what was then a unique project within the Rioja Denominación de Origen Calificada: a winery in the style of the Médoc châteaux. From these first steps, the company has flourished, with Barón de Ley now boasting a range of prestigious vintages and a renowned brand.

As one of the founders of Barón de Ley and its CEO, Eduardo Santos-Ruiz Diaz has overseen the growth and evolution of the company as it has grown within the Spanish and European markets. At the beginning of this journey, Eduardo and his fellow founders acquired Finca de Imas, a vineyard located in the municipality of Mendavia, Navarra, on the left bank of the Ebro River. On the site of this vineyard was a sixteenth-century Benedictine monastery, which now serves as the corporate headquarters for Barón de Ley.

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After launching its first wine in 1990 with the renowned Barón de Ley-Reserva, Eduardo says the company has grown over the years with the support of its strong brand, smart acquisitions, and strategic partnerships. "One of the key factors to our growth was an agreement we made back in 1991 with a venture capital company. We reached a financial agreement that helped Barón de Ley, which was a newly founded, small-scale winery, to purchase a bigger company called El Coto de Rioja and establish the Barón de Ley Group.

"In 1991, we undertook this agreement and acquisition. El Coto de Rioja was a larger winery that had existed for some time and it had already started to market its brand and grow substantially. At the time, I was actually managing El Coto de Rioja so I was more than familiar with the company. We saw a great opportunity to take Barón de Ley to another level and so what we did was achieve that capital increase and injected it into purchasing El Coto de Rioja. From that point, Barón de Ley became

the parent company and flagship for El Coto de Rioja, which provided the group with established strength in the first few years.

"Then, it became a matter of working hard, having very sound and healthy policies, a very clear approach to the market, stable quality, and making things happen. In fact, in the second half of the 1990s these were what we call the golden years, because at that time we started to tackle the export markets much more seriously, and the competition—at least in terms of Rioja wines—was much more limited. We had the opportunity to strike first and we had access to a very high-quality distribution network before most of our competitors so we established a pretty powerful international network of distribution."

On the back of this success, Barón de Ley was floated on the Spanish stock market at €14.20 per share in July 1997. Eduardo states, "The business of venture capitalists is to invest in companies and reap >



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profits, and this was no exception, so in 1997 after a number of years of very good trading for Barón de Ley they decided to sell their 70 per cent of the company. One of the options was to sell their complete stake to another multinational company that could take over and make a lot of changes, which wasn't something we wanted. Basically, our

accounting team came to an agreement with them and that 70 per cent was released to the public market.

"We went public so we turned that 70-per-cent stake that was controlled by one major shareholder to a stake that was controlled by many shareholders and investors. Even with us being

a minority at 30 per cent, it allows us to still control our product and the wines. Wine is a very peculiar business in many ways and you really need a long-term view. In that respect, we had a very clear picture of what was required and where we wanted to go.

"The company has continued to develop since 1997. We make major investments to expand the company and our team. We attract highly skilled professionals to our team. We've been making a lot of effort on the export side in the international dimension of the company. As a matter of fact, years later we're now at a point where exports make up pretty much half of our turnover, which is very healthy, and it's way above where our competitors are."

While competition is fierce within the wine industry, Eduardo says that Barón de Ley's key point of difference is the fact that it has always believed in building a quality company, rather than

moving quantity with tiny margins. "Our biggest asset at the end of the day is our brand. We've always had a focus on building our brand for the long term. You can only build brands for the long term if you can have stability at all levels—stability in price and in quality. That's why the group decided from the beginning to specialise in premium wine. We're not doing basic, entry-level wine but we're doing wines from medium segments of the sector—wines that deliver good margins and are very high quality.

"That's something that is very important in our group: value for money. We specialise in premium wines but at affordable prices. I'm always making the point that our target customer is not the very sophisticated wine buyer with the high income; it's actually the average individual that doesn't have a high income but likes to enjoy a very good bottle of wine at a good price. It's a very down-to-earth policy in that respect.

"The company has been generating profits for many, many years and we've always put those profits right back into the company. They've always stayed in the company. We've always wanted to strengthen our capacity to grow production and quality in the future. We grow quality by buying more vineyards and investing in our people. In the past 10 years, our policy has been to concentrate capital, meaning that when we went public we had 30 per cent of the shares and now 10 years later we have around 50 per cent of the shares. Basically, all the profits have either directly stayed in the company through investment or they've been used to concentrate capital and buy shares."

This approach has given Eduardo and his team a very strong balance sheet to work with. "With the recession hitting Spain particularly hard, another of our priorities has been to have a very solid balance sheet," admits Eduardo. "We have no dependents at all and at the moment we have a net cash position of €100 million, so we are

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in a very good position to make acquisitions and utilise any opportunities that come our way.

"At the end of the day, all these processes of investing and strengthening the company with a long-term view have helped us to succeed and they've got us to a point where we have 81,000 barrels and we are the largest vineyard owner in Rioja with more than 700 hectares planted and even more to come. We are in a very good position."

As Barón de Ley works to expand and improve this position, its strong relationships with suppliers and partners will prove vital. Eduardo states, "The group is producing 18-million litres of wine every vintage and if the quality is not high or consistent then we're not doing our job. That is absolutely non-negotiable. Along with our own vineyards, we have ongoing, close relationships with hundreds of local growers.

"Then we have supply relationships for dry goods like labels, bottles, and corks. We have relationships with at least two or three suppliers for each product and these are strategic partnerships. We're obviously very demanding on the prices and quality because we have to be, but as long as things are working well

in those parameters then they're ongoing relationships with very little change."

Looking towards the future, Barón de Ley will focus on significant international expansion. "We've reached a point where our international business is 50 per cent of our turnover so it's going well so far. We're not stopping there and we still think that we have great potential to continue building our international presence.

"We have very good penetration in the European Union and Scandinavia and we're very strong in that respect. We have substantial opportunities to grow in a number of markets, particularly the United States. It's the biggest wine imports market in the world and we feel that we have a very good chance to grow our business there in the next five years. Then, there's also a number of markets like Mexico, South America, Russia, and Asia where we think we can grow down the track."

With a solid reputation and brand behind it and a strategic, long-term view, Barón de Ley will continue to provide high-quality, affordable wines to wine lovers across the world as the company expands its position and products. •



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