

## **STATUS AND STRATEGIC DIRECTIONS OF THE LAMBANOG WINE PROCESSING INDUSTRY IN LILIW, LAGUNA, PHILIPPINES**

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### **ABSTRACT**

The status of the lambanog processing industry in the Municipality of Liliw, Laguna was examined to cover an analysis of the structure and competitive forces affecting the industry, the problems besetting the industry, and identified strategic directions to attain growth and competitiveness. Descriptive analysis was used to present and analyze the current situation and business performance of the lambanog enterprises. Both the lambanog processors and distributors were used as respondents. The study shows that all of the firms are family-owned and operated and are categorized under micro-scale enterprises. Production capacity ranges from eleven to thirty-six gallons per week. Seventy percent of their produce goes to different barangays within the town while the rest are distributed in nearby towns in Laguna and Rizal provinces. Operating profit showed an average of thirty-two percent. Porter's five forces of competition revealed that entry and exit barriers as well as bargaining power of buyers are high, suppliers have low bargaining power, threat of substitution is high, and competition is rather low. In order to remain competitive, the lambanog wine processors should consider the following strategic directions: cost focus, market niching, market and product development, and strategic alliances among government and other private institutions.

**Key words:** beverage, strategy, competitors, coconut vodka, industry analysis

### **INTRODUCTION**

Lambanog wine, also called coconut vodka, is an alcoholic beverage produced in the Philippines. It is a very popular alcoholic drink among men and women in the rural areas of the Southern Tagalog provinces, where it is widely produced. It is widely enjoyed by the locals and festive occasions are almost incomplete without it ([www.sanpablounlimited.com](http://www.sanpablounlimited.com)). It is free from artificial chemicals because it is made purely from coconut sap. Lambanog processing starts with the pruning of the coconut flowers to let the sap drip from the blossoms. The sap is then collected and cooked using the fermentation process, producing coconut "tuba". The tuba is distilled, cooled, and filtered to produce the coconut wine. It may be added with fruit flavors such as berries, raisins, calamansi, mango, and even gum flavor to offer a variety of taste.

Lambanog wine is produced in the Southern Tagalog region particularly in the provinces of Quezon, Laguna, and Batangas. The Quezon province produces most of the lambanog wine because of abundance in coconut plantations in the area. In the province of Laguna, the Municipality of Liliw located in the eastern part, is considered as the major lambanog producer and distributor. Lambanog wine production has been in existence in Liliw since the time of the Spanish colonization. Processors take advantage of the abundance of coconut trees in the area. Lambanog wine production gives employment to many residents in Liliw. The market consists of townfolk as well as nearby towns.

However, the industry has experienced setbacks a few years ago due to infestation of coconuts, shortage of raw materials, and competition from other substitute products (e.g. beer, gin, vodka). Still, the lambanog wine supply is not sufficient to meet its demand. The most pressing problem is the lack of consistent supply of tuba due to unfavorable weather conditions (Donato, 1989). Other common problems include loss of workers resulting to injuries, poor technology, lack of government support, high cost of maintaining karitan, high cost of acquiring production equipment, and stiff competition from the big distilleries of alcoholic beverages. Currently, the industry is being revived but it needs to determine its current status, the problems besetting the industry, and what directions should it take to become more competitive.

The study aims to present the situation of the lambanog wine processing industry in Liliw, Laguna, the problems experienced by the industry, and to determine the strategic directions for the industry. This includes identifying the profile of lambanog wine processors, the structure and competitive forces affecting the performance of the industry, and the investment opportunities and entry points in the lambanog wine processing business. The study could help both the local government and private sector to determine what they can do to develop and sustain the industry in the area.

### **METHODOLOGY AND ANALYTICAL FRAMEWORK**

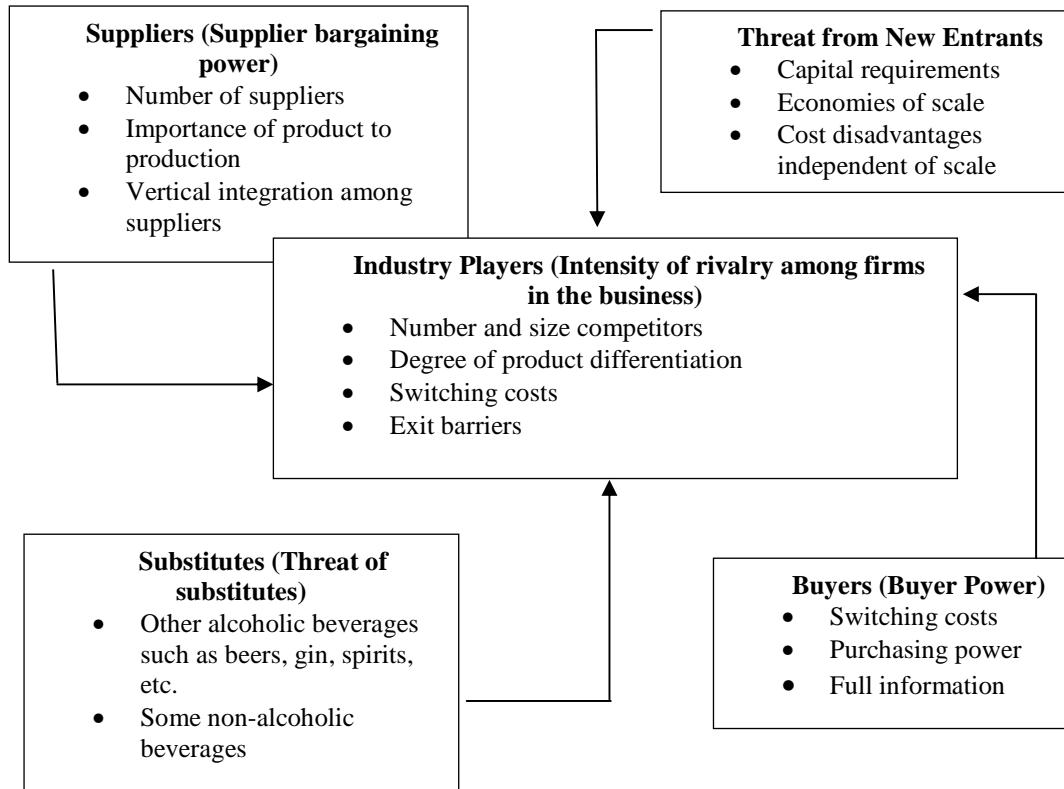
Descriptive analysis was used in the conduct of the study. This type of research was used to present the current situation and business performance of the lambanog enterprises in the area. The status, problems, and strategic directions of the players as well as the environmental forces affecting the whole industry were illustrated using the same design.

The lambanog wine processors and distributors in Liliw, Laguna were the respondents for this study. The scope of the interview covered production, personnel, marketing and financial aspect. Referral approach was used to locate the lambanog wine processors since there is no list of distillers in the area. A respondent was asked to identify other respondents who, in turn, would identify another until all the needed respondents were located; though, not all processors identified were interviewed due to their distant location. Questionnaires were used to acquire basic information from the producers such as status, problems, and prospects of the enterprises. Observation in the distilleries and farms visited was also done. Interviews with the key informants in government agencies and institutions that are linked to the lambanog industry were also done. Other primary data such as industry figures, government programs and policies, and pertinent statistics from government agencies and institutions relating to lambanog industry were also gathered. Frequency analysis and use of descriptive statistical tools like mean, minimum, maximum and standard deviation were used to analyze the data.

Porter's Five Forces Model of Competition was used to evaluate the competitive status and conduct of the firms. Firms were grouped strategically and compared based on their business structure, assets and practices. The rivalry among competing firms was assessed while other competitive forces in the market were considered.

These forces included the following: (1) the rivalry among the existing firms; (2) potential entry of new competitors; (3) competitive pressures from substitute products; (4) supplier bargaining power; and (5) the buyer's bargaining power.

Figure 1 presents Porter's Five Forces of Competition Model.



**Fig. 1.** Porter's Five Forces of Competition Model

In addition, SWOT analysis was done to determine the most appropriate strategies for the lambanog wine processing industry. Those strategies that suit the capability of the firms and the condition of the business environment were considered in order to improve the lambanog processing industry in Liliw, Laguna

## **RESULTS AND DISCUSSION**

### **Description of the Industry**

In the Philippines, Quezon province is the major producer of lambanog wine because of the abundance of coconut plantations in the area. According to Villafior (2005), there are 14 registered lambanog wine processors based on a list provided by the Department of Trade and Industry (DTI). Most of them are cottage small scale enterprises with 4 to 25 employees. Some of the distillers get their supply of raw materials from their own coconut farms while others rent out. The production capacity of these distilleries ranged from 25 gallons to as much as 350 gallons of lambanog weekly. The three main distilleries in the country are also located in the Quezon province - the Mallari Distillery, the Buncayo Distillery, and the Capistrano Distillery (Vito, 2004).

While Quezon remains the leading distiller, lambanog production has been existing in Liliw, Laguna as early as the Spanish colonization. Processors are located in farms which are relatively far from town proper. Their products are sold in the locality and also transported in other places using working animals like horses, in most cases. Production has been hampered by coconut infestation in

year 2002. However, it is slowly recovering as new players started to venture in lambanog wine production. Some of the processors have acquired bigger facilities and replaced old equipments to increase the level of production while others have started producing flavored lambanog and sell to places outside of the town.

Currently, the level of production in Liliw, Laguna is not sufficient to meet its demand. Based on interviewed firms, they were not able to produce optimal amount of lambanog due to lack of supply especially during the rainy season. Not all the coconut trees are tapped because some of them are fruit bearing trees and not suited for lambanog production. Some of the coconut farm owners sell their produce to copra makers and retailers of coconut juice and meat.

### **Profile of Industry Players**

The study covered seven lambanog processors in Liliw. All of them are categorized under micro-scale enterprises with four employees or less. Three processors are operating in Brgy. Ibabang Taykin, one each in Brgy. Bungkol, Brgy. Palayan, Brgy. Baanan, and Brgy. Palina. Five (71%) distillers have been operating their business for over 23 years while the remaining two (29%) have existed for six years and below. Distillery operators age 40 years old and above and are all married. All firms are family-operated businesses. Four of the seven entrepreneurs are under sole proprietorship while the rest are under partnership. In the partnership set-up, the capitalist partner finances all the expenses in the farm and distillery while the industrial partner operates the entire business.

Table 1 summarizes the profile of lambanog processors in Liliw, Laguna.

**Table 1.** Profile of lambanog processors in Liliw, Laguna.

<b>Parameter</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Minimum</b>	<b>Maximum</b>
Age of entrepreneur (years)	51.57	6.05	40	60
Number of family members	4.85	1.35	3	7
Length of business existence	21.07	12.30	1.5	32
Number of hired workers	2	1.35	1	4

Source: Field interviews (2007)

Aside from lambanog processing, lambanog distribution has also been a source of livelihood for the residents in Liliw. There are about 15 distributors located in the area, including both registered and non-registered enterprises. Seven distributors were interviewed in this study. The interviewed firms have been in the lambanog distribution for at least 12 years except for the two new players. Five (71%) of them are both into wholesaling and retailing while the other two (29%) are into retailing only. All the distributors operate as sole proprietors. Lambanog wine is the major product they sell but they also have other sources of income such as variety stores and piggeries. Some of them are also employed in private and government institutions. Table 2 summarizes some important characteristics of the distributors.

**Table 2.** Profile of lambanog distributors in Liliw, Laguna.

<b>Parameter</b>	<b>Mean</b>	<b>Standard deviation</b>	<b>Minimum</b>	<b>Maximum</b>
Age of the entrepreneurs (years)	56	13.61	44	78
Length of existence (years)	25	23.45	1	59
Annual income (Php)	62,400	46,517	12,000	120,000
Average weekly sales (gallons)	63	57.28	3	150
Cost of registration (i.e. Mayor's permit/Brgy. permit., in Php/year)	1,800	1,701	200	4,500

Source: Field interviews (2007)

### **Raw Materials and Production Capacity**

The use of coconuts as the basic raw material in lambanog production makes the product unique among alcoholic beverages. Coconut trees that are tapped do not bear nuts. Majority of the processors rent a coconut farm where they get the raw material needed for the production. One owns a plantation while another sourced his raw material from a farm owned by his relative. Most of the farms are situated near the residence of the processor. The distilleries are also found in the farms for easy transport of tuba.

Seventy one percent (71%) of the interviewed firms produced at least 22 gallons of lambanog weekly. The other two produced less than the said amount of lambanog. Based on their average production capacity, firms 6 and 7 (Table 3) produced the highest amount of lambanog weekly. Each of them has a production capacity of 36 gallons a week. The least production of lambanog was only 11 gallons per week. Table 3 shows the available weekly production of all the interviewed lambanog processors in Liliw, Laguna.

**Table 3.** Production capacity of lambanog processors in Liliw, Laguna.

<b>Variable</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Minimum</b>	<b>Maximum</b>
Average frequency of distillation per week	2.14	0.69	1	3
Average volume of lambanog distilled per distillation (in gallons)	12.28	0.75	11	13
Production capacity per week (in gallons)	26.28	8.28	12	36

Source: Field interviews (2007)

Lambanog production exhibited seasonality within a year. The production level varied depending on the type of weather they experienced for a period. The highest production of tuba was during the months of February to May. From August to December the yield is low. In very dry season the production of tuba is also reduced. Some of them get supply of tuba from other farms to

fill the needed amount of tuba in order to make lambanog. During the rainy season, there is no or little tuba produced especially when there is typhoon in the area. The *karitan* assembly used by the tapper in collecting sap and move from one tree to another is damaged during this season. This forces the processors to stop the operation temporarily and resumes when the *karitan* is fixed. Rebuilding the *karitan* costs a farmer an average of five thousand pesos. Aside from the climate, labor was also affecting the volume of their production. If one of their workers failed to come and perform his job, the operation was impeded and would resume only after the owner has found somebody who will replace the absent worker. The condition of equipment used in processing lambanog also affected the volume of production. However, market demand did not influence the level of production of a firm. If the processor received a large order of lambanog but the supply was not enough, they would source lambanog wine from other processor to fill the order. This typically happens during holidays and festivals when the demand for lambanog is high.

### **Market**

Direct selling is the most common way to distribute the product. The processors use their own residences as the main point of distribution. Buyers go directly to their houses to purchase lambanog wine. Some have signage in front of their houses to attract more customers. Their products are distributed through different channels such as wholesalers, retailers, local consumers, and consumers from other towns and provinces. Approximately 70% of the firms' products are sold within their respective barangays and within the town. The remaining thirty percent are sold in nearby areas which include Rizal, Nagcarlan, Majayjay, Sta.Cruz, Pila, Calamba, and San Pablo City in Laguna, and Antipolo and Tanay in Rizal Province. Lambanog wine produced in Liliw has also reached Metro Manila. Four of the seven firms sell their products on cash basis. The other three processors are accepting 50% down payment or full credit which has to be paid one to two days after purchasing the product. An estimate of 70% of total sales is paid in cash while remaining 30% is through credit. According to the firms, there are no plans to introduce the products to other places because they are satisfied with their present markets. In some instances, they had to buy lambanog wine from other distilleries because they are not able to fill the customer's order due to limited capacity. Some of them had transported their products to other provinces but they had to stop because of high costs and difficulty in collecting receivables.

All firms produce pure lambanog wine, however, two of them make flavored ones. Some of the flavored variants include coffee flavored wine, tea flavored wine, lambanog soaked with apple peeling, and prune-soaked lambanog. Flavored lambanog is made by request. Firms do not use any brand name for their products. The same sizes are sold by the processors. All the packaging materials used are provided by the customers. Purchased lambanog wine is transferred in the containers brought by the buyers. Some firms lend their regular customers with containers especially if they purchase in large quantities. One container or stauffer holds about six gallons of lambanog. The packaging material used is a big plastic container called the stauffer. One gallon and one half gallon lambanog use smaller plastic containers with handle. Some firms used glass containers.

The price for one stauffer of pure lambanog ranges from Php780- Php900 while the price for one gallon lambanog ranges from Php130 to Php150. Retail prices are as follows: twelve ounces of lambanog is sold at the range of Php12- Php17. Flavored lambanog costs higher than pure lambanog. It is sold for Php190- Php200 per gallon of any flavor.

### **Financial Outlay**

Personal savings was the major source of capital among the lambanog wine processors in Liliw, Laguna. All firms did not rely on financing from financial institutions such as banks. Most of the capital was invested on equipment and construction of distillery. All processors used copper

boiler, metal coil, and condenser for processing lambanog wine; however, one uses alcohol meter to measure the alcohol contents of their products. Most of the expenses on the facilities of some firms were shared by the household's facilities since the distilleries were located near their residences. Majority (71%) of the firms do not use electricity since they operate during daytime. Materials used in the farms were bamboos, rope and wire. Seventy one percent spend their personal savings on maintaining coconut farms while the other two firms were funded by their partners. Five (71%) out of the seven firms do not use any vehicle to deliver their products. Instead, they bring the processed lambanog wine in their houses for distribution.

The estimated income statements of the seven lambanog processors were summarized in Table 4. Given a total production capacity of 8,400 gallons during the year, firms were able to generate total annual sales of Php1,182,240. The firm with the largest capacity (1,920 gallons) has the largest operating profit of Php100,725, which indicates that the firm earned more through the full utilization of its production capacity. Operating margin of each firm ranges from Php24,000 to Php 100,000. Operating profit margin averaged at 32% with 20.6% as the lowest profit margin and 42.95 % as the highest. This could be attributed to lower cost of production such as labor costs and farm expenses thus increasing the profit margin.

**Table 4.** Financial performance of lambanog processors in Liliw, Laguna

<b>Firm</b>	<b>Capacity (gallons/year)</b>	<b>Sales (php)</b>	<b>Operating profit (php)</b>	<b>Operating profit margin (%)</b>
1	1,248	187,200	52,200	27.88
2	576	80,640	24,000	29.76
3	624	81,120	33,000	40.68
4	1,056	147,840	63,500	42.95
5	1,248	174,720	36,000	20.60
6	1,728	241,920	60,000	24.80
7	1,920	268,800	100,725	40.35
<b>TOTAL*/ Ave**</b>	<b>8,400*</b>	<b>1,182,240*</b>	<b>52,775**</b>	<b>32**</b>

Source: Field Interviews (2007) \* Total (Capacity and Sales) and \*\* Average (Operating profit and Operating profit margin).

### **Export Potential of the Lambanog Wine**

The Center for International Trade Expositions and Missions (CITEM), the export promotion arm of the Department of Trade and Industry, has identified lambanog wine as a potential export product under the Brand Development Program. The program aims to standardize the lambanog wine processing, provide alternative applications of lambanog to processors, and trademark it to make it more competitive in the global market. It was launched on the export market in 2001. CITEM has in fact helped three major distilleries in Quezon province by giving technical and marketing assistance. These distilleries have already begun to release flavored lambanog wine to increase its appeal on younger consumers. The Mallari Distillery, one of the three major producers in the country, has been the most active in promoting the product thru trade fairs. The tourism industry

also plays a role in the exposure of the lambanog wine to foreigners who visit the country. Lambanog wine exports go to Japan, Taiwan and Algeria (Porter 2005). In 2001 the total value of exports amounted to \$2,720; in 2002, \$1,764; and in 2003, \$31,739. While the data showed that exports have increased, trade data tracking is very limited and the list is still too small to be reflected in most export/import statistics. However, if the demand for lambanog wine continues to grow, there is a good opportunity for the lambanog wine processors in Liliw, Laguna to tap the export market.

### **Global Outlook for the Wine Processing Industry**

Wine industry has seen an increasing in terms of wine production. According to a market research report published by Synergyst, the worldwide wine industry has become increasingly internationalized and sophisticated. The market has become fragmented, international, and information-intensive. Global wine production increased to about 25,066 million liters. Red wine is still the leader in the world wine market with sales rising to 12% between 1998 and 2003. France and Italy are considered as the leading wine producers with 25% market share. Global consumption on the other hand has become more diverse and fragmented. In recent years, Europe has experienced a considerable decline in market share. UK accounted for 8.9% of the share in wine consumption in 2003, France with 11%. The United States accounted for about 19.4%. China, in particular has entered a high-speed growth rate in wine production. In 2008, Chinese wine production amounted to 698,000 kiloliters, a 5% increase from the previous year. It also enjoys the highest wine consumption growth rate in the world. In India, the wine industry is also growing rapidly as more and more Indians are adopting a new lifestyle with a growing trend for drinking wine. India has currently about 60 wineries with an estimated investment of about \$60 million. In Australia, wine production was 1,171 million liters and the total wine companies have increased to 2,420 in 2009. With the increasing trend in global wine production and consumption, there is an opportunity for the Philippines to become an international player in the wine industry given a good market positioning strategy.

### **Analysis of the Lambanog Wine Processing Industry**

#### **Industry Structure and Competitive Forces**

The lambanog wine processors in Liliw, Laguna compete both in the local and national arena with its rivals in the liquor industry. Locally, they compete with the neighboring towns of Nagcarlan and Magdalena in Laguna which also produce lambanog wine. Other competitors are those in the Quezon province where there are big lambanog distilleries. On the national level, lambanog wine competes with other liquors such as brandy, whisky, gin, and rum, which are readily available in retail stores.

The product produced by the players is weakly differentiated since all of them offer pure lambanog wine in the same packaging and sizes. The only difference is in the alcohol content. Price is based on firm's personal decision with consideration on the competitors' price. The market is composed of the distributors, retailers and direct consumers. The products are usually distributed in the neighboring towns in Laguna and some parts in Quezon. The industry structure is analyzed using Porter's five forces of competition.

#### *Entry and Exit Barriers*

The industry has moderate to relatively high capital requirement starting at Php170,000. This includes farm rent and maintenance, and the raw materials and equipment for distillery. The wine processing itself requires special skill because the procedure is very critical to produce quality lambanog wine. The raw material, that is the coconut, requires a large outlay of capital as either the processor would rent or own coconut plantation where coconut can be obtained directly. These



factors make barriers to enter the lambanog wine processing business high. Barriers to exit are also relatively high due to specialized equipment for distillery. This can only be sold to another industry participant since there is no alternative use of the equipment.

#### *Key Buyers*

Buyers have relatively low switching cost. Distributors could easily shift to other processors in the area and even in neighboring towns that produce lambanog wine. If a supplier cannot fill the orders, distributors could easily find another supplier in the area. Consumers also can shift from one supplier to another. These make it difficult for processors to increase the price of lambanog wine which affects the profitability of the business.

#### *Key Suppliers*

Since majority of the processors do not own their own coconut plantation, raw material is sourced by renting coconut farms. Rental fees depend on the total number of coconut trees planted, both tapped and untapped trees. Rental fees are relatively low ranging from Php1,500 to Php9,000. Farm rent seldom increases though efficiency of the farm depends on the amount of sap collected from the trees. Equipment and other tools used in distillation are relatively easy to source so this does not pose much problem to the processors. Thus, the bargaining power of suppliers is low.

#### *Competitors and their Strategies*

There is no direct competition among the processors in Liliw because each has relatively its own set of valued customers from neighboring towns and in the locality. On some occasions, these processors source their lambanog wine from other processors when demand for the product is high.

The main competitors come from the provinces of Batangas and Quezon, and some distillers from the nearby towns of Magdalena and Nagcarlan. Those coming from other provinces are sold at a much cheaper price than the wine produced in Liliw. Since there is no product differentiation in terms of quality and packaging, price is often the only factor that causes rivalry in the area.

#### *Substitutes*

The threat of substitution is relatively high because of other alternative alcoholic beverages available in almost all retail stores. Substitute products include beer, gin, brandy, vodka, and whisky. These products come in different sizes and varieties, and prices are either cheaper or at par with the average price of lambanog wine. Price and availability are considered as the main drivers for substitution.

### **Problems of the Industry**

Problems encountered by the lambanog wine processors revolve around the functional areas, namely: marketing, production, finance and personnel. Competition between substitutes such as those commercially available alcoholic beverages is the only marketing problem identified by three (43%) firms. They do not see each other as competitors because demand for lambanog wine is more than they can supply. In production, the lack of supply of tuba during rainy season has been the major problem of all the processors. When it rains, water mixes with toddy which results to lower tuba production. The quality of tuba is also affected when it is mixed with water and therefore the quality of lambanog wine also suffers. Two processors (29%) mentioned defective equipment as another problem. In the financial aspect, lack of capital (29%) and collection of credit (14%) were specified. Majority (57%) of the processors identified absenteeism among their regular workers as their

personnel problem. This delays the production and sometimes affects the quality of tuba when coconuts were not tapped for a single day. Two firms (29%) also mentioned workplace injuries as one of their problems. Table 5 summarizes the major problems identified by lambanog processors in Liliw.

**Table 5.** Major problems of the lambanog processors\*

<b>Functional Area and Problems</b>	<b>Number of times cited</b>	<b>% of Total Respondents</b>
<b>Marketing</b>		
Competition between substitutes	3	43
<b>Production</b>		
Lack of raw material supply	7	100
Defective equipment	2	29
<b>Finance</b>		
Lack of capital	2	29
Difficulty in credit collection	1	14
<b>Personnel</b>		
Absenteeism	4	57
Injuries in the workplace	2	29

Source: Field interviews (2007)

\*Respondents may have multiple answers

### **SWOT Analysis**

The strengths, weaknesses, opportunities, and threats pertaining to the industry were analyzed and presented using the SWOT Matrix table. The internal environment represents the strengths and weaknesses of the industry in the locality while the external environment identifies the opportunities and threats – the forces that have potential impact to the industry’s success.

#### *Strengths*

Among the strengths include a relatively high quality of wine in terms of alcohol content, long and solid experience in lambanog wine processing, skilled labor in terms of tuba collection and distillation process, a low bargaining power of suppliers in terms of coconut farm which also contributes to the low production costs.

#### *Weaknesses*

The industry suffers lack of tuba during rainy season which makes wine production relatively unstable during this period. Other weaknesses that stem from wine operations are the use of traditional distillation process which may affect the overall quality of the wine and absenteeism among workers. There is also a lack of entrepreneurial mindset among the owners of the enterprises, limited marketing and promotional activities, poor credit collection that contributes to the insufficiency of capital to acquire new and better equipment. Buyers have low switching costs as they can easily choose other alcoholic beverages over lambanog wine. The product is also undifferentiated in terms of taste, color, alcohol content, quality, and even packaging. In general, the lambanog wine processing industry lacks direction and needs to have a clear focus on where it is going to make it competitive.

*Opportunities*

Prospects for the lambanog wine industry is good as it has been identified by CITEM as an export potential and it enjoys support from the government. There is also a trend towards organically processed foods and beverages as more people have become health as well as environment conscious. There is also an unmet demand in nearby towns and provinces.

*Threats*

As alcoholic beverage is considered a luxury, a slowdown in economy affects the lambanog wine industry. In addition, competition from other wine and alcohol products is relatively high and buyers can easily switch from one product to another.

**Table 6.** SWOT Matrix for the Liliw Lambanog Wine Processing Industry

<p>External Environment</p> <p>Internal Environment</p>	<p><b>OPPORTUNITIES</b></p> <p>1) Unmet demand within the locality and nearby towns and provinces</p> <p>2) Trend towards organically processed foods and beverages</p> <p>3) Identified by CITEM as an export potential product /availability of government support</p>	<p><b>THREATS</b></p> <p>1) Competition from substitutes (e.g. other alcoholic beverages) is relatively high</p> <p>2) Economic slowdown</p>
<p><b>STRENGTHS</b></p> <p>1) Relatively high quality of wine in terms of alcohol content</p> <p>2) Low production costs</p> <p>3) Relatively experienced in lambanog wine processing</p> <p>4) Low bargaining power of suppliers in terms of coconut farms</p> <p>5) Skilled labor (in terms of collecting tuba and distillation)</p>	<p><u>S-O Strategies</u></p> <p>Market niching (e.g. OTOP)</p> <p>Cost Focus (low price relative to Quezon lambanog)</p> <p>Product Development (expand product lines such as adding flavored lambanog products)</p>	<p><u>S-T Strategies</u></p> <p>Cost Focus (low price relative to Quezon Lambanog)</p> <p>Market penetration (low price combined with extensive distribution)</p>
<p><b>WEAKNESSES</b></p> <p>1) Lack of supply of tuba during rainy season</p> <p>2) Undifferentiated product</p> <p>3) Insufficient capital for equipment acquisition</p> <p>4) Traditional/crude distillation process</p> <p>5) Poor credit collection</p> <p>6) Lack of direction for the industry as a whole</p> <p>7) Absenteeism among workers/lack of incentives</p> <p>8) Limited promotional and marketing activities</p> <p>9) Lack of entrepreneurial mindset</p> <p>10) Low switching costs among buyers</p>	<p><u>W-O Strategies</u></p> <p>Establish sourcing/supply chain alliances (supply agreement between coconut farms and lambanog processors)</p> <p>Establish strategic alliances (e.g. industry associations, entrepreneurship training, marketing alliances, technology support services, joint ventures)</p>	<p><u>W-T Strategies</u></p> <p>Establish strategic alliances (e.g. industry associations, entrepreneurship training, marketing alliances, technology support services, joint ventures)</p>

## **STRATEGIC DIRECTIONS FOR THE LAMBANOG WINE PROCESSING INDUSTRY**

Based on the analysis above, the wine processing industry in Liliw, Laguna should consider the following strategies in order to remain competitive and sustain its growth:

### **Market niching**

This strategy will prove to be beneficial to the industry by establishing a common brand (e.g. “Liliw Lambanog”) for all the industry players. They could apply for the One Town One Product (OTOP) Program of the Department of Trade and Industry (DTI). This will distinguish their product from other lambanog wines available in nearby towns as well as gain a competitive position vis-à-vis the Quezon lambanog.

### **Cost Focus**

Since there is little product differentiation and the scope of business activity is relatively narrow, the industry would benefit from the cost focus strategy by pursuing a lower-cost advantage in its current market segment. As with market niching strategy, they could establish a common brand that their customers could identify as low cost but with almost the same quality as compared to Quezon lambanog.

### **Product Development**

The processors may also look into the development of flavored lambanog wines to increase its share in the existing markets. However, along with this strategy, they may need to develop new competencies such as enhance their technical and entrepreneurial skills, improve their business processes, and possibly acquire new tools and equipment.

### **Market Penetration**

This can be achieved through a combination of competitive pricing and extensive distribution strategies. They could use the low-cost advantage and direct selling approaches to secure dominance in the existing markets. Increase in usage by existing customers may also be done through loyalty schemes such as giving discounts to bulk orders, free lambanog wine or free delivery for orders up to a certain quantity, or even giving free “pulutan” or finger food during fiesta or special occasions.

### **Strategic alliances**

The Lambanog processors in Liliw, Laguna may take advantage of economies of scale through alliances. They may form an association that would provide its members joint benefits such as financial assistance through loans, training and seminars for effective management of their businesses, and marketing assistance. This will also facilitate a more efficient operation through sharing of resources. Pooled resources can be used to finance large investments such as facilities upgrade and coconut plantation expansion. Entering and executing contract agreements on supply and distribution are easier since the collective production of processors will allow bigger volume. Lambanog processing is a value adding activity for coconut farmers; hence, they may be encouraged to venture into wine processing or at least supply processors with good quality sap. A mutually beneficial agreement between coconut farmers and lambanog processors may help minimize raw materials shortage.

According to one of the interviewed distributor, there was a proposal to make a cooperative of the lambanog wine processors in Liliw. But it was not implemented because most of the processors were not willing to join the cooperative. In order to encourage the processors, they must be properly informed about the benefits they can derive from joining a cooperative or association. Example of which are loan programs provided for the members of the association. In times of typhoons when the *karitan* assembly is damaged, the owners of distilleries may apply for a loan to be spent in repairing the assembly. In times of low production or sales, the organization may offer alternative sources of income. The association may also help the processors gain new markets by joining national or international trade fairs or exhibits. The assistance of the local government is also vital. The local government can provide linkages through various government agencies as well as non-government organizations (NGOs) in providing financial, technical, and marketing assistance. The processors should register the cooperative in order to avail privileges. Example of which are lower prices for inputs needed in the farm (e.g. fertilizers, pesticides, and other materials used in the *karitan*) through government assistance like in the case of Quezon (i.e. technical and marketing assistance under BDP). Producers must also register their businesses with the local government or BIR not only to conform to their responsibility as entrepreneurs but also to gain assistance and information about the business and the industry as a whole.

### **CONCLUSIONS AND POLICY IMPLICATIONS**

Lambanog wine processing in Liliw, Laguna has long been established as an industry in the locality. It remains to be a primary source of income of residents. The product capitalizes on its indigenous raw material to remain novel and appealing. Though market prospects are good, production capacity is constrained by limited and unstable supply of raw materials. The produced lambanog wine has little differentiation among the processors both in terms of flavor and size. Majority of the produce were absorbed by the distributors within the town itself and the rest were sold in nearby towns. Based on Porter's analysis, entry and exit barriers are high, key buyers have low switching costs, bargaining power of suppliers is low, threat of substitution is high, and competition is considered to be relatively low with price as the main factor that cause such.

Policy initiatives should be geared towards providing assistance to the lambanog wine processors to be more competitive and sustain the industry's growth. Areas that need to be addressed include enhancing technical and entrepreneurial skills, improvement of the business process, access to financing, and acquisition of new tools and equipment. On the part of the wine processors, they should form strategic alliances with their suppliers to ensure continuous supply of raw materials and other inputs as well as with their distributors for a sure and stable market. The local government should take the initiative of establishing a common brand for the lambanog wine through the assistance of the Department of Trade and Industry under the One Town One Product (OTOP) Program. This will strengthen the current market and possibly develop new ones. It could also forge linkages with other government agencies and non-government organizations that can provide the technical, market, and financial assistance. On the national level, coconut is a high-valued commodity by the government and value-adding activities through the production of coconut-based products such as lambanog wine is one way to enhance the usefulness and value of coconut. The government therefore has to prioritize which coconut-based products it should support to maximize the impact of its limited budget.

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