



Bodegas Elosegi, from a warehouse to the world: the venture and dedication of four generations of a family.

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With a few more extra kilometres on the clock than necessary, the Citroën C3 once again took us to the company, which this time welcomed us to talk about its achievements, progress, and disappointments; indeed, everything that this more than a century-old company is made of. A faint aroma of wine was distinctly present even before we went in, and as we entered the building, a staff member pointed us in the direction of the offices. Upon climbing the staircase, we were greeted by a series of phrases about wine and its essence. When we got to the top, a smiling face showed us the way to the meeting room from where we could see the production process of Bodegas Elosegui and where we were met straightaway by the company's general manager, Mikel Elosegi.

The early ventures and tireless work of the first generations

In 1883, José Antonio Elosegi and his wife worked at the Gabiria spa. He soon noticed that the clients not only sought to look after themselves and relax but also wanted to enjoy some of life's simple pleasures, like a glass of wine. And so, one night, José Antonio decided to walk to the border of Navarre to bring wine in a large wineskin to offer the spa's clients. Given his success, he repeated the undertaking, and after a while, he bought a mule and a small warehouse 100 metres from the spa. He stored the wine he bought there and began selling it to the local residents, in addition to the spa's clients. The "almacén", the name of the business that has remained in the family to this day, prospered, and in 1900, José Antonio and his wife María moved to Ormaiztegui, where they saw the opportunity to open a small inn supplying the residents of Ormaiztegui and the surrounding area with wine, household goods, and the typical essential items found in any grocer's shop. They divided the work between them, with José Antonio continuing to develop the wine warehouse while María was in charge of the inn.

- *“The adventurous spirit comes from my great-grandfather. At the beginning of the 20th century, in 1913, he would go to La Mancha to buy good wine and return to San Isidro with 20,000-litre barrels in a train carriage that he had bought in Bilbao to transport the wine. He was the first to bring wine to Gipuzkoa,”* - smiles Mikel Elosegi, current manager and fourth generation of the owner family, who, alongside his cousin José Manuel Elosegi, holds the reins of Bodegas Elosegi.

Thus, the years went by until, in 1937, during World War II, the Elosegis moved the business to Beasain, although they continued living in Ormaiztegui. Beasain was a larger urban centre, and José Antonio embarked on building a four-storey house, something of a milestone for the time. The business was moved to the lower floors of the building, with the warehouse and the store for selling wine on the ground floor and the offices on the first floor. José Antonio sold the remaining apartments. Meanwhile, the Ormaiztegui inn was handed over to the Gaztañagas, a family with close ties with the Elosegis for generations. José Gaztañaga began to work with the founder José Antonio, who then transferred the Ormaiztegui shop to the Gaztañaga family, which was first run by José Gaztañaga's wife and later by his daughter for many years.

After the founder, José Antonio, passed away, the wine-selling business was run by his two sons, Resurrección and Agustín. Resurrección was responsible for the commercial side, while Agustín was in charge of production. They invested in a small fleet of lorries and vans for distribution purposes and gradually began to bring in wine from different areas of Spain. They also started hiring their first employees, one of whom was Fidel, renowned in the area at the time for being the first person from Guipuzcoa to have a lorry driving licence. Owing to this, the family's portfolio expanded to offer transport services in the area to anyone who needed them. Fidel worked in the family business throughout his life along with José Gaztañaga, whose son Jesús started working in the business at the age of 14 and is the company's current non-family minority partner.

The two brothers married, and Resurrección and Agustín worked together for years in harmony, developing the Elosegi family business.

- *“They both sent their children to study in San Sebastian, and the eight cousins lived together. The two mothers would take turns, and each week, one of them would spend the week in Donostia with all the cousins,”* - explains Mikel Elosegi.

After Resurrección's death in the 1960s, Agustín, together with a group of employees that were very close to the family, and the first-born of the third generation, cousins José Mari, Resurrección's son, and José Manuel, Agustín's son, were incorporated into Bodegas Elosegi, which was already well known in the area.

- *“When people went by the warehouse, they used to stop and have a glass of wine, which was offered to everyone. When someone had drunk too much, it was customary to say that they'd been ‘bitten by Elosegi's dog’. It was a totally different world back then. There was no designation of origin, and wine was valued according to its alcohol content, i.e., the higher the content, the better because it would keep longer. Even our tanks were catalogued according to their alcohol content and not the type or origin of the wine they contained,”* - recalls Mikel Elosegi.

Agustín was active in the company until he finally passed away at the age of 70, and as the second generation disappeared, the third-generation cousins were left to run the business. And thus, in 1978, the founder's grandchildren, José Manuel and his cousin José Mari, established Vinos Elosegi S.L.

The third generation: a world of opportunity ahead

Of all the third-generation cousins, only two became involved with the business: José Mari, who had started working there at the age of 20, and José Manuel, who later joined the company after finishing his studies.

Their predecessors, Resurrección and Agustín, had already introduced the first automated bottling process, and one of the significant changes was the "filler" that allowed for greater production capacity.

- *"In Beasain we were already using a small bottling machine from the early 1970s and in glass bottles... and then came the larger bottles,"* - recalls José Manuel, Senior.

It was then that a young José Mari saw the possibility of going beyond the traditional markets they served to venture towards Zumárraga and Beasain. At first, his father and uncle were against it, believing it to be madness, but José Mari persisted in his initiative and gradually managed to increase the geographical scope of his sales.

- *"I've seen my father do everything in the company. He started working there at a very young age and was extremely restless. Although he hadn't studied at that time, he went on to get his upper-secondary school diploma, take a course in business and even qualify as a real-estate agent,"* - recounts Mikel Elozegi.

Figure 1. Third and fourth generation of Bodegas Elozegi



Source: Bodegas Elozegi

Indeed, by all accounts, José Mari was a true entrepreneur, a highly active person who combined his work in the "warehouse" with other occupations and business initiatives.

- *"I worked alongside José Mari, and we embarked on many ventures. Through one of the partners of the winery Bodegas Olarra, Jesús Gibert, we obtained the exclusive distribution of Bodegas Olarra for Gipuzkoa in the early 1980s. We pledged to sell 300 cases a year and sold 28,000 in five years,"* - Jesús Gaztañaga looks back with satisfaction.

José Mari was very well-known in the region. He was mayor of Ormaiztegui for 20 years and was a member of the Provincial Council of Gipuzkoa during the first term following the dictatorship.

- *"My father resigned as a member of the Provincial Council of Gipuzkoa, but he didn't leave politics and was mayor of Ormaiztegui for years. I remember that he was a reference in the community and that the neighbours used to consult him and take his criteria into account. He had a great deal of strength and energy and, especially, an enormous capacity for work. He was a man of action, always ready to get involved in new initiatives,"* - recalls Mikel Elosegi.

During that time, his cousin José Manuel continued to devote his life to the business. Back then, there were two people and two lorries, and Gipuzkoa was divided into two areas. One lorry delivered the wine from Beasain to Donostia and the other from Beasain to Elgoibar-Zumarraga.

- *"In those days, there was absolute trust between the client and us. You'd go into their premises, see the empty plastic boxes they had, and do the order directly for them, leaving the full boxes and taking away the empty ones. It was like you were at home; there was the utmost confidence. All of this has changed completely,"* - remembers Jose Manuel, Junior.

Right up until he retired, José Manuel worked in different areas of the company, including the distribution area, the accounts, and administration. He was also involved in the bottling process in his last years at the company.

- *"My father did everything. I remember that after a whole week working in the distribution area, he used to do the accounts on Saturday afternoons. Over the years, he gave up distribution, which was physically very hard as everything was done manually in those days, and focused on the bottling process,"* - explains José Manuel Elosegi, Junior, the fourth generation of the family.

In the 1980s, José Mari and José Manuel realised that consumer trends were changing and, so they began marketing Rioja wines, expanding the range of products, and introducing higher quality wines to the market.

- *“The local market has gradually been changing. When I started, 95% of the wine we sold was of the ordinary kind while 5% was designation of origin. Nowadays, the situation is reversed. Moreover, we used to supply the bars and restaurants directly but now, with a few exceptions, the local market is covered by distributors who go around and introduce a very wide range of products, including ours,”* - says José Manuel Elosegi, Junior.

As the demand grew for designation of origin wine, Bodegas Elosegi transformed from being bottlers and marketers of wines to becoming winemakers.

- *“We became partners in a winery called Araco in Rioja Alavesa, which had very good wine, but they couldn’t sell it. They knew us and invited us to join the company,”* - recalls Jesús Gaztañaga.

The 1980s saw the company progressively expand its market in the hotel and catering industry to cover more geographical areas. They also began to target other customer segments and entered the distribution sector.

- *“The hotel and catering industry was expanding, and it was impossible to reach everyone, so I set up 20 stockists in different geographical areas. There were 20 because I went with one of them on every working day of the month, and every Saturday, I went to Logroño, where I had breakfast at the winery Araco and lunch at the winery Olarra. Furthermore, José Mari managed to get into all the large supermarkets, first EcoAsteasu, then Mamut, Pryca, and, finally, we entered all of them. In addition to wine, we also distributed olive oil and other products in those days. We took advantage of different opportunities since we had access to the market,”* - remembers Jesús Gaztañaga.

José Mari soon realised it was indispensable to have a register of packagers of each production area, and although it was not easy, he persisted and persisted until he obtained it. At this point, they decided to leave Beasain and move to Olaberria. José Mari saw another opportunity to build an industrial estate in Olaberria, as well as a new pavilion, and he personally saw to it that other companies occupied the rest of the plots.

- *“Entrepreneurship is in our family’s DNA, and my father reached an agreement with Olaberria to build the industrial estate that exists today. That is where the first Bodegas Elosegui and what would later become Hipermercado Olaberria were set up,”* - states Mikel Elosegui.

Eventually, the third generation of the Elosegi family moved to Olaberria in 1991 and invested in a modern plant where the business is still run today.

- *“When they moved to Olaberria, it seemed to them that the new bottling line for the traditional table wine was kilometres long, like an immense hall... but the business continued to grow and change. By the beginning of the 1990s, designation of origin wine by Araco, Olarra, etc., was selling more than our traditional wines,”* - says Mikel Elosegi.

The move to Olaberria and family management, the foundations of today's Bodegas Elosegi.

The departure from Beasain was an important step for the company, not only in terms of the new premises and its dimensions but also the sale of the Beasain plant was a critical moment for the Elosegi family. The third generation of cousins involved in the business, José Mari and José Manuel, made the decision and although it was not entirely agreed with by the rest of the cousins, the deal went ahead. This experience did, however, cause some reflection, and when the third generation decided to retire, they chose to do so in such a way that their successors, Mikel and José Manuel, would not have any future problems with their respective brothers and cousins.

- *“A price was set on the business, and my cousin and I were offered to keep it. And that’s how it was done. They wanted to make things clear and avoid any future family problems. I took over the management and José Manuel the commercial side,”* - recounts Mikel Elosegi.

José Manuel was the eldest of the fourth generation and the first to join the business. He had been involved in the company from a very young age, and after finishing his studies, he started helping his father with the distribution.

- *“When I was 15 years old, I used to help my father with the distribution during the summer; while my friends were at the swimming pool, we worked in the family business. Those were different times. And even though the distribution work was hard, I liked the company, and I always liked dealing with clients,”* - says José Manuel Elosegi, Junior.

Mikel, José Mari's son, also started in the business early on. Holidays were a time to work at the company, and it was during those summer periods that he caught the bug and consequently decided to train in the world of wine.

- *“My holidays when I was 14 consisted of coming to work at these wineries. Once I’d completed high school, I went to Logroño to study oenology. I liked it and decided to increase my knowledge further in Bordeaux, France, after which I joined the company,”* - remembers Mikel Elosegi.

When José Manuel joined the business, he found a company where everyone worked from dawn to dusk. His father and José Gaztañaga, Jesús's father, the current non-family minority partner in the company, were friends, and for both men, the company was their life.

- *“My father and José Gaztañaga worked from sunrise to sunset in the business. I worked with my father for many years, and I used to get angry because there was no end to it. The dedication was relentless, including Saturday mornings and Saturday afternoons. We had to change our ways. Times are radically different now, and not even the clients want to be served on Friday afternoons,”* - says José Manuel Elosegi, Junior.

Eventually, the third generation, José Mari and José Manuel, retired aged 70 and 61, respectively. Their departure was agreed upon and accepted. Both understood that the changing trends needed new professional profiles and trusted in the abilities of their sons, who were already involved in the business, to take the reins of the company. And thus, retiring and fully delegating to the next generation was one and the same thing.

- *“José Mari and I had complete confidence in my nephew and my son. They were both integrated into the business, and our leaving went smoothly without any problems. The conditions were put in place, and they kept the company. At that time, though, it was no walk in the park; quite the opposite, it was a difficult period. But what we wanted most of all was for them to have tranquillity and be able to take the company forward. That was our wish, and so it was, and I’m happy with how it was done. Once we left the company, neither my cousin nor I were on top of it,”* - José Manuel, Senior, recalls with satisfaction.

Figure 2. The third and fourth generations of Bodegas Elosegi



Source: Bodegas Elosegui

Internationalisation, innovation, and diversifying the product portfolio

In the mid-1980s, France became an opportunity, and the company started working with a French distributor.

- *“My father wanted me to get some training, and so I studied oenology in Logroño. After finishing my course in 1992, I went to Bordeaux to continue my training. I finished on a Friday, and on Monday I was already working. When I returned to the company, it had changed; the new facilities empowered us, and we already had a relationship with the French market,” - explains Mikel Elosegi.*

These distributors were multi-product, and in the economic wine area, Bodegas Elosegi had definite advantages in the French market, competing with a lower packaging cost than the French bottlers and with a better-quality product.

- *“The idea was for me to manage the winemaking, but one day when I was talking to a distributor in Saint-Jean-de-Luz, a light bulb went off in my head, and I saw the enormous potential of large-scale distribution in France. We were ready, and we entered Intermarche and Leclerc. We also went against everything that was being done at the time and presented a new format, the 5-litre bottle, where there was very little competition. What’s more, we offered a quality wine for this segment. We are very proud of our larger formats,” - says Mikel Elosegi.*

Figure 3. Wine production



Source: Bodegas Elosegui

In addition to the opening of international markets, the company began developing own brands and a whole marketing strategy around the product.

- *“I think everything that is being done today is very good, and our presentation has improved immensely. Now everything that surrounds the product is important from quality and certifications to packaging and image, whereas before it was only the product that mattered,”*- states Jesús Gaztañaga.

Furthermore, in today’s markets, quality and traceability controls must be addressed to be able to compete, and they are a priority for the business. Yet, despite all the changes, some things remain the same, and paradoxically, Bodegas Elosegi's traditional product, table wine, has entered international markets.

- *“We sell seven different references of table wine to Leclerc, our best client, although it is a major administrative effort for us. Years ago, the quality requirements were a challenge for us to meet, and now we have the challenge of traceability, the use of plastic, etc.,”* - explains Mikel Elosegi.

The catalogue was updated in 2000, to include white wine, rosé, txakoli, and sangria, along with a filtering process of the various brands they managed. And after many years of supporting different brands, they finally ended up with just one: Coto Elosegi.

Figure 4. Coto Elosegi



Source: Bodegas Elosegui

Along with Coto Elosegi, mainly aimed at the Horeca industry (Hotels, restaurants, and catering), and the 3 and 5-litre bottles of table wine aimed at large-scale distribution, Bodegas Elosegi is once again embarking on a new adventure with "Ideatory". Ideatory embodies its creative vein and presents a daring and innovative catalogue combining wine with flavours and creating new wine-based drinks. From AfterChurch, a wine with a touch of vermouth for the aperitif, to wines with raspberry, peach, grapefruit, and chocolate extracts.

- *“Table wine has lost ground, and the market is falling. To able to continue, we have to innovate in markets and products,”* – states Mikel Elosegi.

The taste for adventure has not only boosted product innovation at Bodegas Elosegi, with a versatile catalogue adapted to the client, for whom new "ad-hoc" blends are developed on a personalised basis but has also led to ground-breaking initiatives in the field of packaging and formats.

- *“We’ve always had an adventurous streak, and we were ahead of our time in 2006 when we invested in a new project, wine in cans. It was an interesting project, and we achieved notoriety with the 80,000 cans that we put on sale, but although it didn’t take off in Europe, it has served to sell sangria in cans in the United States. We’ve also made our mark in bag-in-box packaging. It took us almost five years to bring out all the formats, 3, 5, 10, and 20 litres, and now we’re competitive and serve new types of customers, such as communities,”* - explains Mikel Elosegi.

Figure 5. Industrial bottling



Source: Bodegas Elosegui

The canned wine project was not the only recent enterprise, with the entry into the African market being another of the company's ventures. Nevertheless, the good sales there did not guarantee the company was in a safe position, and one day the distributor stopped paying for a major order. After that, all the contacts in Africa disappeared. Both experiences were important lessons for the company. As far as metal packaging is concerned, they are now ready to offer drinks in cans thanks to three suppliers in Madrid, Oviedo, and Catalonia and also thanks to a set of mobile packaging machines. With regard to new markets, Bodegas Elosegi has taken the necessary measures to ensure that these defaults do not happen again, and today, the business has returned to the African market, having learned from the previous experience.

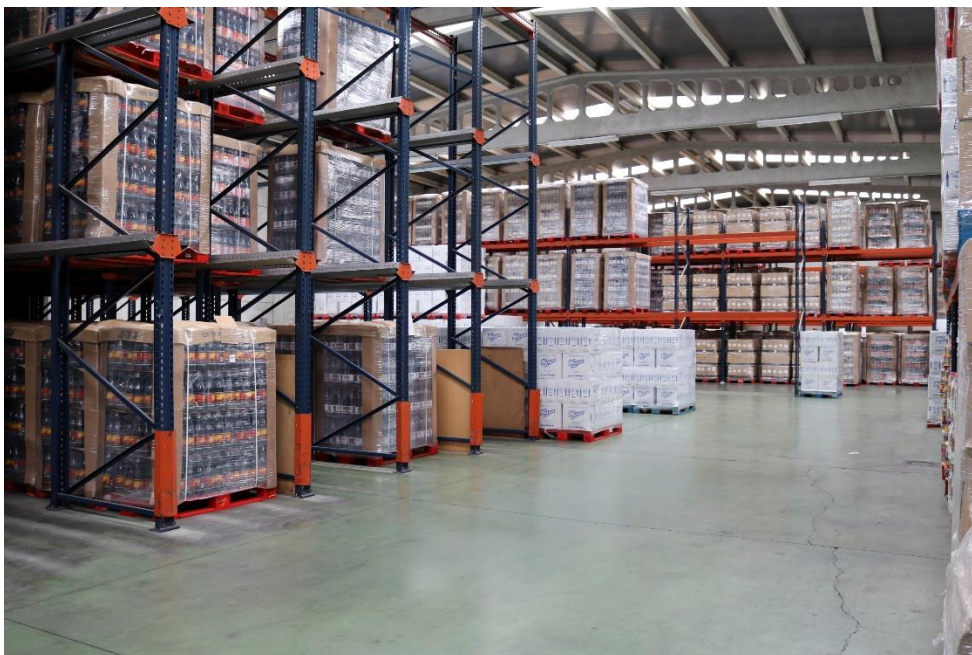
In fact, as a result of these experiences, new markets have opened up for Bodegas Elosegi, and all of this innovation has finally been absorbed by an international market that continues to be a priority for the company, i.e., China, the United States, etc.

- *"But we haven't only remained in France. By selling in this country, where the leading commercial agents are, we've had opportunities in other markets, like China, to sell Coto Elosegi,"*- says Mikel Elosegi.

Unlearning and learning anew have been essential for the business to sustain itself over so many years, and it has had to shed its skin in order to stay alive. Indeed, from its people to its products and its capacities, the company as a whole has been transformed.

- *"Without a doubt, we've got better-trained people today, and the processes are fully controlled. To achieve this, there have been a lot more people involved. Before, we used to dedicate all our time and do everything ourselves. In recent years, however, everything has changed, not only in the company. It's a different way of life now, so we have to change the company; we can no longer do things as we did 20 years ago,"* - reflects Jesús Gaztañaga.

Figure 6. Bodegas Elosegi production



Source: Bodegas Elosegui

More than a winery, more than a wine

With more than 50 years of experience in the sector, Bodegas Elosegi is better prepared today to respond to the new types of consumption and work that have emerged.

- *“As I said before, everything has changed in the last few years: there are more people in the company, and the team is much more qualified; the company is also more automated, and we’ve improved our image and sell differently”*. - Jesús Gaztañaga.

The way in which bars and restaurants are distributed has changed considerably. Except for a few of the company’s own clients who are served directly, sales are made through distributors. These distributors operate with a broad and diverse portfolio of products, not only wines, and supply the bars comprehensively, meaning that an important part of the commercial activity has shifted from the company’s sales representatives to local distributors.

- *“It’s a more efficient way of working. I pass my clients on to the distributor, and at the same time, I have many more people I can access. We usually accompany the dealer on their visits and get to know the clients as we do their round. We wouldn’t be able to reach some of the people we do today if it weren’t like this.”* - José Manuel, Junior.

After more than a century of existence and many ups and downs in trends and the wine sector, Bodegas Elosegi has remained the only bottling company in Gipuzkoa. With countless thousands of litres sold, it is the leading Basque company in terms of volume of wine sold, and its production accounts for almost a third (30%) of the wine from Rioja Alavesa that goes abroad.

- *“A family business is not like other businesses, where you forget about work on Friday when you leave, but it does have its rewards. At the end of all these years, you say to yourself, ‘we must have done something right,’”* - reflects José Manuel, Junior.

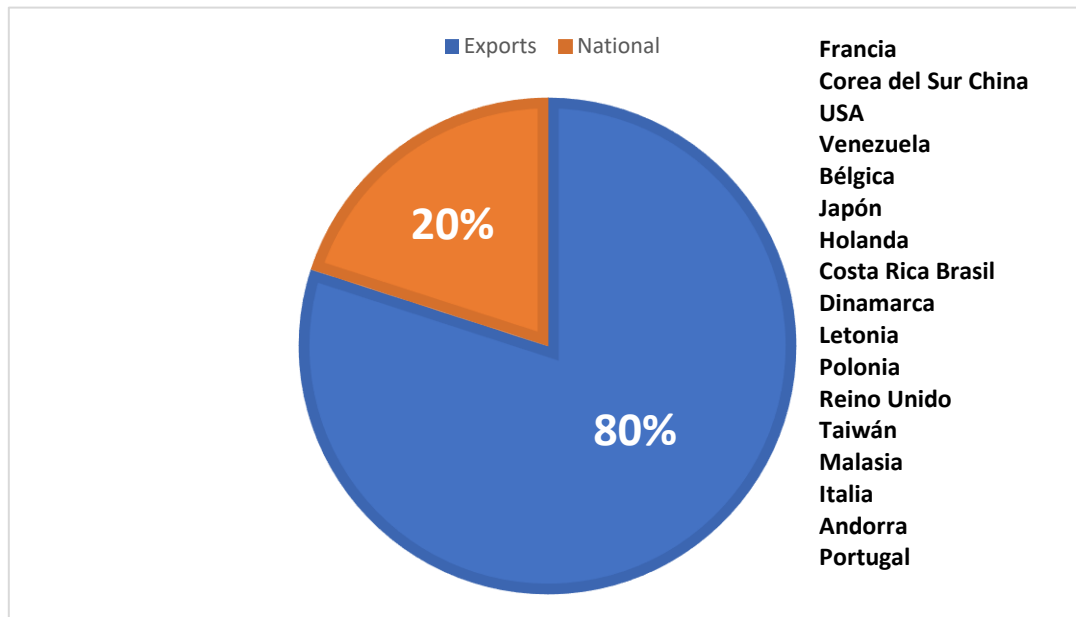
Figure 7. People, the foundation of Bodegas Elosegi



Source: Bodegas Elosegui

Having obtained the demanding international food quality safety certification, IFS (International Featured Standards), Bodegas Elosegi can offer the guarantee required by all the world's major distributors. This has allowed it to develop an internationalisation strategy and export to France, the United States, China, Slovenia, Algeria, Thailand, Uruguay, the Ivory Coast, and South Korea, reaching an annual increase of 10% in the last three years.

Figure 8. Share of Exports and ranking of foreign markets



Source: Bodegas Elosegui

The ability to adapt the product or service to the requirements of the different markets, to pay attention and listen to what clients need, together with patience, have all played a role in the company's successful internationalisation. This opening up of the market has made it possible for the company to develop new skills and find opportunities in every twist and turn of the sector. It is this creative and entrepreneurial spirit that Bodegas Elosegui keep very much alive. And as stated in their Ideatory, "We love being creative. Nothing is impossible for us, and we are always eager to create something new".