CASE ANALYSIS



SANDLANDS VINEYARDS

HISTORY AND BACKGROUND

- Tegan Passalacqua and his wife Olivia owned Kirschenmann Vineyards and Sandlands Vineyards which produces "old-vine".
- Passalacqua also does a full time job as head winemaker at Turley wine cellars.
- He use Turley's facalities in sparetime to produce wines for Sandlands Vineyards
- Tegan's mission was to make wines that were both affordable and enjoyable to drink
- Tegan used different grapes, different farming methods and almost no intervention in the wine making process.
- The U.S wine market is intensely competitive. Among adults of legal drinking age, 40% drank wine. Approximately 2/3 drink wine occasionally and 1/3 drink more frequently. The high frequency drinkers accounted for over 80% of wine consumption and purchases.

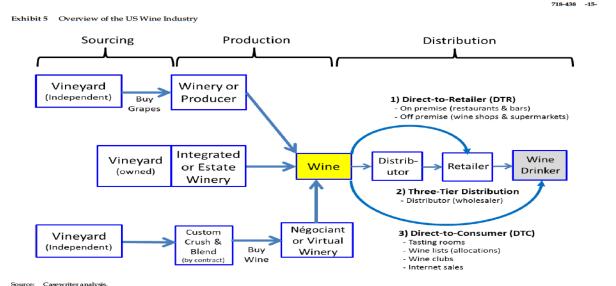
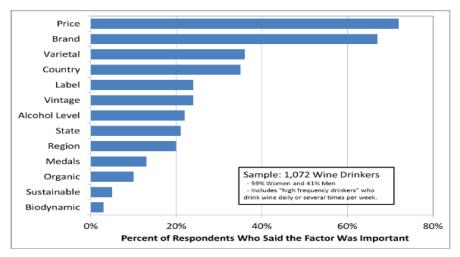


Exhibit 2 Wine Buying Criteria – Survey of "High Frequency" Wine Drinkers, 2015



Wine Buying Criteria, Dr. L. Thach and D. K. Chang, 2015 Survey of American Wine Consumer Preferences, Wine Business, 11/11/15, available at: https://www.winebusiness.com/news/?dataid=160722&go=getArticle, accessed 10/11/17.

PEST ANALYSIS

With the changed system in 2005, wine producers are able to sell wine to retailers and customers

Impressive market share: A retail value of \$60 billion dollar.

Potential profit: High margin with potential growth.

Multiple distribution channels

Huge Consumer Base: 40% adults are wine drinkers

Purchase habit: More than 60% are heavy users. High demand in premium wine market

Vineyard investment in different growing method for better production of raw material i.e. grapes

Winery investment for lower cost and production control

SWOT ANALYSIS

STRENGTH

- Solid experience in wine-making
- Vineyard ownership to control farming
- Generate premium flavor and quality
- Working relationship with Turley
- Well known brand for old-vines

OPPORTUNITY

- Less competition in old-vine wine making
- Availability of multiple distribution channels to maximize the profits
- A high demand in premium wine market
- Investment in Winery or Vineyard

WEAKNESS

- No ownership of Winery
- Lower yield and high cost in vineyard maintenance
- Less variety and limited production
- Limited cash flow

THREAT

- Low current production
- High competition and big players in market who does business not for profit

PORTER FIVE FORCES ANALYSIS

Threat of New Entrants (Low)

- Market is Niche and specialty wine mixing techniques are not known to everyone
- Premium Wine Makers don't spend much on marketing.
- Typically, they are in the market for experience and competition in this segment is less

Bargaining Power of Suppliers (Low)

- Grape suppliers do not wish long term contracts
- Premium market is always into experimentation with new type
- Since the process typically depends on the Wine Maker/mixing technique, the supplier involvement or power to negotiate is typically less

Rivalry Among Existing Firms (Moderate to High)

- Dominated by few high players
- Low Switching Costs

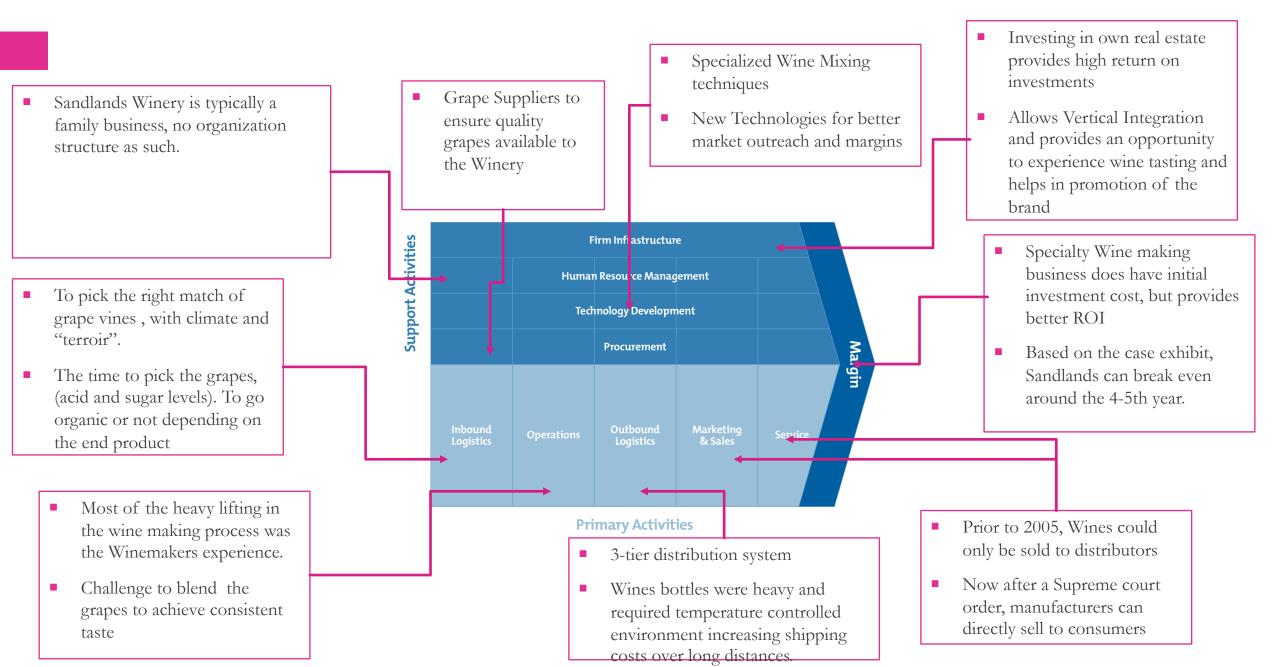
Threat of Substitute Products (Moderate)

- 15% overall market for wines
- Cheaper alcoholic beverages available

Bargaining Power of Buyers (Moderate to High)

- Look for experience with wine rather than a commodity to buy
 - High prices create the quality mindset
- Majority buy for special occasions with specific requirements

VALUE CHAIN ANALYSIS



VRIO ANALYSIS

| Resources | Value | Rareness | Inimitable | Organization | |
|-------------------------------|-------|----------|------------|--------------|--|
| Tegan | High | High | High | Yes | Sustained Competitive Advantage |
| Old Vineyard | High | High | Medium | Yes | Partially Sustained Competitive Advantage |
| Old-vine (Forgotten Classsic) | High | High | High | Yes | Sustained Competitive Advantage |
| Relationship with farmers | High | High | High | Yes | Sustained Competitive Advantage |
| Relationship with Turley | High | High | Low | No | Temporary competitive advantage |

PROS AND CONS FOR THE OPTIONS

Purchasing Eastside Meats

| Pros | Cons |
|---|---|
| Tegan would not have to limit the output | Wont be able to buy vineyard for at least next 5 years due to less capital |
| Tegan can experiment with more variety of wine and grapes | Require time and efforts and he is busy with his full time job |
| He can own both vineyard and now setup winery and thus fulfill his dreams | More risk and he will now go independently in the market with no regular income from Turley's job |
| Lower investment than purchasing a vineyard | |
| Demand for Sandlands is already there, hence extra output will help for more profit | |

Buy Another Vineyard

| Pros | Cons |
|---|--|
| He can have more control on grapes and may be able to lower the cost for Sandlands | Very much expensive to buy and no vineyards are available at present |
| High price of vineyards which keep on increasing will be proved as an asset for him | Willingness to take loan will put him in debt and he might lose focus on quality and more focused on profits |
| He can continue using the Turley's facilities | No increase in output as restrictions are put in by Turley |

RECOMMENDATION FOR NEWER OPPORTUNITIES

- Tegan's passion and interest are primary in wine-making, which means the sourcing and production are what he should focus on. A winery investment is a good strategy.
- Based on the analysis and financials associated, if we perform the NPA of both the options, the break even point of investment will come in early, if he buy Eastside meat.
- He can purchase the property and make his own Winery. He should open the tasting facility as well to increase the footfall and sales
- He should aim to increase the production of the wine cases and keep continue focus on the quality.
- He should keep the pricing of the bottle as per premium which would place the brand in premium wines and also he can exploit the large population who prefer the premium wine.
- The primary profit is coming from the direct selling channel. By using digital marketing to shift marketing responsibility from the distributors to the owner himself will save the cost and increase the profit.
- He could use the E-Commerce platform for direct selling which will provide an added advantage.
- Maintain the good relationship with farmers as he already have and use them to lower the cost of farming. He may even use his experience in providing his expertise of farming techniques in lieu of cost reduction.

POTENTIAL RISK WITH RECOMMENDATION

- Tegan has to leave his full time job at Turley's to fulfill his dream and this will add a risk as he will loose all his investments and also his regular paying job.
- So far, Sandlands is known for old-vines and price around 26\$, what would happen if new people don't like this taste and new prices.

MINIMIZING RISK

- Hire experts like him to maintain winery and supervise rather than make a full time into investment.
- Utilize his connections and good rapport he made while in Turley to market his brand more and make people aware about expansion.

THANK YOU