

CASE ANALYSIS

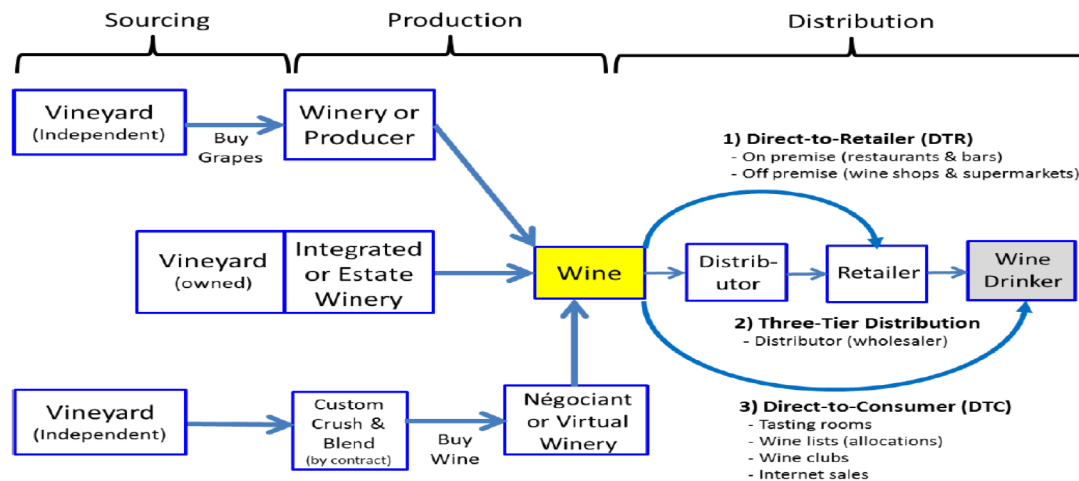


SANDLANDS VINEYARDS

HISTORY AND BACKGROUND

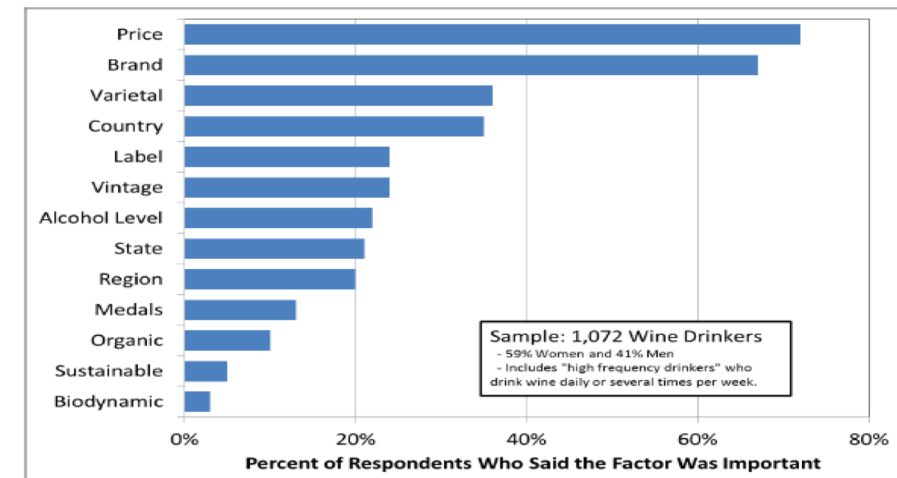
- Tegan Passalacqua and his wife Olivia owned Kirschenmann Vineyards and Sandlands Vineyards which produces “old-vine”.
- Passalacqua also does a full time job as head winemaker at Turley wine cellars.
- He use Turley’s facilities in sparetime to produce wines for Sandlands Vineyards
- Tegan’s mission 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 5 Overview of the US Wine Industry



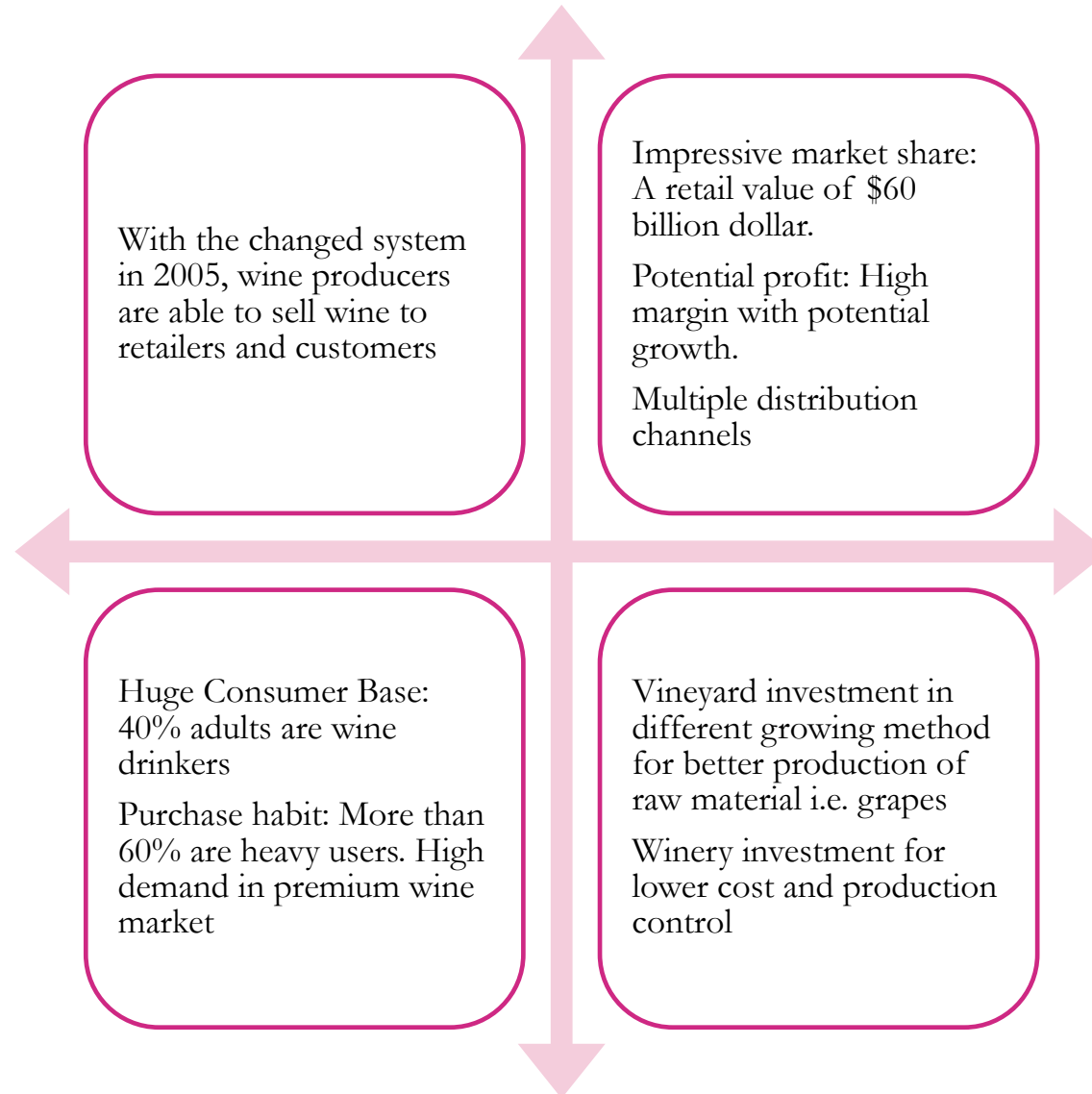
Source: Casewriter analysis.

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



Source: 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



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

WEAKNESS

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

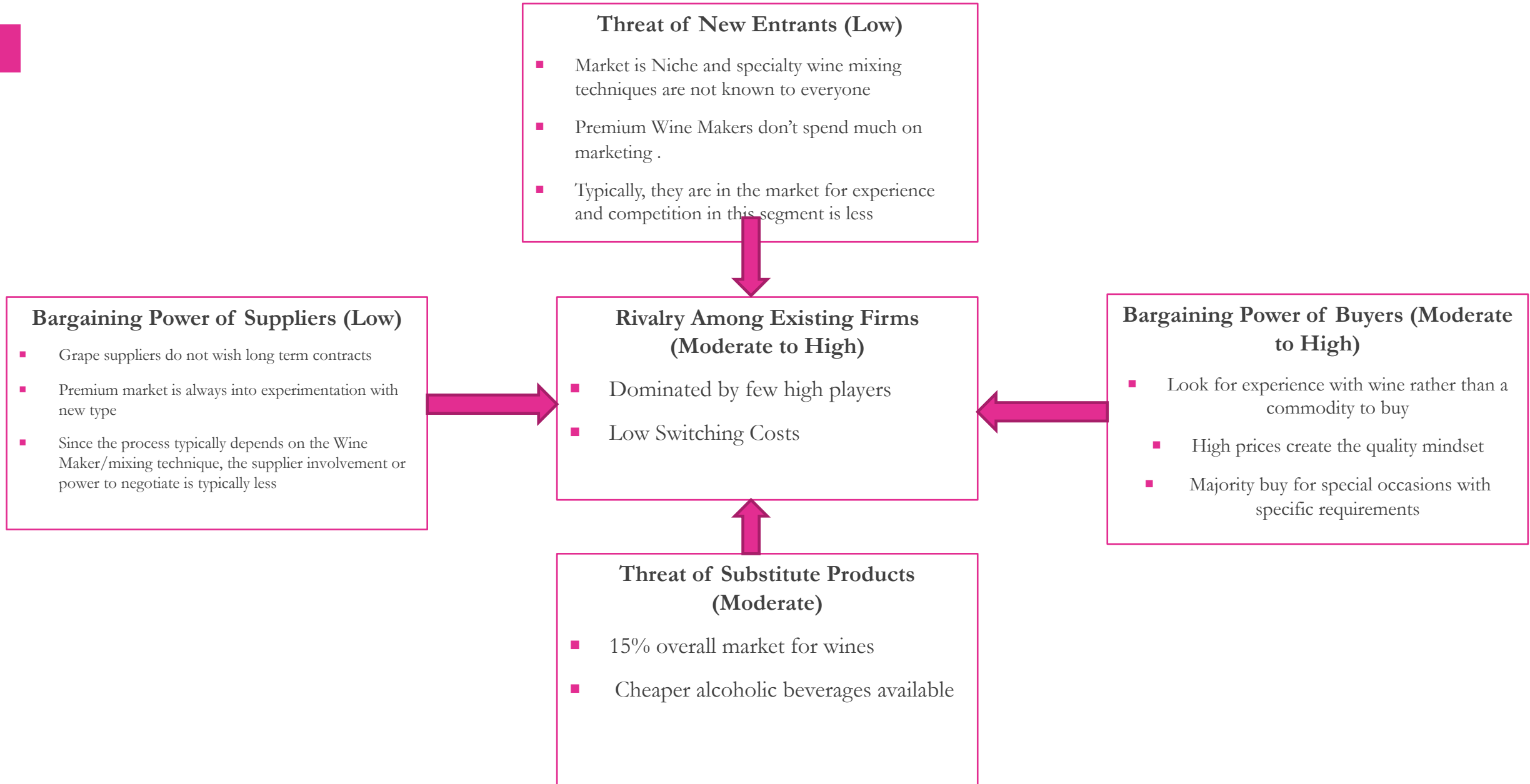
OPPORTUNITY

- 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

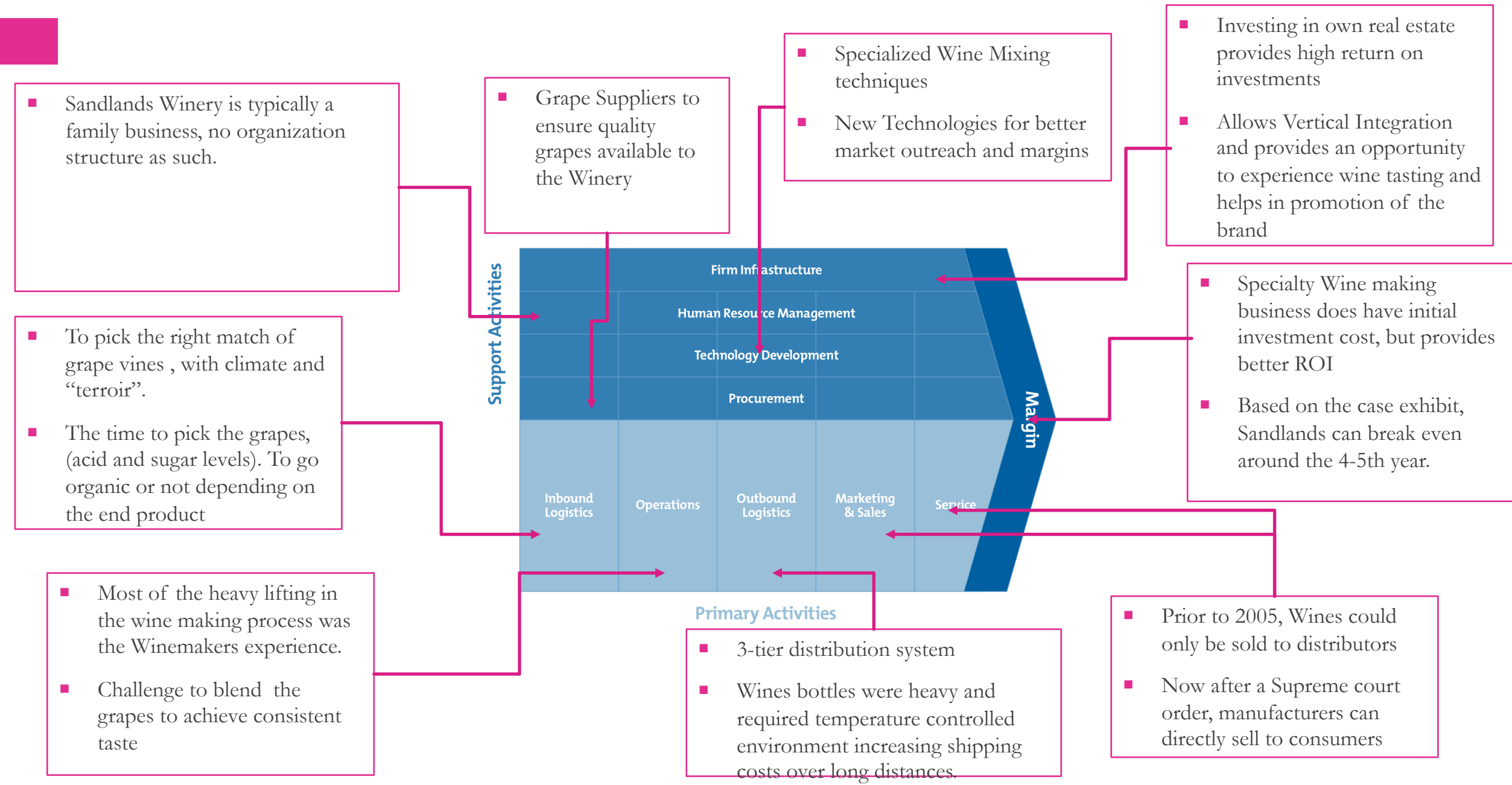
THREAT

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

PORTER FIVE FORCES ANALYSIS



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 Classic)	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 lose 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

