



## Case Study: MountainRose Winery

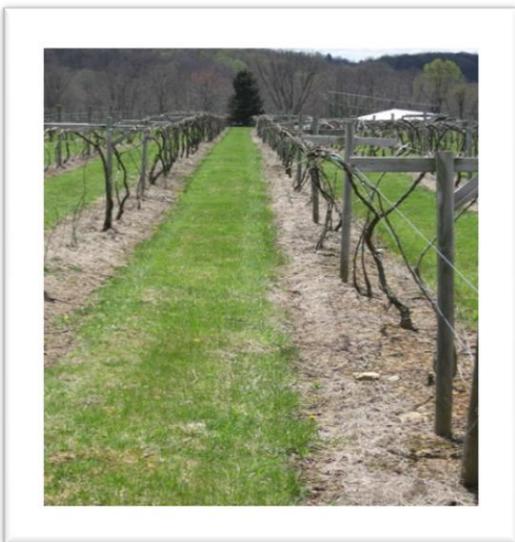


*“We couldn’t have done this without the help from Matson Consulting and the people on his staff who are now dear friends!”*

David, Suzanne, and Ron Lawson, the owners of MountainRose Vineyard, came to Matson Consulting via our partner VA FAIRS, because of a desire to improve their vineyard’s profitability by expanding operations. MountainRose had already received a VAPG Planning Grant, and now wanted to investigate the possibility of including apple based products as part of their operations.

MountainRose Vineyard Inc. is a multi-generational, family-owned business that began with David Lawson’s passion for grapes and wine. Through the financial support of his parents, Suzanne and Ron Lawson, his first experience was to root 100 grape vines from a Concord grapevine that had been on the family property for over 80 years. In 1997, David began producing grapes to sell, and by 2003, he was growing and selling 6 varieties of grapes locally as well as to a winery in Abingdon. In 2005, David and his parents, Suzanne and Ron Lawson, built the first winery in Wise County - MountainRose - and started making wine from the grapes they had been growing.

### Objectives and Obstacles:



Since MountainRose has always been a family-run business, the winery’s ultimate goal was to create a viable business for the next generation and keep the family tradition of wine-making alive. At the time, the chief focus for achieving this goal was to add to their current wine products by expanding to become an apple wine and hard cider producer. MountainRose hoped that this would broaden their market, and increase sales and business visibility.



While the initial questions revolved around “can we make apple products profitably?” After working with Matson Consulting, they came to realize that a better question was “how can we increase our profitability?” Through the preparation of the feasibility study, the specialists at Matson Consulting found that it would bring more profit and less risk to the business if MountainRose invested only in its expansion, rather than in the introduction of apple products. This information changed the focus of the venture; by concentrating on an improvement of existing operations and management, MountainRose could not only improve profitability, but its owners could also have more free time. Suzanne Lawson says:



*“Honesty in a consultant is a valuable commodity, and Matson Consulting clearly stated with facts that expanding into the apple market was not in our best interest, and were tactfully able to make us see this was true. We almost thought it was our idea to stick to wines! That’s good!”*

While other consultants focus solely on answer the questions posed to them, Matson Consulting is focused on finding the best possible solution to our customer’s underlying needs, while answering the questions along the way. This change of perspective that MountainRose experienced would never have been possible if Matson Consulting had taken the traditional approach of merely answering the questions we were asked. We view the collaboration process as an opportunity to make sure the right answers are being sought to the right questions.





We worked with MountainRose for over two years, addressing concerns and finding solutions to the obstacles that were encountered along the way. Because Matson Consulting's approach involves direct contact throughout the process, we travelled to the vineyard for several meetings in order to collect and discuss ideas, as well as formulate a plan for implementing final decisions. The results of the meetings, discussions, and study identified several ideas for making the winery more profitable:

- ***New Logo and Advertising.*** One of the first suggestions was that MountainRose needed to improve its brand recognition and visibility through the use of a new and improved logo, both for the business itself, as well as in the form of labels and promotional material for the product.
- ***Expansion of Clientele.*** At the time the study was done, MountainRose had a significant consumer base, but only within a 30 mile radius. Outside of that, their clientele included some customers attracted by advertising boards located on a local trade route, and a few online sales through MountainRose's website. Another key method identified to help expand their clientele, was through the use of the tasting room. It was determined that the tasting room could prove to be a significant way to increase the vineyards visibility locally, as well as regionally.
- ***Website Improvement.*** MountainRose already had a website, and was currently offering online purchasing; however, after a careful review by Matson Consulting experts, it was determined that the website was poorly designed and not as efficient as it needed to be.
- ***Human Resources.*** Human resources were analyzed objectively in terms of their management capabilities and ability to administrate the new venture. As is often the case in family-run businesses, there is a need for an objective third party opinion that is not subject to the complex dynamics of family interaction. At the time, MountainRose operated with minimal staff; the study concluded that the winery would need some additional staff and equipment, since it operated on such a tight staffing margin.
- ***Funding.*** Because the experts at Matson Consulting are thoroughly familiar with government grant programs, MountainRose was able to secure a VAPG Working Capital Grant in the amount of \$147,500, to be used to implement their ideas.



All of these avenues for growth were possible without extensive renovation, equipment purchases, or other process changing additions. While Matson Consulting had successfully worked with MountainRose to identify key areas of growth, there were several issues that stood in their way:

- **Competition** - There are more than 10,000 wine brands in the world.
- **Current Economic Recession** - Wine consumption decreased in 2008 for the first time in years, possibly because of the economic recession
- **Family-run business** - It is often challenging to coordinate the different ideas and perspectives of three family members.
- **Marketing** - Farmers are usually very good at production; but since all their time, money and energy are poured into production, there is not much left for marketing. As a result, farmers are often the last to reap the financial rewards of their efforts.

In order to overcome these obstacles and achieve success, MountainRose needed assistance from an outside specialist who was willing take the time to understand their unique situation, organize their ideas, analyze the feasibility of those ideas, find resources to execute them, and finally put them into practice. Matson Consulting worked with MountainRose to produce a feasibility study and form a business plan. In MountainRose's own words:

*"We selected Matson Consulting to do our feasibility study and business plan. We think that the face to face meetings that we had at our winery helped them see our needs and really understand our operation as well as helped us understand what they needed from us. This real life hashing out of our vision, the realities of the business world and our goals resulted in a business and marketing plan that had value and that we were able to use and are still updating and using."*

*"Having patient and skilled outsiders work closely with us enabled us to develop a unified vision and strategy for growing the business."*



**Following are some typical steps we take in the process of crafting a feasibility study for a client:**

**Phase 1: Face to face meeting to discuss the business venture.**

This is the first meeting to discuss the issue at hand. In this meeting, Matson Consulting staff explained the process to MountainRose's owners while determining a plan of contact and the best way to stay in touch (times, dates of the week, by phone, fax, in person, etc). During our time with MountainRose, Matson Consulting worked with the farmers by exchanging ideas and information for over two years while developing the feasibility study, and eventually, a business plan. Establishing efficient channels of communication is a vitally important first step in the process.

**Phase 2: Assess the current business.**

In this phase, the consultant prepares a questionnaire to obtain the information required for a successful study. This pre-environmental scanning of the business provides some information such as: demand for the product, competition, political/legal, economic/financial and socio/cultural factors. While it may be possible to obtain the information in only one visit, in many cases it takes an extra visit to finish answering the questions and/or confirm findings from a previous meeting. All monitoring and quality control procedures are studied for the venture, and an action plan that identifies critical activities and times is drafted. Once the product is clearly defined, we are able to move on to the next phase of the process.

MountainRose's data was gathered from several sources. These included market structures, government statistics, and the knowledge base of the consultants. The data collected from these different sources provided some important information for the feasibility study. For example, the region included a significant grape industry that offered opportunities to create a distinctive line of wines. Human resources are analyzed in terms of their management capabilities, and ability to administrate the new venture. At the time, MountainRose operated with minimal staff; the study concluded that the winery would need some additional staff and equipment, since it operated on such a tight staffing margin.

**Phase 3: Build the business model; discussion and testing of model results with beneficiary.**

After the necessary information is gathered and studied, and the market research has been completed, the business model is built. All costs are considered for the project as well as necessary investments and sources of financing.



#### **Phase 4: Analyze model, risk and sensitivity scenarios**

The model is checked for any anomalies and all results are studied in terms of its implications for the winery. MountainRose's financial models were developed in Excel spreadsheets and covered the first 3 years of operation of a new tasting room.

Some of the risk considerations for MountainRose involved legal liabilities; since the business is based on alcoholic products, they would need to exercise great care to not serve products to underage persons as well as consider people who might be involved in traffic accidents after leaving the winery. Another example of risk involved operations. The production of quality wines is highly dependent on the interaction of weather and terrain, so if the weather does not meet expectations, the winery may not be able to produce the higher quality wines considered in the study.

In the scenarios section of the study, changes are made to the input data to see how it affects the model's output. In other words, assumptions are made to analyze whether the project will be successful.

#### **Phase 5: Write conclusions and recommendations**

Matson Consulting came to a conclusion regarding the feasibility of MountainRose's expansion. The conclusion was that the expansion of the winery was feasible, and had a great chance of being profitable with increased sales. Suzanne Lawson says:

*"Honesty in a consultant is a valuable commodity, and Matson Consulting clearly stated with facts that expanding into the apple market was not in our best interest, and were tactfully able to make us see this was true. We almost thought it was our idea to stick to wines! That's good!"*

Matson Consulting is proud of their partnership with MountainRose Vineyard. Their wines continue to win local and regional awards and their business continues to grow.

*"This is only year one of the three year grant and we are accomplishing many of our objectives ahead of schedule. We couldn't have done this without the help from Matson Consulting and the people on his staff who are now dear friends!"*



*"...we developed a sense of trust and felt that the end products were what we asked for and what we needed".*