

Virginia Foundation for Agriculture, Innovation and Rural Sustainability (VA FAIRS) –

Wine Projects Case Study –MountainRose Vineyards

Who is our client?



VA FAIRS worked with MountainRose Vineyards, a multigenerational family seeking to grow. This business started with David Lawson's passion for grapes and wine. His first demonstration of it was to root 100 grape vines from a concord grape vine that had been on the family property for over 80 years. He started producing grapes to sell in 1997 and by 2003, David was growing and selling 6 varieties of grapes locally and to a winery in Abingdon. In 2005, David and his parents built the first winery in Wise Country – MountainRose - and started making wine from the grapes they were growing.

The winery produces several different red and white table wines. At the time we studied MountainRose, they were offering nine blends which were being sold for an average of \$11 per bottle (750 cc). Despite all of their efforts, the family business was not making or selling enough wines to be profitable.

What were MountainRose's goals?

MountainRose has always been a family-run business. The winery's goal was to create a viable venture for the next generations in order to keep their family history in the grape and wine business. The owners wanted to see sales increase by 200 percent in a sustainable way.

The winery came up with several ideas to accomplish this goal. Some of these were to offer apple products, produce premium quality wines and manage a boutique winery as a way to increase profits and expand the business.

Another idea was to expand their local clientele. At the time the study was conducted, MountainRose's local clientele was already large, within a 30 mile radius. Besides that, its clientele also included customers attracted by billboards located on Route 23, and a few online sales through MountainRose's website.

The improvement of MountainRose website's quality, promotion and usability, and also the introduction of other distribution channels were other alternatives to improve sales and achieve the winery's goals.



What were the challenges?

Competition - There are more than 10,000 wine brands in the world. Also there is competition from other alcoholic beverages, particularly beer.

Current Economic recession - The wine consumption decreased for the first time in years in 2008 possibly because of the economic recession.

Family-run business – It can be challenging to coordinate the different ideas and perspectives of three family members.

Marketing - Farmers are usually very good at production so their time, money and energy get poured into production and there is not much left for marketing. As a result, the farmer is the last to reap the financial rewards of his/her efforts.

MountainRose's owners knew that they had been living in challenging times, but they believed in their capacity to make a difference in the market of wines and were innovative finding alternatives to add value to their products, grow their business and be more profitable.

MountainRose needed assistance from an outsider specialist to organize the new ideas, analyze its feasibility, get resources to execute it and finally put it into practice. Their first step was to contact VAFAIRS for guidance and to carry out a feasibility study for MountainRose. VA FAIRS responded to this demand and initiated a series of coordinated efforts to get the best results for MountainRose's feasibility study. "Having patient and skilled outsiders work closely with us enabled us to develop a unified vision and strategy for growing the business" said David Lawson.



How do we work?

VA FAIRS worked together with MountainRose for more than two years in the development of studies that helped their business to become more successful. The feasibility study went through several steps before its conclusion. The first involved a first face to face talk between the MountainRose' owners and VA FAIRS' consultants. In this meeting, it was established how both parties were going to communicate and exchange information.

The following step was to assess the current business. This was done by VAFair's consultants' preparation of a questionnaire which answers were necessary to the effectiveness of the study. In parallel other activities may take place including a market research to find out aspects of the business such as if its products are needed, who are the competitors, if it is economically viable, what are the political/legal implications, and if is socially/culturally acceptable.

The data collected from the different sources provided some important information to the feasibility study, for example, that the region included a significant grape industry that offers opportunities to create a distinctive line of wines.

Important aspects of the business such as MountainRose's website and Human Resources were analyzed by experts in the next step of the study. A new logo was developed by experts for MountainRose's marketing materials and website, and it was concluded that the website needed improvement in order to attract more online sales. Also, MountainRose would need to hire more staff because it was concluded that the business was operating in a very tight staffing margin. All monitoring and quality control procedures are studied for the venture. An action plan for the new venture is also drafted identifying the critical activities and times.



After all the information from several sources was gathered and studied, the business model was built, and its results were discussed and tested with MountainRose's owners.

In addition, another step was to check the model for any anomalies and later study all results in terms of its implications for the winery. MountainRose's financial models were developed in excel spreadsheets and covered the first 3 years of operations of the new tasting room.

The risks and sensitivity scenarios were also analyzed. Some of the risk considerations for MountainRose involved legal liabilities, since the business is based on alcoholic products, and should exercise great care to not serve products to underage persons and also care for people who can be involved in traffic accidents after leaving winery. Another example of risk involves operational ones. 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 included in the study.



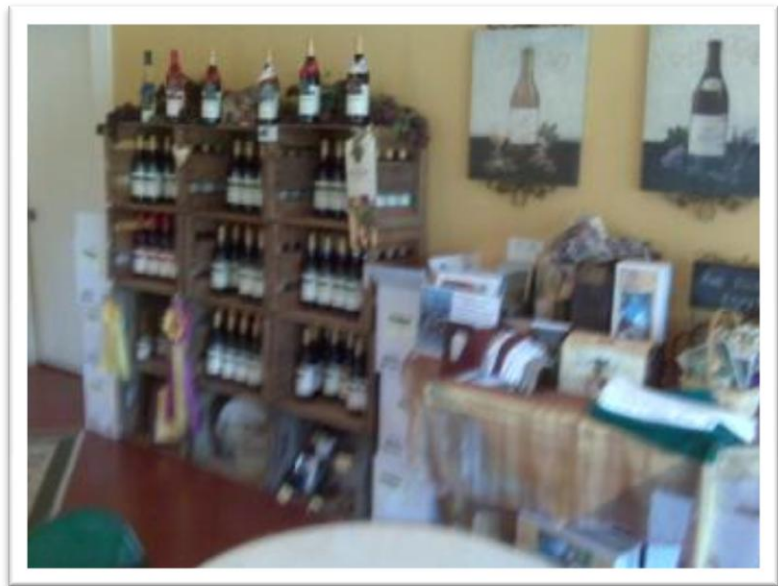
In the scenarios, changes are made in the input data to see how it affects the model's output. In other words, assumptions are made to analyze if the project will be successful. For example, one of the scenarios for MountainRose was to look at what would happen to the business if the wine price decreased by 10%.

Finally, the final document was published once VA FAIRS team work reached conclusions and recommendations. . The conclusion was that the expansion of the winery was feasible and had a great chance of

being profitable with increased sales.

Another thing the specialist found out throughout the study was that it would bring more profit by capitalizing the wine business and expanding wine production than investing limited resources into the introduction of another business (apple products).

As a result of VA FAIRS work, MountainRose owners were able to have more realistic perspectives about the future of their business and work to achieve established goals, which they have been successfully doing.



Once the feasibility study was completed there were all the elements to do the business plan. Within days the important document available as well.

Clients View of the Accomplishments

David and his parents Suzanne and Ron Lawson owners of MountainRose Vineyards, said reflecting on the whole venture in 2011 "We had a feasibility study and a business plan that we could use and allowed us to apply for another Value Added Producer Grant.

This latest Rural Development VAPG of \$147,980 allowed us expand our business to become more profitable by focusing on more wines from grapes, more marketing and advertising and

better preparation before marketing. We established our brand, added our logo to our labels, and began making niche wines (new varietals.) After making five new varietal wines, we entered four into the 14 state *Wines of the South Competition* in December. All four won medals including a Concordance Gold for Autumn Gold which also won Best of Show, a Gold for our new Traminette, a Silver for the Merlot and a Bronze for the new Riesling. We just won a bronze in the VA Governor's Cup for the fifth new wine, Cabernet Franc. That's proof that planning works!

We are selling our wines in three local Food City grocery stores and we have several in late spring in the new artisan center, Hartwood, just off 1-81. 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 VA FAIRS and the people on his staff who are now dear friends! "**

Beneficiary's Website:

<http://www.mountainrosevineyard.com/>

