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Yealands Wine Group Holdings Limited: A case study[1]

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Abstract

Yealands Wine Group Holdings Limited has an exciting future and Peter Yealands (founder) and Jason Judkins (CEO) were celebrating. They felt that Yealands was in a strong position going forward and the new partnership with Marlborough Lines offered exciting future possibilities. However, they knew that the company faced many strategic issues that needed to be addressed. They also wanted to ensure that they were able to achieve their growth plans by 2020: lifting sales from 1 to 2 million cases a year, wine processing capacity from 20,000 tonnes to 30,000 tonnes and turnover from $100 million to $150 million. To meet their intended projections, what direction should they grow in? And how?

Keywords: strategy formulation and implementation, sustainability, New Zealand, wine industry

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Think boldly, tread lightly, and never say it can't be done[2].

Peter Yealands (founder) and Jason Judkins (CEO) were celebrating. They had big plans for Yealands wines and were excited about the future. In July 2015, they had secured a new partner who would give the Yealands Wine Group Holdings Limited the financial backing needed for the significant expansion they wanted to achieve by 2020: lifting sales from one to two million cases a year, wine processing

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[1] All quotes, unless otherwise acknowledged, are from interviews and e-mail correspondence with Peter Yealands, Jason Judkins and Michael Wentworth of Yealands Wine Group Holdings Limited (YWGHL) from January to April 2016. Their assistance is gratefully acknowledged. Thanks also to Braden Kempthorne for assisting with the industry data.

[2] http://www.yealands.co.nz/pages/yealands-estate/petes-story

capacity from 20,000 to 30,000 tonnes and turnover from $100 million to $150 million. The questions were: how would they achieve this? What did this mean in terms of grape production – what could they own and what did they need from contract growers? What were the impacts on their wine production? And what did this mean for distribution and sales? These were big questions that needed to be addressed.

A STUNNING VISION

Peter Yealands founded the vineyard in 2001. Peter had a history of being an innovator and not afraid of hard work. He spent his early working life as a pioneer in the fledgling mussel industry, but by the late 1990s, Peter was looking for a change of direction. In 2001, he began purchasing 1,113 ha of farmland on the Seaview peninsula in the Awatere Valley in Marlborough to develop a sustainable, New Zealand showcase vineyard. In 2008, a state of the art winery was completed, winning two architectural awards and also certified CarboNZero, the first winery in the world to receive this from its inception. Sales and distribution (New Zealand and Asia) began in 2010, and Peter Yealands received the first of many awards[3] (currently 12 trophies and 850 medals – see Appendix 1), as producer of the World's Best Sauvignon Blanc. His logo, 'Think boldly, tread lightly, and never say it can't be done' represented his advocacy of sustainable business. Peter stated:

I never used to be an environmentalist; in fact I was exactly the opposite. I was the typical farmer who cut down trees and churned up the land and burned the diesel and never worried. But in 1991 I woke up one morning and changed my ways. I am not sure what happened, but a number of things made me aware that we have got to do something better to look after this environment.

His commitment to environmental sustainability is evident in the use of green technologies with the intention of Yealands ultimately being fully self-sufficient. Innovation has always been the key to Peter's success.

PUTTING A 'SPARK' INTO THE OWNERSHIP STRUCTURE

In July 2015, Yealands underwent an electrifying change, with Marlborough Lines, an electricity lines company buying into the wine business. The purchase resulted in the formation of a new company, called Yealands Wines Group Holdings Limited. Its shareholders included 80% ownership by Seaview Ltd (Marlborough Lines); 15% by Peter Yealands Group Limited, and 5% by the Jasa Wines Limited (Jason Judkins) – see Figure 1. Two subsidiaries lie underneath Yealands Wine Group Holdings Limited – Yealands Estate Limited which owns the land, buildings and vineyards, and Yealands Estate Wines which owns the wine business and distribution. Yealands Estate Wines buys the grapes from Yealands Estate Limited.

The question of why Marlborough Lines would want to buy a vineyard and winery was commonly asked. Jason responded:

Marlborough Lines had undertaken some smart investments outside of Marlborough, and after selling those investments they were looking at alternative opportunities that provided dividends and capital growth. It's been quite exciting since they came on-board. They haven't bought the company to stand still. They want to grow the company just like we do. At a strategic level, it's been very participative and they have been actively involved in helping us achieve our aspirations.

[3] http://www.yealands.co.nz/awards
http://www.yealands.co.nz/pages/yealands-estate/sustainability-awards

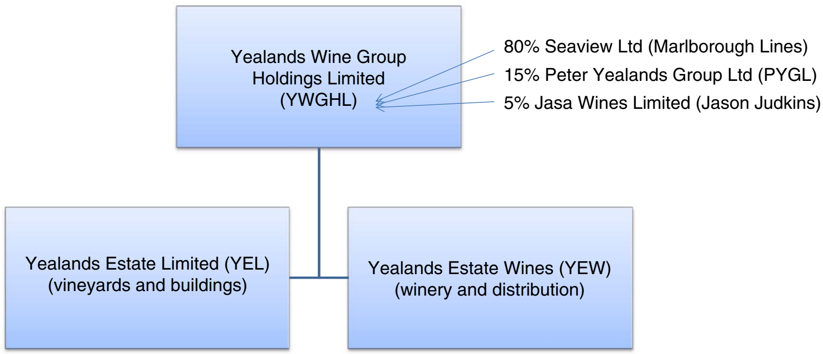

FIGURE 1. OWNERSHIP OF YEALANDS WINE GROUP HOLDINGS LIMITED 2016

2016

Yealands was the 6th largest New Zealand wine exporter in 2016, distributing to over 80 countries. International sales have grown at a cumulative rate of 46% since 2010, with sales volumes peaking at over 1 million cases per year; 20% of sales were domestic. Yealands produced 15 different varieties of wine, with Sauvignon Blanc making up 70%. Pinot Gris and Pinot Noir made up a further 22%, with only 8% 'other'; 81% of the grapes used in production were from their own grape canopy and the rest was from contract growers in Marlborough, Nelson, Central Otago and Hawkes Bay. The main vineyard was Seaview in Marlborough with 1,000 ha; there were also smaller vineyards from their acquisition of The Crossings in Marlborough (162 ha) and Crossroads in the Hawkes Bay (51 ha). All of these vineyards had their own manager and independent machinery.

In 2016, Yealands had 155 staff; 90 were employed on the Seaview site – vineyard, winery, sales and marketing, and administration and accounting. There were 22 sales and marketing staff based in Auckland, with others based in regional areas. There were also five business development representatives in Australia, two in the United States and one in the United Kingdom, in addition to the marketing people. The cellar door had over 20,000 visitors each year.

OPERATIONS

Yealands focussed on a single site processing model that concentrated on grape growing, wine making and selling. Bottling was contracted out, as were IT requirements. Access to grapes was a key issue continually facing Yealands. Jason said:

We can only increase turnover if we have the wine to sell. We need grapes to get wine. So the question is how much land do we put into grapes versus buying grapes from others? Our margins erode as we go up that chain. If we grow grapes ourselves, we can grow Sauvignon Blanc and turn it into wine far more cost effectively than buying grapes from growers, or buying finished wine from other wineries. Our model is to control our own fruit and quality as much as we can. But an extra 10,000 tonne is the equivalent of planting the whole 1000 hectares we have here, and the capital involved in doing that is immense – buying the land and planting it up. We don't have unlimited capital, so we are looking at the right strategic choices between what we have to own and what we can get from growers – so it's getting the right mix.

Furthermore, buying land in Marlborough has become increasing harder to access, and land prices have increased by 10% per year since 2001.

To manage an increasing reliance on growers, a new grower liaison position was created to source new growers and to manage quality. Jason noted, 'We go for quality suppliers and we

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have quality parameters in our contracts which dictate what we will pay. For instance, if the cropping levels, brix and acids are what we want, we pay a premium price. If they are lower, they will be discounted. Our own viticulturist and vineyard managers also visit the growers – making sure they are not cropping too high, for example'. There were 700 growers in Marlborough, and some of them had been contracted to other parties for 20–30 years, illustrating the issues a late entrant can face.

MARKETING, SALES AND DISTRIBUTION

By 2011, there were indications that Yealands could develop their own distribution channel in the New Zealand market. At that stage, they were selling 20,000–30,000 cases per year in New Zealand and needed sales of 100,000 cases to cover their own costs of distribution. Jason said, 'The following year we bought Ager Sectus wines (which included Crossroads and The Crossings). That acquisition helped us jump up to that breakeven point in about 12 months. So it was very quick and that proved to be a good strategy for us'. Ager Sectus strong distribution network into the United States was the primary reason for the acquisition. 'They had two wineries – one in Marlborough which we sold, and one in the Hawkes Bay which we still own. The wineries were not viewed as positive as they were against our single-site strategy. However, the Hawkes Bay winery and vineyards has turned out to be a positive allowing us to increase our fruit intake from the Gimblett Gravels (Hawkes Bay)'.

In New Zealand, Yealands is the biggest wine supplier to Foodstuffs, across both local and imported wine. Jason confirmed, 'We have got the no.1 position for $12–15 Sauvignon Blanc in NZ, and we are one of the fastest growing wine brand across all grocery in NZ'. Because Yealands is a relatively new entrant in the market, it has had to be innovative to gain market presence internationally. Jason noted, 'Australia and the UK were the original high volume markets for New Zealand Sauvignon Blanc and we were quite late into those markets. So we came in with an on premise strategy and we began by selling into restaurants and bars rather than grocery and that is how we built in Australia and the UK'. Yealands was more fortunate in Europe, gaining access in the Netherlands through relationships with a large supermarket chain, Albert Heijn, enabling a strong position to be developed in Europe. However, the US was heavily dependent on distribution channels. Jason summarised their overall market presence accordingly. 'We are competing against Constellation, Pernod Ricard, Treasury, Delegats etc. that have all been around for 30 years and they have well established brands, well established markets, and some of these companies are huge. So they are very well capitalised, very strong, own their distribution and have huge influence in the market. We are far, far smaller. While we can't compete on size, we can compete on quality and providing a more personal family focused wine relationship with our customers'.

Hence, Yealands emphasised personal visits to the winery. Jason said, 'Currently [January 2016] we have 10 store owners from Denmark visiting for two days, and they are here trying the wines and doing different things. They will tell their staff. It actually makes quite a big difference. They have never been to NZ before, so this is quite mind blowing for them'. Another important feature is the value proposition of the value itself. Jason explained,

We know that Marlborough Sauvignon Blanc appeals to women in their mid-20s to mid-40s. It's a tier target audience as the wine buyer of the family. It doesn't matter what country they come from, we get the same reaction. We have done tasting all through Europe, Australia, Asia… and we see the same reaction from people – they like the taste of it. Unlike some food items where taste is linked to a certain nationality, with wine, if you get it right it appeals across the globe. So if we can get people to try it, in Europe, they are normally drinking Italian or French wines, and if they try NZ wines, it's a style they are not used to, but they like it. So that opens the doorway.

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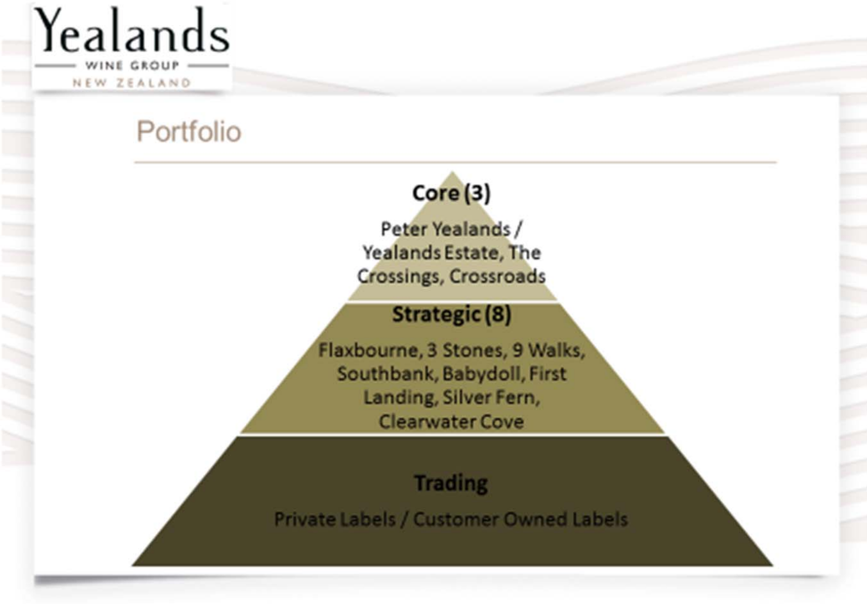

Figure 2. Yealands Brand Strategy

A key issue facing Yealands was the consolidation within the industry and the strong bargaining power of the two supermarket chains in New Zealand (Progressives and Foodstuffs), but also around the world. Jason said:

There's a lot of competition amongst wine suppliers globally for the large wine buyers share of shelf space. There is a lot of consolidation happening in the industry, and as it consolidates more and more towards grocery, some business models don't work. You have to be of a certain scale to get a margin at that price point, so if your winery has a 300,000 case business, you can't reduce your costs as effectively as we can, and we can't reduce our costs as effectively as Pernod Ricard can, for instance. You don't need to be the lowest cost producer, but you have to be a low cost producer, or a very strong boutique high price premium player. You can't do both.

MULTI-TIER BRAND STRATEGY

Yealands Estate Wines had a selection of brands, with Peter Yealands being their premium grocery brand. These grapes mostly come from their own vineyards, with contract grapes going into other blends. Different wine styles come from different areas, for example those from the Awatere Valley will be different to those in the neighbouring Wairau Valley due to it being cooler, drier, windier and a higher elevation[4]. 'Terroir' is the term used to capture all of the myriad environmental and cultural influences that can impact growing grapes and making wine[5].

Figure 2 illustrated the make-up of Yealands wines. Their core and strategic brands made up about 60% of sales, buyers own brands 30%, and bulk wine about 10%. Michael Wentworth, Commercial Manager of Yealands noted that their Core Brands had a long life, extensive brands assets (winery, winemaker, vineyard, etc.) and provided focus for sales and marketing efforts. Yealands invested in the long-term health of this sector. The second tier were the Strategic Brands; those that held a strategic

[4] http://www.nzwine.com/regions/marlborough/

[5] http://www.earthmagazine.org/article/climate-terroir-and-wine-what-matters-most-producing-great-wine

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position either within a specific market (i.e., no. 1 New Zealand brand) or in a specific channel (for instance a trade exclusive brand). This tier received some investment support, but nowhere near the level of support that the core brands received. The final tier, the Trading Brands were typically price focussed and could be owned by Yealands or their customer. They had no connection to the parent brands and were typically used to participate in lower price points of the market.

THE TEAM

A key strength of the company was the team. Jason said**,** 'We are quite an innovative, fast moving company where we make decisions quickly and that has enabled us to make relationships and enter markets quickly. We will try things… we are nimble'. This nimbleness was evident in the company's response to the earthquake that hit the region in 2013, causing $20 million damage at Yealands. 'It happened on Friday afternoon, and by 9am Monday, we had worked hard enough over the weekend to do makeshift changes so that we were back in business. We did not lose a single order'. Eight months later, in time for vintage, the whole area had been rebuilt. Yet being fast growing and nimble must be matched with investment into systems, processes and people; they were aware that sustainable growth must be supported with strong internal processes and time needed to be spent on that. They had recently undergone a restructure to ensure that the right people were in the right roles. Jason said, 'This wasn't driven by Marlborough Lines. It was driven by us in an effort to step change the team. We had grown strongly and we need to bring in new skills and ideas for the future'. This of course meant some people moving on. Jason said he tried to handle these situations directly, with respect and dignity. A second strength was team culture. Peter said, 'I have been fortunate in that I have people that can work with my weaknesses. I am a great believer in a strong team'. Jason also concurred, 'Our team is very good. As we have grown, we have developed a strong culture where people enjoy coming to work and they do well. As a result, we get good people wanting to work for us which means the company does better. I put a lot of effort into recruitment and team fit. I like to meet all the salaried people they bring in to assess personality type rather than skill. I think if they have got to my level of recruitment, their skill base will be fine. I would rather have a good team than a group of individual rock stars'. In 2014, Yealands received an employee engagement score of 70.1% (up from 64% the previous year). This is an extremely high score from an international benchmark perspective. Yealands has been a finalist in the IBM Best Places to Work competition (2012–2014).

SUSTAINABILITY[6]

A key point of difference for Yealands was their focus on self-sufficiency through three main areas: renewable energy sources, emission reduction and land care. In terms of renewable energy sources, Yealands was increasing its 91 solar panels on the winery roof to 400, which should supply 20% of Yealands energy needs. Currently one of the largest solar panel installations in the country, the 91 panels produced 133,000 kW per year, enough to power 17 households. Yealands had also experimented with wind turbines, and these contributed a further 75,000 kWh to winery operations. Another of Peter's innovations was the development of bales from vine prunings, and when burnt, each of the 2500 bales produced the equivalent energy of 60 kg of LPG. This innovation saved the company $200,000 a year, and eliminated 180 tonnes of greenhouse gas emissions from the environment.

Soil and vine health was sustained through wetlands, compost and biochar. A total of 200 ha are cultivated in wetlands along with more than 200,000 native shrubs and flaxes, providing an alternative

[6] http://www.yealands.co.nz/pages/yealands-estate/emission-reduction

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source of storage for water. Yealands reduced landfill by using waste from other industries (bark, seaweed, mussel shells and lime) to create its own compost. It also experimented with a biochar unit to convert vine prunings and grape marc into a high carbon residue that can store greenhouse gases in the ground. Yealands have also introduced miniature sheep, Babydoll, which cannot reach the juicy grapes. However, the sheep reduced the need for mowing (at roughly $100,000 a mow) which reduced fossil fuel usage, provided natural fertiliser and assisted in reducing spraying costs.

Changes in weather patterns play havoc in vineyards. Yealands have recently bought land close by in order to improve their resiliency to drought by building a number of dams. Jason said, 'If we don't get any rain for a few months during spring and summer, the river will probably be close to cutting off, and that's when we go to our own water supply. However, we don't have reserves for a prolonged drought, so we need to manage that'.

Yealands has too many green innovations to note, but some included adoption of over 100 ex-battery hens to run free-range and act as a natural pest control that reduce the need for pesticides; they installed solar lights in the wetlands to attract grass grub away from the vines; they trialled the use of an endophytic grass between the vines to reduce grass grub in the soil; and played classical music (using solar power) in the vines to promote vine health, although Peter also believed that 'the chickens lay bigger eggs'.

THE VALUE OF THE WINE INDUSTRY TO NEW ZEALAND

Total industry sales of wine increased from 107.8 mL (million litres) in 2006 to 271.3 mL in 2015, with the proportion of sales sold to export markets increasing from 54% in 2006, to 78% in 2015. Domestic sales volume was estimated to have increased 24% to 61.9 mL in the year ending June 2015. The industry had reported a strong average growth rate of 11.21% between 2006 and 2015 (see Appendix 2 – Sales Growth).

To support this growth in sales, productive vineyards span over 35,000 ha of New Zealand land and produced a harvest of 326,000 tonnes of grapes in 2015. At this time there were 762 registered grape growers, with 535 operating in the Marlborough region, immensely popular for grape growing due to its climate and fertile soils. Hawke's Bay had 74 grape growers followed by Gisborne with 41. Wineries in New Zealand were more spread out than the grape growers, with 673 wineries operating in 2015. The four major regions were Marlborough (140 wineries), Central Otago (127), Auckland (111) and Hawke's Bay (75).

In 2015, the Sauvignon Blanc vintage variety made up 66% of the harvest in New Zealand, followed by pinot noir and chardonnay both at 8%. However, the 2015 harvest was down 27% on the 2014 figures (Appendix 3 – Year-On-Year Total Wine Production) and Steven Green, Chair of NZ Wine Growers noted that 'as a result of the smaller harvest, growers incomes will be lower. Export volume growth will be constrained….With the supply of vintage 2015 wines tight, wineries will be seeking value growth, rather than volume growth over 2015/2016[7].

The wine industry in New Zealand had developed over the last two centuries and as a result some firms had established significant market shares. Over the last 5 years, the proportion of competitors with less than 1% market share had decreased from 52% to 29% and in 2015 71% of market share was held by the largest 10 companies. These large players, often owned by international corporations, sold through multiple brands targeted at different price points and demographics that allowed them to capture a wider range of market share. With high capital requirements in order to be a major player, economies of scale become critical to enable lower costs of production over larger volumes.

[7] NZ Wine Growers, Annual Report, 2015, p. 5.

The four largest competitors within this industry included:

Pernod Ricard

Pernod Ricard NZ was New Zealand's largest wine-maker, formed when Pernod Ricard took over Allied Domecq, which had previously taken over Montana Wines. The company had staff of around 750, which increased to over 1,000 during vintage. The company itself was a division of Pernod Ricard Pacific, which was a subsidiary of Pernod Ricard, one of the world's largest makers of spirits and alcohol[8]. The key brand, Brancott Estate, has been at the forefront of the development of low-alcohol wines[9]. Other brands included Stoneleigh, Church Road and Deutz. In 2015, Pernod Ricard had a 23% market share.

Kirin holdings company ltd

The company held a 100% stake in Lion Nathan Limited and it is Lion Nathan that Kirin Holdings functions through within its New Zealand operations. Although beer brewing and related businesses remained the core of Kirin's activities, the company was also involved in several other sectors: hard liquor, wine, soft drinks and food products. With a market share of 11.5%, key wine brands included Lindauer, Wither Hills, The Ned, Riverlands and Corbans[10].

Treasury Wine Estates Ltd

The roots of Treasury Wines trace back to Lindeman's Vineyard, established 1843 in New South Wales, Australia. A series of acquisitions, restructures, and mergers resulted in the 2010 name change to Treasury Wine Estates, now Australia's largest wine company, with operations across Australia, New Zealand, North and South America, as well as Europe. Treasury Wine Estates was one of the first to commercialise the production of Sauvignon Blanc. With 10.8% market share in 2015, Treasury's owns the Matua label, the official wine of the ICC 2015 cricket World Cup. Other brands marketed under Treasury included Squealing Pig, Secret Stone and Angel Cove[11].

Villa Maria Ltd

Founded in 1961 by George Fistonich, Villa Maria has become iconic for its innovative and industry-changing moves such as moving to 100% screwcap, and its emphasis on sustainable practices in every area of the family owned company. With 8% market share Villa Maria employs more than 250 permanent staff and exports wine to over 50 countries worldwide. Villa Maria were awarded the Supreme winner in both 2010 and 2012 at the Sustainable Business Network awards, as well as the Supreme Winner at the 2012 Green Ribbon Awards[12].

EXPORTING LIQUID GOLD

Wine is New Zealand's sixth largest export good by value, with over 209 mL of wine exported in 2015, nine times the 2002 level, with a total value of $1.42 billion, a 7% increase from 2014[13]. The largest purchasers of New Zealand Wine are Australia, United States and the United Kingdom, who

8 http://www.pernod-ricard-nz.com/
9 Wine in New Zealand, Euromonitor International, September 2015.
10 https://lionco.com/our-brands/alcohol-beverages-nz/wine-nz
11 http://www.tweglobal.com/our-brands/australia-new-zealand/matua/
12 http://www.villamaria.co.nz/about/story
13 NZ Wine Growers Annual Report 2015.

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TABLE 1. 2015 EXPORTS RANKED BY TOTAL SALES[14]

Market	Freight on Board value export sales (million $)	Growth (%)
United States	372.2	13
Australia	362.2	−5
United Kingdom	353.9	11
Canada	94.9	20
The Netherlands	41.5	24
China	27.1	9

Note. We continue to see significant potential for growth in North America, while China continues to represent a long-term market opportunity – Steven Green, Chair of New Zealand Wine Growers, 2015.

collectively generated $1.088 billion in the 2015 June year end, roughly 80% of total wine exports[15]. Table 1 shows export sales and growth by overseas market. By volume, 86.5% of the wine exported is Sauvignon Blanc, with all other varietals making up the remaining 13.5%. This is primarily due to the Marlborough region being hailed as the best in the world for its grapes, with the ideal climate and soil for Sauvignon Blanc.

Wine is exported across two categories, packaged wine export and bulk wine export. Packaged wine, usually bottled and boxed, increased by 2% to a total export volume of 135 mL. Bulk wine, usually in barrels, increased to 70.4 mL, a 34% increase from 2014. Although the volume of wine exported was up, the price per litre was down both for packaged and bulk wine at $8.23/L a 1% decline and $3.78/L a 5% decline, respectively.

Distribution channels

In 2016, there were more than 4000 off-licences operating in New Zealand, with 46% owned by two supermarket chains, Progressive Enterprises (a New Zealand Co-operative) and Foodstuffs (an Australian owned company) that included wholesalers, supermarkets, bottle stores and specialist retail stores[16]. Consumer trends indicated that supermarkets (75%) and bottle stores (51%) were the key channels of distribution for off-licence alcohol sales, while restaurants (72%) and bars (61%) were the key channels for on-licence alcohol sales[17]. Over the past decade, the rise and adoption of the internet has allowed the emergence of a new and potentially disruptive channel, and since 2009, internet retailing for wine distribution has increased from 0%, to 7% (Appendix 4 – Distribution).

WINE CONSUMPTION TRENDS

Globally, more wine is being consumed in countries that do not have large wine production, with 40% of wine in 2014 being imported (Karlsson, 2014). In 2014, the United States consumed 13% of the world consumption of wine, followed by France with 11.3% and Italy at 8%. China has become a

14 NZ Wine Growers, Annual Report, 2015.

15 NZ Wine Growers, Annual Report, 2015.

16 http://www.justice.govt.nz/publications/global-publications/e/the-effectiveness-of-alcohol-pricing-policies/appendix-1-2013-the-new-zealand-alcohol-market

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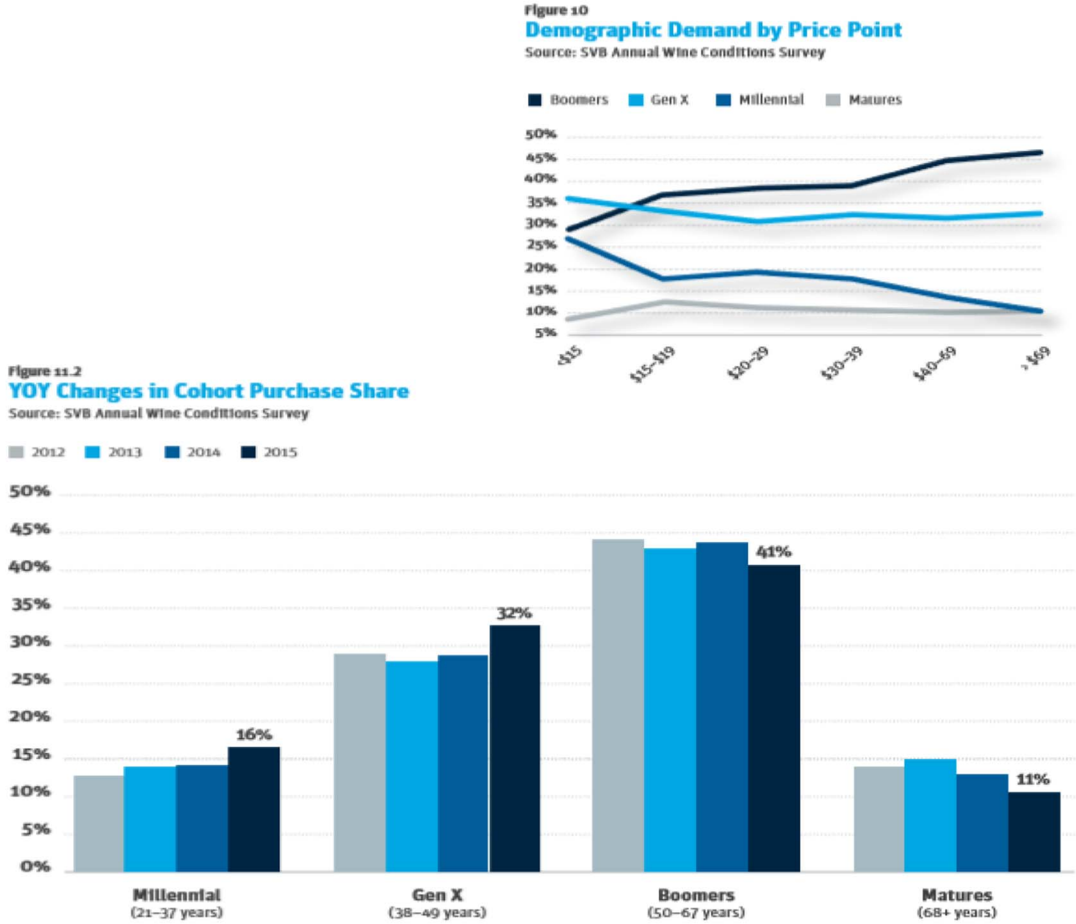

FIGURE 3. USA DEMOGRAPHICS BY COHORT FOR WINE PURCHASES. *SOURCE:* STATE OF THE WINE INDUSTRY 2016, SILICON VALLEY BANK (MCMILLIAN, 2016)

growing consumer of wine, ranked 5th in terms of world consumption at 6.4%. However, the regions with the highest percentage change in consumption between 2013 and 2014 were Australia with a 12.21% reported increase and the United Kingdom with a 12.7% increase (World Wine Consumption, 2014).

New Zealand was reported to have a high wine consumption per capita of 21.49 L in 2014, ranked 31st in the world, compared to France with 42.51 L per capita ranked 6th. Interestingly, the Vatican City State with a population of 836 has the highest per capita consumption of 54.26 L[18].

In the USA millennials (age 21–37), an estimated 79 million, drank 159.6 million cases of wine in 2015, with an average bottle price of US$7.81. This group of consumers were also reported to spend time discussing wine on Facebook[19]. As can be seen in Figure 3, the baby boomers were still strong purchasers of the more expensive wines, however, the millennials have seen steady growth in wine

[18] https://www.wineinstitute.org/resources/statistics
[19] http://www.starkinsider.com/2016/02/millennials-wine-market-council-report-trends.html

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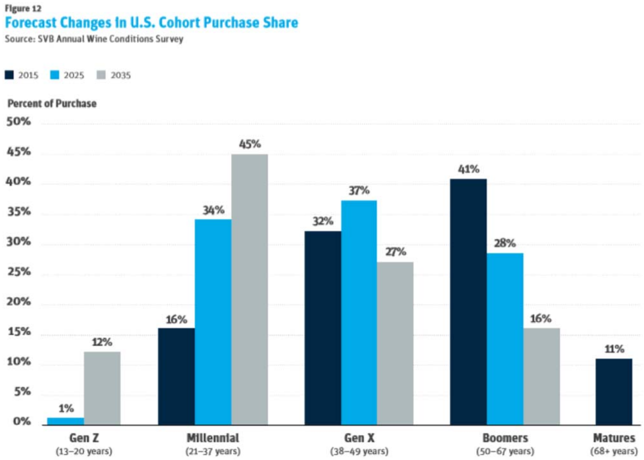

FIGURE 4. FORECASTED WINE PURCHASES IN US COHORTS. *SOURCE:* STATE OF THE WINE INDUSTRY 2016, SILICON VALLEY BANK (MCMILLIAN, 2016)

purchase over the past 4 years, whilst baby boomers and matures have seen a decrease. Millennials were likely to be the largest consumers of wine within the next 20 years (see Figure 4).

France was reported to be the largest producer of wine, with 46.6 million hecto-litres (Mhl) in 2014, followed by Italy (44.4 Mhl) and Spain (37 Mhl). In comparison New Zealand produced 3.2 Mhl in 2014 (Karlsson, 2014). However, New Zealand and other New World Wine countries have had a significant percentage growth increase with New Zealand reporting a 13.9% growth in wine production between 2011 and 2014. During this same period France only grew 5.4% and Italy showed negative growth of 4.3% (World Wine Production by Country, 2011–2014).

WHERE TO NEXT?

With all these facts and figures, Peter and Jason raised their glasses. They felt that Yealands was in a strong position going forward and the new partnership with Marlborough Lines offered exciting future possibilities. However, they knew that the company faced many strategic issues that needed to be addressed. They also wanted to ensure that they were able to achieve their growth plans by 2020: lifting sales from one to two million cases a year, wine processing capacity from 20,000 tonnes to 30,000 tonnes and turnover from $100 million to $150 million. To meet their intended projections, what direction should they grow in? And how?

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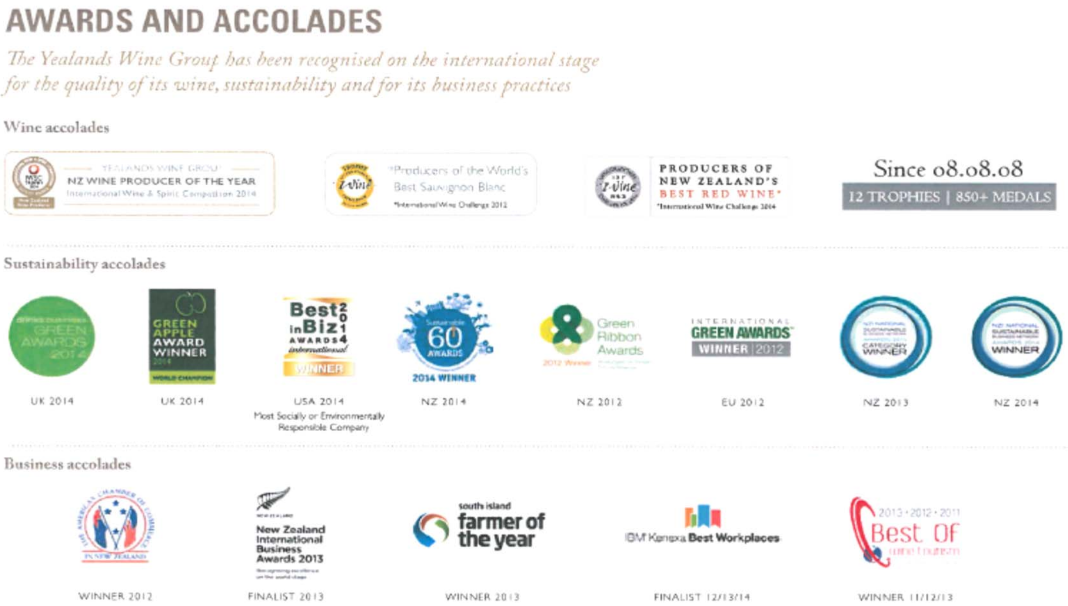
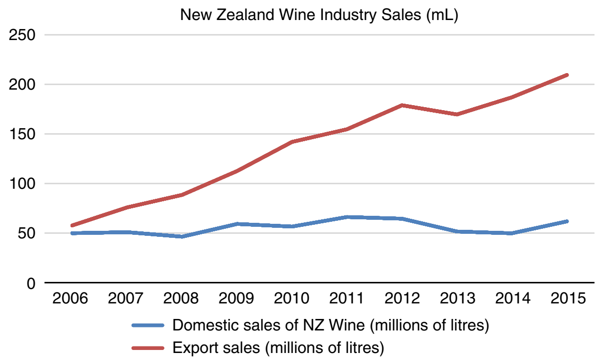
APPENDIX 1: AWARDS



APPENDIX 2: ANNUAL DOMESTIC AND EXPORT SALES VOLUME (MILLIONS OF LITRES)



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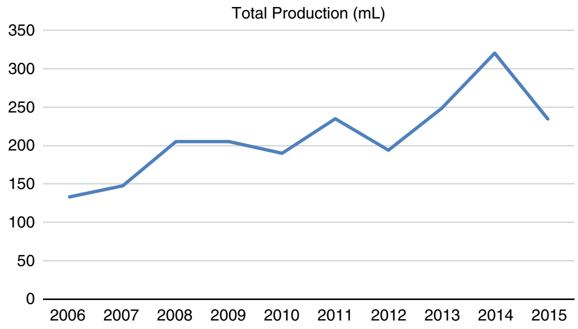
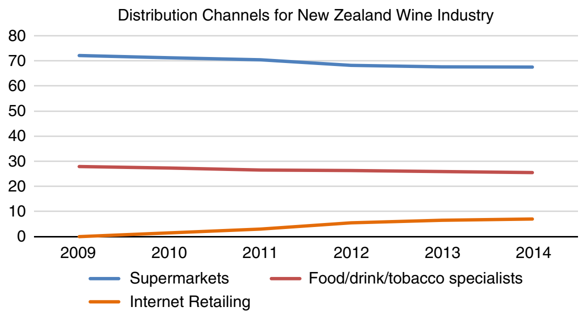
APPENDIX 3: YEAR-ON-YEAR TOTAL PRODUCTION OF WINE IN NEW ZEALAND (MILLIONS OF LITRES)



APPENDIX 4: DISTRIBUTION CHANNELS OF WINE BY PERCENTAGE



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