Final Project Global MBA 2009 – 2010

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Table of content

1. Executive Summary ...................................................................................................................... 7
   1.1. Business idea .......................................................................................................................... 7
   1.2. The market ............................................................................................................................. 7
   1.3. Need for change ....................................................................................................................... 7
   1.4. Market entry strategy. The 2-way market entry ................................................................. 8
   1.5. Services and Selling Proposition .......................................................................................... 9
   1.6. Realization Plan ....................................................................................................................... 11
   1.7. Contingency plan .................................................................................................................... 11
   1.8. Finance .................................................................................................................................... 12

2. Mondavin’s mission and vision ................................................................................................... 13

3. Our clients .................................................................................................................................... 14
   3.1. Wineries in Spain ..................................................................................................................... 14
   3.2. Distribution Channels ............................................................................................................ 15

4. Environmental Analysis – PESTEL ............................................................................................. 15
   4.1. Political Factors ....................................................................................................................... 16
   4.2. Economical Factors ................................................................................................................ 18
   4.3. Sociological Factors ............................................................................................................... 19
   4.4. Technological Factors ............................................................................................................ 20
   4.6. Legal Factors .......................................................................................................................... 23

5. Sector Analysis ................................................................................................................................ 25
   5.1. Threat of new entrants .......................................................................................................... 25
   5.2. Market Competitors .............................................................................................................. 25
   5.3. Bargaining power of suppliers .............................................................................................. 26
8.5. Closing ................................................................................................................................. 48
8.6. Resources Needed ............................................................................................................... 48
8.7. Service Development & Market Testing ........................................................................... 49
8.8. Quality control .................................................................................................................... 49
8.9. Third Parties - Software Suppliers .................................................................................... 50
8.10. Knowledge Management .................................................................................................. 51
8.11. Post Sales ........................................................................................................................... 51
9. Human Resources .................................................................................................................. 52
  9.1. Organizational Structure .................................................................................................. 52
  9.2. Company policy ............................................................................................................... 53
    9.2.1. Partnership participation .............................................................................................. 53
    9.2.2. Confidentiality .............................................................................................................. 53
    9.2.3. First Meeting Process .................................................................................................. 54
    9.2.4. Source & Select .......................................................................................................... 54
    9.2.5. Develop & Counsel ...................................................................................................... 58
    9.2.6. Reward & Retain ........................................................................................................... 59
  9.3. Future workforce: Profiles & Job Description .................................................................. 61
    9.3.1. General Management Assistant .................................................................................. 61
    9.3.2. Trainee .......................................................................................................................... 62
    9.3.3. Junior Consultant ......................................................................................................... 62
10. Financial Plan ....................................................................................................................... 64
  10.1. Initial Investment .............................................................................................................. 64
  10.2. Sales ................................................................................................................................. 65
  10.3. Profit & Loss .................................................................................................................... 69
  10.4. Balance sheet .................................................................................................................. 70
  10.5. Working Capital .............................................................................................................. 71
10.6. Main ratios: ............................................................................................................................ 71
10.6. Main ratios: ............................................................................................................................ 72
10.7. Bonus distribution + Shareholder Management ................................................................. 72
1. Executive Summary

1.1. Business idea

Mondavin is dedicated to provide professional consulting services to wineries. We provide creative solutions and translate them into action to increase the potential of our clients in the sector. Our vision is to become the leading consultancy in the wine sector, known by our innovative services, excellence and quality, as well as a solution to revolutionize the Spanish wine sector.

Our business is based on two pillars: Customer Relationship Management and Strategic Marketing. Within our services we focus on Benchmarking, Marketing Management, CRM implementation and Customer Value analysis. The business aim of the company is to increase our clients’ sales, reduce costs and increase customer awareness and loyalty.

1.2. The market

The clients to whom we are addressing our services are the 282 Spanish wineries with EBITDA of more than €500,000 given potential consulting spend.

1.3. Need for change

“Wine sector is long on tradition and short on innovation”,
The Business of wine, Geralyn and Jack Brostrom

The current crisis affects the Spanish wine industry. Wine consumption in Spain fell 11% during the first 9 months of 2009 and the negative forecasts show that the decrease in consumption will continue. This economic driver urges wineries to rethink their business model and find alternatives in distribution, customer service and exploitation. Besides, purchasers have a very wide range of wines to choose from and wine is a highly differentiated product with thousands of brands available on the market which may be intimidating to many consumers due to the lack of consumer orientation. These factors tend to intensify rivalry.

On the other side, wineries face a lack of information on their end customers to find ways to overcome this situation. The Spanish wine sector is very segmented and a central point of reference was missing until the formation of the Observatorio Español del Mercado del Vino (OeMV) which represents the industry body for the Spanish wine industry. However, the OeMV is only a passive institution when the sector really needs a more involved partner to lead to actions.

In this sense, Mondavin will play the role of this active part the wine sector is looking for.
1.4. Market entry strategy. The 2-way market entry

As we show in the table, we have 2 different approaches to enter the market:

- **OeMV partnership**
  
  **Benchmarking**
  
  **Find client specific improvements**

- **Direct contacts**

**Proposal**

- Customer Value Analysis
- Marketing Management
- CRM implementation

**a) Benchmarking in collaboration with the OeMV**

As a strategy to enter the market, we are looking forward to sign a collaboration contract with the Observatorio. Content of the collaboration is to benchmark member wineries of the OeMV against the goals set in the *Estrategia del Vino 2010*. Mondavin will use the OeMV as a reference to build up its own awareness and to create credibility in the wine sector.

Our aim is to benchmark in a first phase 4-6 wineries to quickly build up our knowledge base. As an instrument to establish further projects that emanate from the service, Benchmarking will define best practices and burning platforms. We identify for our clients points of optimization and cost savings ensuring an increase in the profitability of the client. As a result, Benchmarking will lead us to offer our full range of services, which have a higher margin.

**b) Direct Contacting**

As a second market entry strategy, we will also establish a direct contact with the wineries through the experience of Ignacio Díaz, Mondavin partner, in the winery sector. In fact, we have already established the first contacts with some of the main wineries in La Rioja and they have shown interest in the Mondavin’s project. By direct meeting, we will identify our client’s needs we will propose them our services, adjusted to best fit their needs. This entry strategy will be also an efficient way to bond with our clients.
1.5. Services and Selling Proposition

a) Benchmarking

Benchmarking is the process through which Mondavin measures the relative competitiveness by identifying the most important metrics of success in the winery sector and comparing the winery's individual performance with that of its competition along those metrics. The parameters for the metrics will consist of the factor of change, coming from the *Estrategia del Vino 2010* plus the performance measurement against best-in-class standards within Sales & Marketing functions and profitability measures.

Through a detailed comparison of a winery's performance according to their competitors, Mondavin will identify clients' needs and underperformances and thereby establish new services and adjust the existing ones.

Our clients benefit from the outcomes of the Benchmarking services:

- Cost savings and cost avoidance
- Correct allocation of resources
- Increases profitability
- Identifies specific problem areas
- Helps to prioritize improvement opportunities

b) Customer Value Analysis

Mondavin is offering a set of market research and reports to its customer distilling the complex subjects of a customer segmentation and lifetime value. We will analyze customer's profiles, create the segmentation and identify the “clusters” of each segment.

With this service we identify for our clients:

- The most attractive customers and "high rollers"
- The right marketing tools to acquire and retain customers
- Levels of customer loyalty and strategies for new targets

c) Marketing / Process re-engineering

At Mondavin, we offer the possibility to the wineries that don’t have a developed marketing department and the ones looking to introduce that department to their winery, a service of marketing and customer management.

Our marketing service is:

- A tool to develop the channels of communication from the winery to its customers through winery visits, tasting and the possibility to develop a website
- A way to maintain communication with the consumers and also to reach the potential ones
- A strategy to increase visibility and reach out to consumers who have requested information about our clients and to hopefully prompt them to visit their website
A way of building a long-term relationship with these customers and the winery to increase their loyalty

Our clients will benefit from:

- Higher sales
- Increasing awareness
- Gain reputation on the market
- Loyalty of the customer

d) CRM software solutions - Customer Management

The right management of the customer database, managing the relation with the distributors and the suppliers and keeping update the social network of the company are activities that can help companies achieve customer satisfaction. Through our CRM software solutions service, we facilitate this task for our clients. We offer customer management to our clients through value-based CRM solutions, in three key areas of their business:

- Customer Management
  A tool to manage the customer database, measure the lifetime value of the customers.

- Sales and Marketing
  The possibility to manage sales and interactions with distributors and retailers, to measure the ROI on marketing campaigns and to manage events like tour and tasting.

- Operations
  Real-time tracking of their customer relations, internal operations and retail sales efforts and have an effective management and usage of their customer data.

Through the CRM implementation, we offer:

- Increase direct sales and customer satisfaction
- Customer Segmentation, Targeting and Lifetime value analysis
- Real-time tracking of customer relations and retail sales efforts

e) Future services

Mondavin will work as a subsidies agent, facilitating the access of Spanish wineries to regional, national and European subsidies.

Once we acquired our position in the Spanish wine sector and built up our knowledge base, we plan to establish ourselves as Business Analyst Consultant for M&A, offering foreign investors guidance and advice for their investment decisions.
1.6. Realization Plan

To put in practice our services, we need the following steps and organizational structures. Mondavin operations are described in a policy based in a methodology of 5 phases:

This methodology applies for all of our services but also for each service there are some specific activities already identified.

From the Human Resources point of view, our organization has a light structure adapted to the business demand. Mondavin is founded by four partners, working as full-time consultants. As support staff, we will hire a general management assistant and in the further coming years one or more junior consultants, depending on revenue growth. In parallel, we will run a traineeship program with two trainees.

1.7. Contingency plan

To reduce the main risks Mondavin may face during the first steps of development we have established a contingency plan with its preventive actions.

a) External risks

As one of the proposed market entries is based on our relationship with the OeMV and as they play an important role in our strategy it is important to define alternatives in case our collaboration agreement with the Observatorio does not generates any project. Under this situation, Mondavin will propose to its contacts the benchmarking for free, just in order to gain track record as this is one of our main objectives for the first steps of the company.

b) Competition risks

For time being there is no consultancy specialized in the wine sector and the closest competitor is the Wine Intelligence in Great Britain. Assuming that one of the big consulting firms, Wine Intelligence or the specialized software developers (like Elypsis, for example) enter the market, Mondavin will position itself as an expert in Spain offering sector and functional knowledge to highlight our point of differentiation. We are building our strength based on the experience of our partners, our intellectual capital and our knowledge of the key processes in a winery. Furthermore, Mondavin’s strategy will also rely on the affordability of its services compared to the competitors.
1.8. Finance

In the financial plan, we want to point out the importance of the partnership between investor and the Mondavin Management team and the total implication of the 4 Mondavin partners in the business.

Consulting is a cash business with capital requirements limited to working capital, so costs can be tightly managed against revenue evolution.

We project sales for the first year to be 249,500€ based on 20 projects including 10 benchmarking clients. The four partners volunteer to limit salary to 18,000€ per year at the outset. Our cost base will be running at 11,532€ a month, excluding purchase of a CRM software license which we will delay until we are confident of initial project sales.

Capital is proposed to cover 4 months of projected costs. Of the €60,000 required, the four partners will provide €20,400. We propose external investors provide the remaining €39,600, of which €20,000 in the form of a preferred loan (with interest, at 10% accrued each year and having first preference before partner bonus and dividends). We expect to repay the loan in year 3.

We forecasted the sales evolution for year 1, year 2 and 3:

![Sales Evolution Chart](image)

Equity participation is proposed on the following basis:

- Partner Class A: Each partner invests 5,100€ to amount 20,400€ translated into a subscription of 51 shares from each partner corresponding to 51% of shares.
- Investor Class B: A subscription of 196 shares to amount 19,600€, corresponding to 49% of preferred shares, meaning that this class will be the first one to get paid dividends.

In order to protect investor interests, we offer that in the case of all decisions on profit distribution, company sale or dissolution, and partner bonus arrangements, a 70% agreement of investors (Classes A and B) is required.

Besides the financial involvement of Mondavin’s partners, we engage ourselves to receive a low salary in the first year of activity. Furthermore, we have contacted Ángel de Jaime Baró, a former President of the "Consejo Regulador de la Denominación de Origen Rioja", to be Chairman of Mondavin’s Advisory Board.
2. Mondavin’s mission and vision

Mondavin is dedicated to provide professional consulting services to wineries. We provide creative solutions and translate them into action to increase the potential of our clients in the sector. Our vision is to become the leading consultancy in the wine sector, known by our innovative services, excellence and quality, as well as for revolutionize the Spanish wine sector.

Our business is based on two pillars: Customer Relationship Management and Strategic Marketing. Within our services we focus on Benchmarking, Marketing Management, CRM implementation and Customer Value analysis.

The business aim of the company is to increase our clients’ sales, generate customer awareness and Business Excellence.

Mondavin values are focused on giving our customers an experience for changing their businesses:

- We are a customer satisfaction oriented company and we want to build a long term relationship with our clients, based on integrity and commitment.

- Mondavin offer their customers the experience of a consultancy devoted for with demonstrated quality and effectiveness of all our services.

Our objectives:

- Competitiveness
Make wineries focus on high-value/high potential customers and profitable products and services.

- Professionalism
The use of Technology to manage business, like Customer Relationship Management implementation to increase and exploit Customer databases

Improve cross-sell and up-sell approaches/models

- Consumers
Improve customer experience by creating a bonding between the wine consumer and the winery

Develop and increase direct sales

- Quality
Benchmarking of wineries and implementation of best practices

Provide tools for continuous improvement
3. Our clients

3.1. Wineries in Spain

Our research is based on SABI, a database with the financial information and addresses of one million Spanish companies and Marketline a database with industry profiles. Furthermore the databases form the Observatorio Español del Mercado del vino (OeMV) and from the Instituto Español de Comercio Exterior (ICEX) form a useful source of information.

The Spanish wine sector is hugely important both in terms of the economic value that it generates as well as for the number of jobs it sustains and its role in environmental conservation. In 2009 the wine industry employed 22,863 people, accounting for 5.98% of the total employed by the agrifood industry. The value of sales by wine producing companies in the same year totaled €5.319 billion, equivalent to 6.76% of total sales for the sector. In 2008, the last year available, there were 4,500 companies in the sector accounting for 12.40% of all agrifood companies, ranked third behind the bakery, pastry and biscuit industry, and the meat industry.

The main companies in the sector with sales over €100 million are the following: J. García Carrión, S.A.; J. García Carrión, S.A.; Grupo Freixenet, S.A.; Grupo Osborne S.A.; Arco Bodegas Unidas, S.A.; Codorniú, S.A.; Domecq Wines España, S.A.(Grupo Domecq Bodegas); Grupo Miguel Torres, S.A.; and Félix Solís, S.A.

<table>
<thead>
<tr>
<th>Company</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freixenet S.A.</td>
<td>1.40%</td>
</tr>
<tr>
<td>Codorniu</td>
<td>0.90%</td>
</tr>
<tr>
<td>Bacardi Limited</td>
<td>0.70%</td>
</tr>
<tr>
<td>Other</td>
<td>96.90%</td>
</tr>
<tr>
<td><strong>total</strong></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Apart from the big players in the Spanish wine market small wine producers and cooperatives still exist, which own wineries in the different producing regions in order to diversify their range. In total, the Spanish wine market is extremely competitive and highly fragmented, with the top three players holding an aggregate share of only 3.1% of the total market by volumes.

In the past years, there has been a significant investment in improving facilities and equipment, and in the use of different ageing techniques to offer a much broader range of quality wines. These investments to create and improve the production capacity of wine companies exceed €1.20 billion.

However, the investments in the distribution and sales channels are relatively low. Purchasers have a very wide range of wines to choose from and wine is a highly differentiated product with thousands of brands available on the market which may be intimidating to many consumers due to the lack of consumer orientation. These factors tend to intensify rivalry.

In addition, there are many wineries and brands, but in the wine industry we have very few distributors acting as wholesalers and very few acting as retail sellers.
3.2. Distribution Channels

In 2008, On-trade forms the most important distribution channel in the Spanish wine market. Hotels, Restaurants and Cafes account for 55.7% of the total volume. Specialist retailers distribute a further 15.4% of the market’s volume.

<table>
<thead>
<tr>
<th>Channel</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>HORECA</td>
<td>55.7%</td>
</tr>
<tr>
<td>Specialist Retailers</td>
<td>15.4%</td>
</tr>
<tr>
<td>Supermarkets/ Hypermarkets</td>
<td>12.8%</td>
</tr>
<tr>
<td>Direct Sales</td>
<td>7.3%</td>
</tr>
<tr>
<td>Other</td>
<td>8.8%</td>
</tr>
<tr>
<td><strong>total</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

4. Environmental Analysis – PESTEL

Throughout the centuries, wine has always been a demanded product all over the world with a strong cultural aspect. From Asia to Europe, it has conquered all nations and nowadays, it is a beverage of choice. Wine is becoming more and more popular and it’s competing with other traditional and trendy beverages. Therefore the need of this industry to continue improving its quality, penetrate new markets and broadens its appeal in mature markets.

Spain is considered as one of the top wine producing countries with different notable well known appellations – Rioja, Sherry and Cava – that have made this country famous for its wineries but they remain very traditional and short on innovation, this is why at Mondavin we think in terms of consulting services for wineries to increase their number of direct sales, widen their marketing strategies, implement technologies and innovation to their business.

Mondavin will start its business in Spain as a pilot market, and we are looking forward to extent later to other countries. Therefore we provide a detailed analysis of the environment of our activities and the factors that condition our market development. At this stage, we will point out the opportunities and threats the Spanish wine industry is facing. Our aim is to establish Key Environmental Factors that will be later on, part of the SWOT Analysis.
4.1. Political Factors

Entrance of new members in the European Union

On January 1\textsuperscript{st} 2007, Romania and Bulgaria became European Union’s members. As both countries are wine exporters, Spain faces another two new competitors, which now benefit from the omission of the tax barrier of third country duty of 9.90 EUR per hectoliter and try to expand their exports of wine. Since before, in 2004, Hungary joined the European Union in its largest enlargement.\footnote{1 www.exporthelp.europa.eu}

\textbf{Romania}

Romania produced 6.786.000 hectoliter (hl) in 2009 and according to the Observatorio Español del Mercado del Vino (OeMV), Romanian production is expected to grow by 17.5\% in 2010, which is together with Bulgaria the biggest growth in production within the EU region. However, according to the Wine Exporters and Producers Association (WEPA), the national association of Romanian wineries and wine traders, more than 90\% of Romanian wine is sold on the domestic market and in 2008 Romanian wine exports reached a level of 138 thousand hl. An interesting fact is that quantitatively, the exports remained stagnant, but value-wise they showed an increase which meant a growing average value (US$/liter).\footnote{2 Observatorio Español del Mercado del Vino, www.oemv.es}

\textbf{Bulgaria}

With an expected production of 2.000.000 hl in 2010, which means an increase of 24.5\% from the previous year, and a reduction in wine domestic sales of nearly 35\% compared to 2008, Bulgaria faces one of the most critical moments in their commercial balance. But the problem is not only affecting the national market but also the level of exportations of the country. By July 2009, exports were 70 per cent less than in the first six months of 2008. Russia and Poland are the major customers – 63 per cent of exports went to Russia and 19 per cent to Poland and they have decreased their level importation to 10\%.\footnote{3 www.winesofhungary.com/studies--reports/statistics.aspx}

\textbf{Hungary}

Hungary has 69,000 hectares of productive vineyard area and the five-year annual average production is 3.46 million hectoliters (hl) in 2009 with 70\% made from white grapes and 30\% made from red grapes. Hungary exported 640,000 hl of wine in 2008, representing a 6.8\% of total production. Its production went down since the EU membership in 2004, however, the total export value in 2008 of €67 million, marked a 1.6\% increase on 2007. Consequently the average export price of Hungarian wine has grown with 8.5\% and reached €1 per liter. Hungary’s leading export countries are Germany, the Czech Republic, the UK and Russia.\footnote{3 www.winesofhungary.com/studies--reports/statistics.aspx}
As we have noticed, for Spanish wineries these entries will have an impact which will be discussed in the SWOT Analysis.

Spanish Government Politics

Besides the European Union politics and legislations, which will be part of the legal factors, the Spanish Ministry of Environment and Rural and Marine Affairs (MARM) introduced in 2007 the "Strategy of Wine 2010" to improve the competitive capabilities and promotion efforts of Spanish wine companies. The vision of the strategy is that Spain becomes world leader in wine production and exports and the strategy is based on 4 values:

- Competitiveness
- Professionalism
- Consumers
- Quality

To put these values into place and follow the given strategy, MARM spends a total of 133.112.000 EUR from 2007 to 2010 and despite the current crisis and extensive economies, the investments were executed.  

As another result of the strategy, the Observatorio Español del Mercado del vino (OeMV) was founded on 25 March 2008 as a private foundation, it stands for Spanish wine market observatory and it's promoted by the Spanish wine sector and the government. The objectives of the OeMV are described as follows: Promote, develop and support the knowledge of the Spanish wine market and products and key international wine markets. Provide all operators of the Spanish wine industry with available market information to ensure best practice and with the objective to enable the adaptation of Spanish products to specific market demands.

In our view, the OeMV is one of the most important connections to make, because there is no other umbrella organization for the Spanish wine industry and the "Consejos de Denominación de Origen" (CDO) are only regional entities as will be explained in the Sector Analysis. Therefore we will work with them to form one of our market entry strategies.

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5 www.oemv.es/material/XMHQ_Py_09_01_09_11_05_Briefing_EEUU-consumidoresv4-english.pdf
EU Subsidies

Spain and the other 26 European countries forming the European Union have been largely financed in their agricultural issues. Since the creation of the Common Agricultural Policy, PAC, (Treaty of Rome, 1957) until nowadays European countries have been taking advantage of the subsidies this agricultural policy gave to them. But now things have changed and the European Commission proposed last year a radical change in wine subsidies with the abolition of community aids that the wine producer countries were receiving until that moment. In this sense, the objective was to reorient the wine sector towards quality and come back to the position of supremacy that Europe held in the previous years.

Regarding the end of the subsidies, Spain was one of the most affected countries because of the big number of low productivity vineyards (mainly the ones from Castilla La Mancha) and the big amount of money designated to pay the excedents of grapes that are grown but are not even picked. With this change, Spain will stop receiving more than 400 million euros each year so the country will have to change volume (no more excedents paid) for quality and distribution in order to win in competitiveness. As a consequence Spanish wineries will have to adapt their revenue strategy according to this new situation they are facing. For Mondavin, this will be an opportunity to serve the upcoming needs of the wineries.

4.2. Economical Factors

Through the worldwide crisis, Spain is deeply affected and the construction sector, Spanish most important industry sector, faces the effects of the so-called "housing bubble". The International Monetary Fund informs that economic growth of Spain is far behind the rest of Europe in 2009, that it will continue stagnant and that it would not begin to see the light until well into 2011.

Wine Sector Indicators

Data from the Organisation Internationale de la Vigne et du Vin (OIV) in its State of Vitiviniculture World Report 2009, indicate that worldwide areas under vines increased 0.3% from the 2008 total of 7.904 million hectares (Mha) to 7.929Mha. The total size of European vineyards fell by 17 thousand hectares, down a further 0.5%. In Asia, the growth of Chinese vineyards continued, but the pace of growth slowed from that recorded between 1998 and 2008-09. Grape production increased 0.6% to 67,396 million tons in 2009. The top four countries (Italy, Spain, France and the United States) accounted for 52% of this production. Big movers in growth in terms of world production were USA (up 25.4%), Chile (up 17.3%) and China (up 14.8%). In the USA, (total America) production reached a record high of 14,255 million tons. This was largely on the back of the US and Chile each reaching production records and Argentina equaling the record growth that country achieved in 1995 while European grape production declined. With an incredible year and growth of 11.3%, Italy was the top exporter of wine with 1,572ML exported. Italy was responsible for 19.7% of all wine exports. Both Italy and Spain beat France (1407MT) which went to third position.
Economic barriers to the wine trade often take the form of tariffs and import duties, unfavorable exchange rates, and trade discounts and promotions that occur within the distribution channel. When such barriers exist, the winery must somehow cover the additional costs imposed. In the worst cases, it faces the difficult decision of either increasing the price of its wine to a level that consumers may not be willing to pay or reducing the company’s earnings to such a low level that the business is no longer an attractive proposition.

An important factor is the exchange rate; it affects the sourcing, the pricing and even the distribution of wine in the global economy. For the importer the currency is a risk to take into consideration when doing contract with the supplier. The result of an exchange price increase, assuming that there is no contingency plan, will be either a higher selling price at market, which could hurt sales volume, or a reduction in the importer’s profit margin. On the other side, if the currency exchange rate decreases before delivery of the payment is made the importer has the advantage as the foreign currency will then be purchased at the lower market price. Wise action to mitigate it is doing forward contracts, which is to establish the exchange rate at which the purchase will be done in the future and determined by taking the current spot rate observed in the market and adjusting it to the forward date, the date on which the importer will need the foreign currency to complete the transaction. Another alternative to manage this risk is the currency option. This contract serves to guarantee a maximum exchange rate for the purchase of the needed currency and is a right for the importer, not an obligation, to exchange the currencies on a given date. The actual relation Euro - Dollar, around 1.50 US Dollars per 1 Euro, makes Spanish wine more expensive for United States and all Latin American countries that also trade with US Dollars. United States is becoming the biggest market in the world for wine consumption. There are many other emerging markets where Spanish wine has won many consumers and despite the Spanish wine exports have increased, the profit is low due to the currency.

4.3. Sociological Factors

When analyzing the environment from the social point of view and relating it to the wine market we come to several interesting conclusions that could affect in some way this market because of its evolution.

Growing immigration and religion

Nowadays immigration and human mobility around the world is not only a matter of improvement in transport vehicles, but it is clearly a consequence of globalization. Immigrants are going where jobs are available, mostly developed countries. That is the case of USA, Canada, Western Europe and specifically Spain. Nowadays in Spain one out of ten inhabitants is immigrant. That means that people from very different countries and cultures arrive each year to Spain. Due to this arrival and focusing on the wine market, wineries should orientate their products and make an effort to reach this new target. Something very similar to this immigration movement is the religion phenomenon. Different communities live together in Spain and some of them are adverse to alcohol consumption. In that sense,
wineries should be prepared to be able to offer some kind of products and services to make them feel familiar with the wine culture and as able as possible make them participative of this culture.

To conclude the sociological analysis, wineries, and with them Mondavin, have a very big opportunity to expand their business. On one hand because of the increasing population in the country and with special interest in the rampaging growth of immigration in our country where in the last 10 years it has multiplied by 8. On the other hand we can find the tourism volume (where Spain is the second country of the continent in visitors per year) and an interesting change in the education level where students seem to be more prepare which could be translate into more qualified people able to access to better jobs and have more money to spend in their hobbies.

For sure, globalization and consumer trends will help the wine culture to be widely spread and to achieve impressive results through the years with the importance that this will have to help Mondavin develop its consultancy business.

4.4. Technological Factors

The wine industry in Spain is one of the most ancient industries of the country; it has been well known to elaborate some of the best wine in the world. Nowadays, with the new air of technology, there are new methods and new ways of elaborating wine. But the most drastic innovations ever known in this industry relies on the evolution of information technology.

For the past twenty years, Spanish wine industry has gone through a transformation, new machines are available and help ameliorate the production and increase the quality of the wine. With this and innovative methods, the whole elaboration of wine is ameliorated from the harvest through crushing the grapes and the temperature control. These new processes of production also help reduce the production cost while improving the quality. Nowadays, the regions that used to elaborate average or low wine quality can change their producing method and offer a more sophisticated wine. Information technology helps each segment of the industry become easier and more powerful.

The technological aspect has an impact on several part of the elaboration process. In the vineyard, the computers help monitor the activities of the soil and the plants. It is possible to track weather activity and automatically set up water sprinklers for the vineyards through the computers.

Implementing information technology into a company is a big investment therefore, at first only large and high quality wineries can take the initiative of introducing these new technologies in their wineries. But it is getting more and more relevant that these new systems are very helpful in this industry. As part of the elaboration of the wine, the fermentation stage is one of the most important activities. With the new technologies, it is possible to improve and make this elaboration step even easier. Temperature control through computerization brings accuracy and helps reduce time in this process.

Moreover, like improving the elaborating process, the technology in the winery industry also helps maintaining and improving relationship with suppliers and customers. IT provides reliable information that helps the employees make accurate decisions. Since the 1990's,
different software had already been introduced in the supply-chain management process. Improving the means of communication between the wineries, their suppliers and their distributors, it was possible to manage inventory, orders and customer service functions. Internet added the possibility of e-commerce, increased the marketing awareness of the wineries and helps them gain more reputation at a global scale.

In fact, information technology is the tool that enables interconnection in the world of wine, allowing a flow of information from wine knowledge to precise data. Technology in general improves efficiency, increases the quality of the wine and makes this industry more and more reachable globally.

The Customer relationship management (CRM) introduced through information technology helps to organize, automate, and synchronize business processes. The CRM for winery supports sales, marketing and customer support for every sales channel including wholesale, retail or consumer direct. This new technological tool facilitates the interaction between the winery and its suppliers and its wine consumers.

Example of technology implementation in a vineyard.

In 2004, a group of wine industry and technology professionals created “The Wine Industry Technology Symposium™ (WITS). The purpose of WITS is to address the unique information technology and services needs of the wine industry and is dedicated to bringing the world’s leading wineries, distributors and retailers together with some of the world’s leading technology experts to foster learning and discussion.⁶

⁶ www.wineindustrytechnologysymposium.com/index.html
Example of information system for wineries:

VINx2 is the modern winery software solution geared to manage the day-to-day operations of your winery and take the hassle out of record keeping; «it allows you to manage the wine making process from grape sampling all the way through distribution and, along the way, provides you with a wealth of management reports, charts and trends analysis.

Zuna Inc. is a software designed for wineries in the basis of dashboards, making it easy to generate reports, general analysis and security of the data.7

There is a couple of Customer Relationship softwares on the market, which will be explained in 8.9. Third Parties - Software Suppliers.

4.5. Environmental Factors

Environmental factors include the weather and climate change. With major climate changes occurring due to global warming and with greater environmental awareness this external factor is becoming a significant issue for the wine industry. Observations and projections demonstrate that global warming impacts on viticulture and wine production which are evidenced through more rapid plant growth and out-of-balance ripening profiles and studies show that temperatures during the growing season have increased an average of 2° C over the past 50 years. The growing-season warming appears to have been largely beneficial for viticulture through longer and warmer growth periods with less risk of frost in the majority of the world’s wine existing wine regions.

This positive effect could become critical in regions, which are already warm and generally drier as Chianti, Barolo, Rioja, northern France, and Hunter Valley, parts of Chile, and in Central Valley California. For Spain the outlook in general depends on where each region is today on terms of climate and how new techniques and vineyard management can be implemented because wine grapes can be grown across only a fairly narrow range of climates.

On the other side, the trends have been influential in cooler regions like the United Kingdom by providing more consistent temperature and it is interesting to see how climate change might change the British domestic wine industry and provide opportunities for more production.

Even with the current state of knowledge, much uncertainty still exists, and therefore the wine industry will need to be proactive in assessing the impacts, implementing new management practices and developing new technologies. For some wine regions the climate change can have crucial impacts whereas some others, like parts of Germany and the United Kingdom benefit, and even new regions appear.8

7 www.winery-software.com
8 www.thewineacademy.es/web/esp/articulo01.php?id=167
From the Mondavin point of view, here we have an opportunity to help the wineries redefine their production process in order to adapt to the new situation derivated from the climate change.

### 4.6. Legal Factors

Legal factors that influence the wine industry are mostly given by the EU membership but moreover gubernatorial and non government institutions put effort in changing the perception of Spanish products. Sangre de Toro and Félix Solís for example are part of the Leading Brand of Spain Forum which promotes Spanish brands abroad in collaboration.9

Within the borders of the European Union, Spain finds its main competitors with France and Italy. But the new EU member countries mentioned before, Bulgaria, Hungary and Romania, which are wine exporting countries benefit from the change in taxation within the European Union. The European Council of Ministers adopted in April 2008 a new regulation -EC 479/2008- to reorganize the way the EU wine market is managed, in order to:

- Make EU wine producers even more competitive,
- Enhance the reputation of European wines and regaining market share both in the EU and outside,
- Make the market-management rules simpler, clearer and more effective,
- Achieve a better balance between supply and demand,
- Preserve the best traditions of European wine growing and boosting its social and environmental role in rural areas.10

The legal framework for the Spanish wine industry is established by the European laws. In 2006 changes were made to bring in line more consistent with the European system were done by putting in place a classification system that is administered by each Spanish autonomous region. The 2-tier classification includes, Table Wine (TW), *Vino de Mesa* and Wines Produced in Specified Regions (QWPSR), starting from the bottom:

1. **Table Wine:**
   
   *Vino de Mesa*, the equivalent to most country’s table wine, made by unclassified vineyards.
   
   *Vinos de la Tierra*, corresponding to the Spanish geographical regions. The classification appears on the label, like for example Castilla La Mancha.

2. **Produced in Specified Regions (QWPSR):**
   
   *Vino de Calidad Producido en Región Determinada*. The classification is considered as a step between *Vinos de la Tierra* and *Denominación de Origen*.

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9 Sources: WINE IN FIGURES 2008; ICEX; http://www.brandsofspain.com/info/foro/
10 ec.europa.eu/agriculture/capreform/wine/index_en.htm
Denominación de Origen, regulated by the Regulatory Council, is a classification for the mainstream quality-wine regions, almost two thirds of the total vineyard area in Spain.

Denominación de Origen Calificada, for regions with a track record of consistent quality and is meant to be a step above Denominación de Origen level, like for example La Rioja.

Vinos de Pago, the highest established category for a wine, and comprehends wines of recognized prestige made from grapes grown under climatic and soil conditions distinctive to a certain place or rural site.\(^{11}\)

Furthermore Spanish wines are labeled according to their age or the vintage year appears on the label. Therefore a minimum of 85% of the grapes must be from that year's harvest. The three most common ageing designations on Spanish wine labels are\(^{12}:\)

<table>
<thead>
<tr>
<th></th>
<th>Red wine</th>
<th>White wine &amp; Rosé</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crianza</strong></td>
<td>2 years, at least 6 months in oak</td>
<td>1 year, at least 6 months in oak</td>
</tr>
<tr>
<td><strong>Reserva</strong></td>
<td>3 years, at least 1 year in oak</td>
<td>2 years, at least 6 months in oak</td>
</tr>
<tr>
<td><strong>Gran Reserva</strong></td>
<td>5 years, 18 months in oak</td>
<td>4 years, at least 6 months in oak</td>
</tr>
</tbody>
</table>

Unlike other countries like Italy where projections are that or than half of the existing DOCG/DOC/IGT in Italy will have to disappear, the impact of the regulations and new market and labeling law doesn't have any impact on the Spanish wine industry. This will help positioning the Spanish wine on the short run, because they are compatible with the criteria imposed by the reform that tries to harmonise the different criteria for wine labeling existing at EU level to make them more "consumer-oriented". On the long run, however, the positive effect will be gone, because other wineries will adapt to the regulations.\(^{13}\)

\(^{11}\) [www.winesfromspain.com/icex/cda/controller/pageGen/0,3346,1549487_4938361_4938888_1_-1,00.html](http://www.winesfromspain.com/icex/cda/controller/pageGen/0,3346,1549487_4938361_4938888_1_-1,00.html)


5. Sector Analysis

Within the business plan, the sector analyze plays an important role to find the correct position for our business. For a consultancy this gains special importance hence they need to be clear about the sector and its competitors as well as the sector if its clients. In our case, we will describe and explain the current situation of our market competitors and our positioning in the market using Porter's Five Forces. Our target is to identify the key success factors within the wine consulting and implement them in our strategy. To build out a competitive strategy for our consultancy, we must understand the consulting industry, especially within the sector of winery consulting that we are targeting. Porter's Five Forces determine the industry profitability and help us to find our position in the sector and to spot our competitive advantage.

The Five forces are separated into threat of new entrants, rivalry within the industry, bargaining power of suppliers, bargaining power of customers, in our case the bargaining power of clients and the threat of substitutes.

5.1. Threat of new entrants

According to Porter, the consulting industry is defined as an industry with high barriers of entry and low exit barriers. For the wine industry consulting, hence this is a relatively new field for consulting, entry barriers are not on a similar high level. Typically, brand recognition and the sector and functional knowledge form the key entry barriers. Like in any service industry the recognition as a brand is crucial as it creates loyalty and higher customer retention. The “Big 4 auditors” PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young, KPMG are a good example of how to build a powerful brand within the consulting industry and it is difficult to any new entrant in the market to gain market share and first of all acceptance. Furthermore, a strong brand creates switching cost.

In addition, sector specific knowledge and know-how form another entry barrier. Built on experience and a wide knowledge of the subject matter, special human capital contributes to the success of a consultancy. Without industry knowledge, especially in a very diversified and dynamic sector like the wine industry, the chances of a successful market entry are significantly low. Even more, as consultancies have light structure from an organizational point of view, where no big investment in machinery or technology is needed, the human capital is the biggest investment to take to enter the market.

In the wine consulting though, hence there is no well established brand there is a possibility to enter the market and create brand recognition and bond with clients.

5.2. Market Competitors

In the sector of wine industries, there is a range of companies offering consulting or parts of the service line Mondavin will offer:

The Wine Intelligence

The London based consulting company offers research, insights and strategy services. Their services are focused on surveys about wine and wine consumption as well as brand development and professional writing for the wine sector. Their influence in Spain however is relatively low. They hat an appearance at the Foro Mundial del Vino 2009 in Logroño but
their business focus is based more in increasing the exports of wineries from countries such as Germany or France.

Vinnova

Based in Madrid, Vinnova offers 4 types of services to its clients:

- **Vinnova Control de Negocio**
  Commercial & Marketing management from an strategic point of view

- **Vinnova Cualitativo**
  Discussion groups that allow an important information flow from the distributor to the end customer

- **Vinnova Cuantitativo**
  Personal interviews and online surveys

- **Consulting projects**
  Extract useful conclusions about concrete questions in key aspects of the business.

The Wine Intelligence and Vinnova form our most direct competitors, but their service portfolio differs from the one we are offering. We see Mondain’s services more adapted to the needs on the sector and specified to increase the direct sales on our clients. Furthermore, as explained later in the 2-ways market entry strategy, we seek our strength though the collaboration with the *Observatorio Español del Mercado del Vino*.

### 5.3. Bargaining power of suppliers

Suppliers play normally an important role of any industry. In the service industry and especially in the wine consultancy sector, however, the bargaining power is low. No raw material is needed and CRM software represents most of the given input to a consultancy. Moreover, open source CRM software like SugarCRM enter the market and offer a free alternative.

### 5.4. Bargaining power of clients

Wineries are mostly family owned and small and medium enterprises. Due to their size they are not the focus of the consultancies and their bargaining power is low and mostly determined by their price sensitiveness and acceptance. As an initial step, most consultancies face the problem of acceptance as an external support, especially in a new niche that is not used to consulting like the one Mondavin is focusing on. Therefore a special consulting is needed to create problem sensitivity that the decision makers may be experts in the field of wine making and grapes growing, but need consulting in the field of Marketing and Customer Relationship.
5.5. Threat of substitutes

As mentioned in the beginning of the Sector Analyse the established consulting and auditing companies will be part of our competitors or substitutes. Their service portfolio typically covers part of the services Mondavin will be offering. Another type of competitors we will have to face are the software companies who build and sell the software but also provide the implementation and the training. In fact, these companies are our direct competitors for the CRM service we offer our clients with the support service they provide added to the software implementation they do. All of them offering different type of services but competing with the same clients, the wineries. With a variety of service offered, we will be competing with many companies offering consulting services to increase their sales, CRM and IT implementation but also marketing research companies. This is a list of potential substitutes:

Deloitte

They propose consulting services in various domains of activity. Like Mondavin, they offer the technological support and even more, they develop information systems for small and medium companies.

Accenture

They have a wide range of consulting service but more importantly in the CRM aspect as we do. They “help enterprises achieve high performance by winning and keeping profitable customer relationships, and optimizing the cost and efficiency of their customer-facing operations.”

One of our added values is centered in the marketing aspect of the company, therefore, the market research companies have to be considered also as rivalries.

TNS

They are the leaders in market research and opinion polling in Spain. They “provide specialist market research expertise and global brand insight services and solutions”

Euro Monitor International

Based in London, this company is “the world’s leading independent provider of business intelligence on industries, countries and consumers”. They offer market research on different industries around the world but also consulting services.

In the SWOT analysis, we will establish our strength and the opportunities we will take to mitigate the risk of competition and to position ourselves in the market.
6. SWOT Analysis

6.1. Opportunities

Economic pressure of the wineries

The current crisis affects the Spanish wine industry as pointed out in the economical factors. Wine consumption in Spain fell 11% during the first 9 months of 2009 and the negative forecasts show that the decrease in consumption will continue.

With Romania and Hungary, two wine exporting countries entered the European market and affect Spanish wine exports.

The mentioned economic drivers urge wineries to rethink their business model and find alternatives in distribution, customer service and exploitation. Mondavin, as a specialist in the wine consulting offers consulting to manage change to a gainful business model and provides specialized services for the wineries.

"Estrategia Vino 2010"

In 2007 when the Ministerio de Medioambiente y Medio Rural y Marino created the "Estrategia Vino 2010", it was concluded that more than 130 million Euros were going to be intended to the Spanish wine promotion in the next 4 years. The aim is to provide standards, competitiveness, professionalism and quality to Spanish wineries to improve the lack of transparency and public data. Mondavin has the opportunity to benefit from the change in strategy and the emphasis that the government puts in the need for change in the wine industry. Here Mondavin has the opportunity to provide transparency as an external consulting firm and benefit from MARM 's investment developing different projects and studies on how wineries should continue reinventing their business to success.

Technology and the Wine Sector

Technology and Information Systems are every day more immersed on businesses and life, but wineries are still a step back of it besides their surroundings, some suppliers and customers, are putting pressure on them. In the current context, there is growing demand of enabling the wineries to use technology. For Mondavin there is an opportunity to provide services, specialized for this particular sector that represents part of Spanish culture and therefore its particular characteristics.

Lack of information

The lack of information in the winery sector is our opportunity to help wineries extend their customers' database. With the evolution of the internet usage, the e-commerce and the increase of enotourism we would not only get enough information from the consumers: who they are, their consumption habits, etc; but we will also manage it trough CRM and give our customers the best approach to exploit this powerful tools.
From volume to value

As we have seen when developing the environmental analysis there is a trend in the Spanish market which shows that wine consumers are orientating their sales not into volume of liters but the value (price) of the purchase. According to this data we can define as Mondavin’s opportunity the consulting we can offer to the wineries providing them with successful tools to better manage and get the loyalty of the customers in order to upgrade the volume customers in high value customers that will report much more money to the winery.

6.2. Threats

Number of substitutes

As discussed in Porter’s five forces, the substitutes are a threat to our business model. Apart from other consultancies, we see the internal Marketing departments from the wineries and CRM software vendors as the biggest threat. Wineries are urged to change their business model. As a result they might extent the existing Marketing department, provide professional training like the Bordeaux MBA, or take a better use of the Marketing department. When wineries consider that they have the necessary resources and expertise internal, there is no market for an external consultant like Mondavin. Other substitutes are CRM software vendors like Siebel, which sell directly to customers. They might take advantage of delivering directly to the wineries and, hence part of our business model is CRM software implementation, undermining our business

Impact of crisis on consultancy sector

When evaluating the consultancy business we find some interesting aspects that should be taken into account: On one hand we have, due to the crisis, a demand threat. It means that wineries as any other company are reducing their budgets and that, for sure, includes the consultancy sector.

And on the other hand, we face as a boutique consultancy new in the market with the well established consulting groups that might take advantage of their position and their market share to extend into the wine sector and target wineries as new clients to complete their low results during the crisis and find new alternatives.

Many wineries are too small to be consulted

Within the marked research in the sector analyze, we found that there is a significant number of wineries, which according to their size and annual revenues are too small to be consulted. Yet our business model does not contain consulting services for wineries of this size. However, as part of our sustainable business we will offer parts of our services to small wineries.
Resistance to change in Spanish wineries

Despite the need for change, pointed out in the Opportunities, we still face the challenge to manage the change in the Spanish wine industry which has a high difficulty level because of culture: most Spanish wineries have a long tradition and are family business. Our company needs to communicate that there are other ways of doing business and that only so will be possible to survive in the current market situation.

6.3. Strengths

Specialized in the wine sector

Mondavin’s main strength is reflected in our concept: Wineries consultancy, and expressed in our mission: Mondavin is a consulting firm specialized in the wine sector. We concentrate all our knowledge and expertise towards that sector, where there is no other consulting firm with the same interest. From personal experience to acting on the field, we have developed special skills to provide our client with the best advices and solutions.

Moreover, to emphasize on our specialization, we have chosen a name with a strategic branding position. Mondavin refers to the world of wine in French, one of the most well known countries for its good wine.

Combination of sector & functional knowledge

This is one of the key success factors of our business to be competitive through time.

Mondavin is a multidisciplinary team composed by marketing, positioning, CRM experts but also a group of people with experience in the consultancy and in the wine sector. This mix of knowledge makes our company offer a very attractive and complementary service against the competitors. We are a boutique consultancy developing specific projects. In that sense, when specializing we can reach a niche market that could be seen very useful for the wineries of the country. Our philosophy (“Reach the market through specialization”) would help us to find the market share we are looking for to be competitive.

Cooperation with Observatorio Español del Mercado del Vino (OeMV)

The OeMV represents the industry organization for the wine industry in Spain and its objectives are to develop and support the knowledge of the Spanish wine market and to provide the Spanish wine industry with available market information to ensure best practice.

Furthermore the OeMV is the executing body of the Federación Española del Vino (FEV) and collaborates with the Instituto Español Del Comercio Exerior (ICEX). As part of its
responsibilities, the OeMV puts out public tenders like market research studies to provide analysis and market entry information for the Spanish Wine sector.

Mondavin strives into collaboration with the OeMV, hence the Observatorio represents Mondavin’s enabler to the wine industry as well as the OeMV represents a potential client. They are a key contact that, among others, might comprise the benchmarking of associated wineries to monitor and control the results of the “Strategy of Wine 2010” and surveys to provide wineries with the best studies and techniques to implement in their business; which are part of Mondavin’s services and strategies and the Observatorio’s goal.

**Light structure and Low initial investment**

Mondavin will start and be managed with a light structure. Depending on the needs and requirements of our clients, we will outsource and contract our consultants and techniques; this will give us a lot of flexibility in terms of budget and talent management. And as our business Knowledge and Capabilities based, our operations require low investments.

**Sustainable business model**

Mondavin business model is sustainable because we are focused on a very well established industry. We are looking forward to grow based on value creation for the wine sector, consumers and other stakeholders. Our goal is clearly identified and achievable on a long term perspective; we aim to create opportunities for our partners and employees, to create wealth for the company but also and more important to have a positive impact in our society which obviously will highly contribute in reaching this point.

Because of our industry focused, Mondavin will be able to expand abroad and reach several markets in different countries. Applying our knowledge and expertise from the experience gained in the Spanish market, we will be able to adapt and penetrate other markets where wine has a big impact like France or the USA in a longer future.

**6.4. Weaknesses**

**No track record of projects**

The best Marketing for a consulting company is the track record of projects. Usually, clients show a significant redemption rate and the word of mouth spreads the results and the positive impacts of the executed projects. Mondavin, as a start up, naturally doesn’t possess a history of projects which will be a weakness in the first phase.
No clear positioning in clients’ mind

Along with the first weakness of having no track record of projects, Mondavin is a new player in the consulting industry. Thereby Mondavin has to overcome the competitors’ state of the market and brand recognition to be recognized and to propose our value proposition and differentiators. The weakness here lies in the strong brand names of Deloitte, PwC, IBM and TNS which, despite are not specialized in the wine industry, offer similar services and have a clear position in the market which Mondavin, yet, has to establish.

Unknown brand

When it comes to choosing a consulting company to bring solutions into their company, clients always tend to look for the well-known brand and most prestigious ones. Mondavin, as a start up, doesn’t have yet this brand positioning. We are not yet established in the market as a brand of reference.

6.5. Actions based on SWOT

Once we have described the opportunities, threats, strengths and weaknesses that Mondavin faces, we have decided to plan several actions to address the company towards the success in the sector:

**Action: Establish cooperation with Observatorio Español del Mercado del Vino (OeMV)**

As one of the references in the wine sector the Observatorio will be the main key for a successful market entry strategy. As we have been working on it since the beginning of the project we have signed a collaboration contract with them in order to establish a collaboration relation. Through this new situation we will provide the OeMV with useful information about wineries due to our benchmarking projects and on the other side take benefit of OeMV’s large list of wineries to contact them, propose and adapt projects to their needs.

**Action: Use “Estrategia Vino 2010”**

The Observatorio was born as one of the pillars of the “Estrategia Vino 2010”, a 4 years plan to drive the Spanish wine sector to the top in the international market. As an initiative on the MARM (Ministerio de Medio Ambiente y Medio Rural y Marino) and thanks to our link with the OeMV we will design adapted promotion plans useful for Spanish wineries and define strategies related with the quality and the competitiveness of the wine of the country.

**Action: Track record generation**

This is one of the aspects in which Mondavin has to put effort. As new in the market we will focus on getting track record quickly in order to be recognized and identified among the potential clients. To do that, we will use the agreement we have with the “Observatorio Español del Mercado del Vino” (OeMV) to sell our services through them and take advantage
of their recognition and prestige. Besides, the visiting to the client’s workplace and attendance to fairs and events related to the wine sector will be key to start drawing Mondavin’s track record.

It is also important to highlight that due to the personal contacts some of the partners have in the industry, as referred in next pages, personal contacts will be used to enter the market in a successful way.

Despite the information given in the previous paragraphs related to the boost the company, they will be deeper described in the marketing plan.

**Action: Use direct Sales**

As we will explain in following sections of the project plan, direct sales are very important for the consulting business Mondavin offers. In this sense, we have to show widely the benefits of consulting and explain them through Mondavin implementation examples. Give wineries advice of the importance of data collection, personal contact with the clients, market research, how to set strategies according to the data collected or growth strategies depending on the consumption trends and CRM tools in order to achieve the best results.

**Action: Search for customer needs**

As we describe in our business services, benchmarking is one of the main services we are delivering from Mondavin. With these studies we will be able to monitor and control which are our services that can be optimized and how to optimize them, adapted to the clients’ needs. In this sense, we will have to be able to adapt our knowledge and software to the wineries and implement them in the most successful way possible, including always innovation as a main tool. By this improvement in Mondavin services and their implementation we will identify different needs to keep on adapting to the market needs while using the best practices inside the company to establish standard methods.

**Action: Be partner to Technology provider**

Due to the relation that our business has with technology and software it is key for us to establish good relations with these suppliers. The cooperative work will help us to improve the quality of the software development, implementation and show the benefits in situ the importance of the proper CRM implementation in the wineries.
7. Marketing Plan

7.1. Market entry strategy - *The 2-ways market entry*

In the consultancy industry, market awareness is usually built on the track record of projects and clients of each consultancy. As a start-up, Mondavin faces the challenge of having no track record, as pointed out in the SWOT analyze and has to overcome this weakness. Therefore, Mondavin will launch *The 2-ways market entry* to enter the market:

![Market entry strategy diagram]

7.1.1. *Benchmarking in collaboration with the OeMV*

The *Observatorio Español del Mercado del Vino* represents the industry body for the Spanish wine industry. As a strategy to enter the market, we are looking forward to sign a collaboration contract with the Observatorio and, for time being we have a verbal agreement to use their name to contact potential clients. Content of the collaboration is to benchmark member wineries of the OeMV against the goals set in the *Estrategia del Vino 2010*, which will help the Observatorio to reach its objectives to promote and distribute knowledge of the wine sector and see the outcomes of the *Estrategia del Vino 2010*. Mondavin will use the OeMV as a reference to build up its own awareness and to create credibility in the wine sector.

Furthermore we see Benchmarking as an instrument to enter the market and sell follow up projects after the actual Benchmarking of a winery. As a result we sell Benchmarking Projects, which take average 12 – 15 working days, at 6.500€ and 8.000€ in the first years. With the
6,500€ and 8,000€ we aim to break even and gain profit through project that emanate from the Benchmarking service.

a. Contacting Wineries through OeMV

The first step will be to contact a number of 10 wineries which are member of the OeMV. This is a list of the 10 first wineries:

<table>
<thead>
<tr>
<th>NAME OF WINERY</th>
<th>CONTACT PERSON</th>
<th>TELEPHONE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANTONIO BARBADILLO, S.A.</td>
<td>BARON BARBADILLO, ALFONSO</td>
<td>956385534</td>
</tr>
<tr>
<td>GONZALEZ BYASS SA</td>
<td>GROSSE MAC DOUGALL, JORGE ALBERTO</td>
<td>956357000</td>
</tr>
<tr>
<td>BODEGAS JULIAN CHIVITE S.L.</td>
<td>DE PRADO, INIGO</td>
<td>948555285</td>
</tr>
<tr>
<td>BODEGAS MARTIN CODAX S A</td>
<td>VAZQUEZ GANCEDO, JUAN</td>
<td>986526040</td>
</tr>
<tr>
<td>BODEGAS IRACHE SL</td>
<td>SANTESTEBAN AJONA, CRISTINA</td>
<td>948531932</td>
</tr>
<tr>
<td>DALMAU HERMANOS SA</td>
<td>DALMAU MATA, ANTONIO</td>
<td>977542100</td>
</tr>
<tr>
<td>CASTILLO DE PERELADA SL</td>
<td>SUQUE PUIG, ARTURO</td>
<td>935038600</td>
</tr>
<tr>
<td>CODORNIU</td>
<td>FERNÁNDEZ, LUIS ALFONSO</td>
<td>935051551</td>
</tr>
<tr>
<td>HIJOS DE ANTONIO BARCELO</td>
<td>GARCIA MUÑOZ, GEMA</td>
<td>983680461</td>
</tr>
<tr>
<td>BODEGAS PROTOS S.L.</td>
<td>SANZ FERNÁNDEZ ANTONIO FIDEL</td>
<td>983816608</td>
</tr>
</tbody>
</table>

Depending on the feedback of the 10 named wineries, we will enhance the list with the aim to have 4-6 Benchmarking projects in 2011.

b. Execute Benchmarking & Identify client’s needs

After an approval of the project, Mondavin will conduct the Benchmarking according to the Process Plan elaborated in the Operations Plan. The Benchmarking survey is designed to assist wine making businesses to make more informed decisions about their relative strengths and weaknesses compared with others in the industry.

The study also provides wineries with an insight into the relative efficiency and financial performance of their business, information that is vital for those looking to attract capital, expand and sustain growth.

c. Report & Project Proposal

Hereby Mondavin develop intellectual capital, which will be used to identify specific needs of a winery and create a report with a winery's individual performance and the relative competitiveness. As developed in the Operations Plan, the Benchmarking Parameters will consist of Marketing & Sales related parameters and parameters that relay to the other services we offer like Online Direct Sales, Customer Retention Rate or Customers by segment.

Mondavin will furthermore use the Benchmarking service to identify clients' needs and underperformance. As a result, part of the Benchmarking report will consist of a set of actions.
to improve the company’s performance and a proposal to implement new and improved business practices which will lead to further project assignments for Mondavin.

7.1.2. Direct Contacting

a. Contacting Wineries

As a second market entry strategy, we will also establish a direct contact with the wineries. We have decided to choose the following potential clients with whom we will contact personally by phone to present them our services and identify their needs. Through the experience of Ignacio Díaz, Mondavin partner, in the winery sector, we have direct access to 10 contacts well positioned in the market. It is important to highlight that the personal relationship and work experience existing between Mondavin and these wineries could lead us to a higher success rate. The following contact represent General Directors or Presidents of the named wineries:

<table>
<thead>
<tr>
<th>NAME OF WINERY</th>
<th>CONTACT PERSON</th>
<th>TELEPHONE NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>López de Heredia</td>
<td>María José López de Heredia</td>
<td>941310244</td>
</tr>
<tr>
<td>Rioja Alta</td>
<td>Ángel Barrasa Sobrón</td>
<td>902123904</td>
</tr>
<tr>
<td>LAN</td>
<td>Enrique Abiega</td>
<td>941450905</td>
</tr>
<tr>
<td>Berberana</td>
<td>Melquiades Entrena Martínez</td>
<td>941453100</td>
</tr>
<tr>
<td>Darien</td>
<td>Juan Luis González Najarro</td>
<td>607382029</td>
</tr>
<tr>
<td>Bodegas Riojanas</td>
<td>Felipe Frías Echeverría</td>
<td>941454050</td>
</tr>
<tr>
<td>Marqués de Riscal</td>
<td>José Luis Muguiro Aznar</td>
<td>913432867</td>
</tr>
<tr>
<td>Juan Alcorta</td>
<td>Juan Antonio Mompó</td>
<td>941279900</td>
</tr>
<tr>
<td>Olarra</td>
<td>Leopoldo Limousin</td>
<td>94123388</td>
</tr>
<tr>
<td>Martínez Lacuesta</td>
<td>Luis Martínez Lacuesta</td>
<td>941325694</td>
</tr>
<tr>
<td>Faustino</td>
<td>Juan Carlos Jiménez</td>
<td>945622500</td>
</tr>
<tr>
<td>Bodegas Ontañón</td>
<td>Raquel Pérez</td>
<td>690858519</td>
</tr>
</tbody>
</table>

b. Identify Needs & Project Proposal

While identifying our client needs by a direct personal contact, we will propose them our services, adjusted to best fit their needs. This entry strategy will be an efficient way to bond with our clients. The project will be designed based on their burning platforms and will aim to provide means to improve the weak areas and increase performance in the business. The project proposal will consist of presenting to our client the different steps we will undergo to reach the expected results. As we are a start up company, we have to build a track record to obtain credibility in the sector. With this strategy, we will be able to sell small projects and gain the track record we are looking for and other follow up projects will come from these starting ones.
7.2. Services and Selling Proposition

7.2.1. Customer Value Analysis

Mondavin is offering a set of market research and reports to its customer distilling the complex subjects of a customer segmentation and lifetime value. We will analyse customer's profiles, create the segmentation and identify the “clusters” of each segment.

It means that by knowing the market, the sales and their potential sales, we will be able to Identify for our clients:

- Their business base is, to know which marketing programs are the most effective and which consumers are being profitable.
- Their Development Base, to know in which customers they should focus their investment on to gain more market share and loyalty.
- And their administration base, where they should not invest at lease at the moment.
- The idea is to identify the customers that create value on the trade, levels of loyalty, the “high rollers”, support marketing programs, and develop new ways to target customer.

7.2.2. Benchmarking

Benchmarking is the process through which Mondavin measures the relative competitiveness by identifying the most important metrics of success in the winery sector and comparing the winery's individual performance with that of its competition along those metrics. The parameters for the metrics will consist of the factor of change, coming from the Estrategia del Vino 2010 plus the performance measurement against best-in-class standards within Sales & Marketing functions and profitability measures. For our clients Benchmarking offers cost reduction and cost avoidance, it increases their profitability and has an impact on the whole value chain by correcting the allocation of resources.

The Benchmarking Service, from a Marketing perspective, is an attractive Marketing & Sales tool for two reasons:

1. Create market share & retain client base

Benchmarking, well put, can be a powerful tool to create market share, retain clients and have an ongoing number of projects. By monitor the relative competitiveness, Mondavin plans to enter the market as described in the 2-Way market entry strategy and start a yearly Benchmarking of client's performance in comparison to the previous years' results. Our aim is, that Mondavin bonds with several wineries for periodic Benchmarking projects and, on the long run, that Mondavin will implement itself as the representative for the industry standard, in cooperation with the OeMV, measuring competitive performance in the wine sector.

2. Source of new services or service adjustments

Trough a detailed comparison of a winery's performance according to their competitors, Mondavin will identify clients' needs and underperformances and thereby establish new services and adjust the existing ones. Furthermore, identifying needs will leads to proposals for new projects to overcome the underperformance identified in the previous Benchmarking.
7.2.3. Marketing / Process re-engineering

At Mondavin, we offer the possibility to the wineries that don't have a developed marketing department and the ones looking to introduce that department inside their winery, a service of marketing and customer management. This service will consist in developing marketing strategies adapted to each of our clients’ needs. In fact, this service will help the wineries integrate marketing processes into their business activities, develop and maintain a strong relationship with their clients. This marketing service will help the wineries developed communication and promotional activities that will lead them to higher sales. We will provide tools to create brand awareness and attract more customers through winery visits, tasting and the possibility to develop a website.

Our marketing service is a tool to develop the channels of communication from the winery to its customers. To maintain communication with the consumers and also to reach the potential ones, the use of e-mails and newsletters, for example, can be relevant. The strategy is to increase visibility, to reach out to consumers who have requested information about our clients and to hopefully prompt them to visit their Web site to build a long-term relationship with these customers and the winery. Wine lovers are fond of everything related to wine and they certainly don't mind receiving email or other communication from their favorite wine maker. Therefore, being aware and keeping the customer informed is a good way of increasing the customer's loyalty.

This service aims at specific clients looking to use marketing as a tool to increase awareness for their winery, to gain reputation on the market and gain loyalty of their customer.

7.2.4. CRM software solutions - Customer Management

As business today is being reorganized by the impact of technology, we have identified different needs that our potential clients might have. The customer satisfaction is one of the greatest concerns of any company and the use of technology is an effective tool to reach that satisfaction. The right management of the customer database, managing the relation with the distributors and the suppliers and keeping update the social network of the company are activities that can help companies achieve customer satisfaction. Through our "CRM software solution" service, we facilitate this task for our clients.

Customer relationship management is, at best practice, an important strategy to improve sales and grow market share in both the wholesale and consumer direct sales channels. We offer customer management to our clients through value-based CRM solutions, in three key areas of their business:

- Customer Management

A tool to manage the customer database, to measure the lifetime value of the customers

- Sales and Marketing

The possibility to manage sales and interactions with distributors and retailers, to measure the ROI on marketing campaigns and to manage events like tour and tasting.
- Operations

Our clients will be able to have real-time tracking of their customer relations, internal operations and retail sales efforts and have an effective management and usage of their customer data.

Through the CRM software, we offer:

- Customer Segmentation and Targeting
- Measure lifetime value of customers
- Make wineries focus on high-value/high potential customers
- Make wineries focus on most profitable products and services
- Marketing and sales coaching
- Manage tour and tastings
- Manage sales interactions with distributors & retailers
- Manage events with full metrics
- Measure ROI on campaigns
- Wineries network
- Manage Facebook, Twitter and LinkedIn activity

In order to build a strong relationship with our clients, after implementing software in their business, we will offer them a follow up service so they don't feel “abandon” and they can feel they can rely on us for any type of problem that might occur.

Future Service Development

We consider that Mondavin has the potential for sustainable growth, therefore we will establish new services, adapted to the clients’ needs.

Subsidies agent: The European Union commission gives out subsidies to wineries throughout Europe to help them develop their activity. However, it is difficult for some wineries to actually receive the right subsidies needed and to have information. We want to be an agent to facilitate the wineries to have access to these subsidies. We can ask for a commission from the subsidies received by the winery. As facilitator to the wineries, it will be a win-win situation for both parties.

Business Analyst Consultant for M&A: As the Spanish wine sector is well known around the world and with the crisis affecting this sector, it is now more attractive for foreign investors to look into investing in the Spanish wine market. It is an opportunity for Mondovi to use our acquired position in that sector to become a business analyst consultant for mergers and acquisitions.
7.3. Segmentation & Targeting & Positioning

Typical ways of segmenting business market are by industry, resource, location, purchasing attitude or company size. By going after segments instead of the whole market, Mondavin has a much better chance to deliver value to clients and to receive maximum rewards for close attention to customer needs. The key variable or segmenting the Spanish wine industry is the Earnings before Interest, Taxes, Depreciation and Amortization (EBIDTA), which represents a valuable performance indicator for each winery. We estimate that companies have an average spending on consultancy projects which not exceed 2% of the yearly EBIDTA.

<table>
<thead>
<tr>
<th>Segment</th>
<th>EBIDTA</th>
<th># of Wineries</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>&lt; 500.000€</td>
<td>4.101</td>
<td>Too small to consult</td>
</tr>
<tr>
<td>2</td>
<td>&gt; 500.001€ &lt; 1.000.000€</td>
<td>126</td>
<td>Basic consulting</td>
</tr>
<tr>
<td>3</td>
<td>&gt; 1.000.001€ &lt; 14.999.999€</td>
<td>146</td>
<td>Target Market</td>
</tr>
<tr>
<td>4</td>
<td>&gt; 15.000.000€</td>
<td>10</td>
<td>Big Players</td>
</tr>
</tbody>
</table>

The table shows the segmentation into 4 different segments according to the EBIDTA of each winery. We exclude all wineries with an EBIDTA smaller than 500.000€, Segment 1, because we consider their available amount for consulting services will be too low. This leads to 282 potential clients, segments 2, 3 and 4.

**Targeting Segment 3: Target Market**

Segment 3 shows the highest structural attractiveness, hence the comprised wineries have the financial capacity to contract consulting and share the same needs. In addition, the size of the segment is sufficient to target the wineries directly and obtain market share. The comprised wineries usually have a company structure with an included Sales and/or Marketing department but demonstrate the need for external expertise. For this reason, Mondavin will direct all serves directly to the Segment 3 and our projects are designed to serve this segment best.

Our approach is focused to serve the needs of this segment, however, Segment 2 and Segment 4 will be targeted as well.

**Targeting Segment 2: Basic Consulting**

Segment 2 consists of 126 wineries with an EBIDTA bigger than 500.001€ and smaller than 1.000.000€. Mondavin will offer all services to wineries of this segment, adapted to the financial potential to each winery. Our expectations are that we principally sell Benchmarking projects and Customer Management projects.
Targeting Segment 4: Big Player

Segment 4 consists of the 10 main player of the winery sector in terms of EBIDTA.

They possess their own resources to identify and value their customers and seize the customers according to already implemented CRM systems. Thus we conduct that we will sell mainly Benchmarking projects. However we consider the Big Players an attractive segment, once we built up a track record of projects and a corresponding reputation.

Position Statement:

To target wineries in Spain which have a need for external expertise and consultancy in

Customer Value Analysis
Market - Customer Management
CRM software solutions - Customer Management and
Benchmarking,

Mondavin offers niche consulting and services that are tailored to the individual need of each winery.

According to the information showed by this McKinsey matrix, Mondavin wants to place itself as “Proceed with care”. As we are new in the market and nobody knows Mondavin we have to take care with the steps we give in order not to fail during the early phases of the company. That means that from the competitive side, we have to sell our image of boutique consultancy with 4 experts in the sector and customize service proposition, completely adapted and continuous supervision of the project. In this sense, we offer trust to the customers, key in the consulting business, and proactivity when implementing.

From the market attractiveness point of view we are oriented not to the top 10 wineries but to the rest of companies with very good revenues (what we defined by segments 2 and 3) and a big margin to improve their performance according to the market trends.
This positioning let us think that once we have set up Mondavin and with the first steps done as we describe in the marketing plan and our market entry strategies, we will be able to find an ocean towards where we could go and achieve a growth position to keep on improving as planned during the following years.

7.4. Marketing Mix

Mondavin’s Marketing Mix is Business to Business oriented and we consider the mass media not a considerable method to communicate our services and selling position. Our Marketing Mix is adapted to the specific conditions of Business to Business Marketing and the tight financial situation as a start up. In the Marketing Mix we will explain our activities dividing them between first year activities and the ongoing activities. Later on, after the initial steps and with a longer track record we will be able to develop new strategies and new channels to communicate our services and selling propositions. The following *Essential activities* are complementary to the described above 2-way market entry strategy.

7.4.1. Essential activities

During the first 12 months the Marketing activities will be very oriented to the use of us, the 4 partners as resources to communicate our consulting business and as commercial agents. In this sense, according to Mondavin’s positioning as a boutique consulting and considering the start up status, we will choose two main channels to contact the wineries we target:

- Visits to the wineries and Denominaciones de Origen (D.O.)

On a weekly basis, the 4 Mondavin partners will plan the visit to the wineries included in our database as potential clients. First, we will have a telephone contact with them, fixing a date and preparing a presentation of Mondavin and our services. Main part of the presentation will be specific touching points, which we detected in a previous research and find interesting for that specific winery. Through this micro-marketing we will be able have a better idea of client’s position and try to adapt our services to its company.

In this same way, we will also visit reunions held by the Denominaciones de Origen and their respective Consejos Reguladores. Through these visits we will have access to important information, database improvement and contact list that will help us to present our main services as well as positioning Mondavin in the wine market. This visiting work will be done in a monthly basis and depending on the agenda we will try to make coincide in the same days the visits to the wineries with a Consejo Regulador in order to take advantage of our travel and save some money. The way to contact with the Consejos will be the same as we describe in the previous paragraph when explaining the visit to the wineries. We will fix a date to visit them by telephone and depending on the importance one to four partners will attend and present Mondavin and its services.

With this powerful tool our aim is to propose to potential clients our services and the benefits which, at a certain stage lead into a project proposal to start the working relationship with that client.

*Cost: travel expenses of partner/visit (150€ each)*

*Expected visits: 40 wineries and 10 D.O./year*
- Mail contact

Besides the visits, in the first 12 months we will focus in cost efficient ways to contact the clients. According to the database we created, we will be able to identify not only the General Manager of the winery but also the CFO, COO and CMO. This mailing will be our a supplementary contact tool to promote Mondavin's services.

*Cost: hour of partner/email (100€ each)*

- Brand image

To create awareness and visibility, we developed a brand image and logo that will be used for web design and office material:

![Mondavin Logo](image)

*Cost: 3,000€ for office material*

- www.mondavin.com

   Web Page to used as commercial tool where we can project our services, our company in the press and the contacting area in order to establish another way for the first contact with clients. Here we will include some articles written by the 4 partners analyzing aspects of interest in the winery sector. As well, we would like to include in our web page studies done by experts related to our business.

*Cost: 1,000€ for design & maintenance/year*
7.4.2. General activities

After this first 12 months and depending on the success of our company in the start up, we will consider new communication tools to have presence in the consulting market:

- Breakfast

Every 3 months, Mondavin will invite all its clients and potential ones to a breakfast where we will present our benchmarking work and data while we will have the opportunity to be closer to our target and to establish a closer relation with the clients and the potential ones. Besides, some experts will give us their opinion, their point of view of different aspects of our business. They will be consultants, marketing directors, wine sector professionals depending on their agenda.

Cost: 2.000€/breakfast

Cost: 1.000€/expert

- Fairs

It is an expensive tool that we will not be able to use from the very beginning of our existence but will be interesting to take into account in the future. Visiting fairs as Vinexpo (yearly in Bordeaux) or the International wine forum (every 2 years in La Rioja) and having a stand presence there where showing our core business will be essential to gain contacts and projects for the future due to the level of wineries attending this kind of events.

Cost: 10.000€/fair

6.5. Pricing

Our pricing strategy is based on a flat rate by service which will be explained in the following table. We separate Segment 2 and Segment 3 and correlate them with different prices according to the different costs:

<table>
<thead>
<tr>
<th>SEGMENTS</th>
<th>2</th>
<th>3&amp;4</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCT/PRICE</td>
<td>500.001€</td>
<td>1.000.000€</td>
</tr>
<tr>
<td>Benchmarking</td>
<td>€ 6.500,00</td>
<td>€ 8.000,00</td>
</tr>
<tr>
<td>Customer Value Analysis</td>
<td>€ 10.000,00</td>
<td>€ 20.000,00</td>
</tr>
<tr>
<td>CRM Implementation</td>
<td>€ 32.000,00</td>
<td>€ 47.000,00</td>
</tr>
<tr>
<td>Marketing Management</td>
<td>€ 16.000,00</td>
<td>€ 25.000,00</td>
</tr>
</tbody>
</table>

A detailed sales plan will be part of 10. Financial Plan.
8. Operations Plan

The following section will identify the proposed operational plan for Mondavin. Included are the general operating procedures and special procedures of the 4 specific services: Customer Value Analyze, Marketing Management, Customer Relationship Management and Benchmarking. Also included are 4 tables outlining the specific requirements and assets required for each service. We defined a mainframe of 5 phases that all projects will run through:

8.1. Preliminary Analysis

The first phase consists of analyzing and (pre) defining the client’s needs.

- Data capitation interview (getting to know client’s needs)
- Analyze: internal analyze of data/needs + scouting
- General customer analyze

Benchmarking special:

- Check availability of internal data from customer
- Identify problem areas & Identify other industries that have similar processes
- Survey other wineries and own database for measures and best practice

Customer Value Analyze special:

- Analyze Customer Data Base

Customer Relationship Management special:

- Analysis & Design: The objective is to understand the business requirements and define the processes and architecture needed to support and deliver those requirements.
8.2. Project Planning

Here we establish the project management and planning to be presented to the client.

**Customer Relationship Management special:**

Researching and Selecting Market Opportunities  Planning Marketing Tactics

8.3. Contracting

The project proposal will be presented to the client and after approval we will sign a sign contract.

8.4. Project Execution

The Project Execution phase will be adapted to each service individually and is split up into 3 different sub-phases:

![Development - Implementation and Training - Support & Results Communication](image)

**Service 1: Benchmarking**

The following section will identify the proposed steps for executing a Benchmarking project. Although such projects are typically operated cumulative, the sequence is defined for one client.

a) Development

- Extract data from the companies
- Check comparability of data with Benchmarking framework
- Add suitable parameters if necessary
- Adapt our standard process of analyze if needed
- Contact Controlling and/or Finance Department and Marketing & Sales
- Assign winery partners with task to enable data comparison
- Interview Marketing & Sales force to ensure to capture all data and knowledge
- Elaborate ranking of key performance areas for each core process (and our offered services)
b) Implementation and Training

No phase needed for Benchmarking

c) Support and Results Communication
  - Prepare comparison PPT & Report
  - Break down the drivers and footings of key performance indicators
  - Execute comparison with best practice & highlight differences
  - Sum differences for a project proposal for corrective actions
  - If proposal is feasible, prepare proposal for meeting
  - Justify the changes and strategies needed to make those goals reality
  - Present results & proposal to Steering Committee

**Service 2: Customer Value Analyze**

a) Development
  - Create Segmentations
  - Evaluate segments profitability
  - Define Clusters

b) Implementation and Training
  - Change the Data Base with the new segmentation
  - Implement marketing and Sales based on the clusters

c) Support and Results Communication
  - Identify improvements and market opportunities

**Service 3: Customer Relationship Management**

a) Development
  - Construction (execution): The software is developed or customized, and unit tested. Data migration and interfaces are also developed
b) Implementation and Training

- Implementation: System is tested, from an integrated perspective, and users are trained. Cut over plans from legacy systems to new systems are developed and data cleaning and testing executed.

C) Support and Results Communication

- Go-Live and support: New systems are implemented. System is established and transferred to a maintenance organization.

**Service 4: Marketing Management**

a) Development

- Developing Market Strategies

b) Implementation and Training

- Implementing and Controlling the Marketing Effort; Training through seminars

c) Support and Results Communication

**8.5. Closing**

The last phase is for closing accounts and capture data and knowledge.

**8.6. Resources Needed**

- Office Requirements

Mondavin will rent an office in:

Jorge Juan, 70, 28028 Madrid; 90 m² monthly rental: 1.000€, security 1.000€ as deposit

- Office equipment and furniture

We will establish our office with:

- furniture cost 2.500€

- 4 Laptops 3.000€

- 1 Table PC 500€

As we mentioned further in this part, Knowledge management is an important activity for a consulting company. Hence, we will need a software helping us keeping our data updated and facilitating the data-capture and data-sharing to all the employees in the company. Microsoft provides a good product to manage the knowledge of a company therefore, we will acquire this product for Mondavin’s personal use.
8.7. Service Development & Market Testing

Mondavin provides to its customers the market testing tool to have first source of information, data of very good quality that we will be given many of the times for free and that would be very useful to orientate our actions in the proper way to be able to offer the winery the key services and provide it with the best tools to reach its target customers.

To do market testing Mondavin will follow 2 ways, one internal and related directly to our customers and another one external, more focused in the direct observation and the study of the fieldwork.

- Clients meeting

This tool should be considered as one of the main information resources that Mondavin will be able to have access. Here lays one of the main reasons for the success of Mondavin among the wineries and the winery among the sector.

Communication is very important to develop this business process. It has to be fluent and bidirectional. As we have been saying along the project development, the basis of a consultancy such as Mondavin is to gain client’s trust in order to be able to offer successful solutions to the wineries problems.

In that sense, Mondavin’s way of working will be very proactive proposing weekly meetings with the clients in order to check how is going the project, evaluate it and define during the project possible changes or reactions to take the maximum advantage of the situation.

- Mystery shopping

This is the moment where Mondavin takes contact with the “real life”. Through the observation of the situation “in situ” we can modify or boost those aspects that seem to be more relevant for the project.

Reactions, feelings can be seen in the work field and not in the office. As important as the meetings with the client are those infiltrations that will provide us with free information very usable when developing not only the project at that moment but the rest of the projects executed in Mondavin.

When mystery shopping, Mondavin will research attitudes not only in wineries through visits, tastings, telephone calls but also in wine shops, bars, restaurants. All the elements involved in our business will be catalogued and “spied” in order to get the most reliable information and process it to conclude with solutions to implement to Mondavin’s work.

8.8. Quality control
To assure that Mondavin delivers the expected service in accurate quality to the clients, there will be two systems in place:

Check point assessments

First of all, our consultants are in close contact with the client. We establish weekly meeting to discuss the outcomes and tasks with the clients in a steering committee. Thereby we manage client's expectations of the project and assure that the expectations of the client and the objective of the project are aligned. The meetings will be held every Friday and will contain an explanation of the week's tasks and results. Furthermore the next steps will be discussed in the steering committee.

Internal control cascade

For internal quality control, we establish a cascade of control points. The assigned Project Manager ensures the quality and correctness of the weekly analyses within his/her project. Our partners, on a later stage, control the results and tendencies which are built on the analyses from the Project Manager.

Both meetings will be held every 2 weeks of the project and the assigned project manager will hold assessment meetings presenting the results of the project so far. Changes and improvements will be implemented according to the outcomes of the meeting.

Mondavin’s partners will held a meeting every 4 weeks to ensure and discuss the results of each project.

8.9. Third Parties - Software Suppliers

Mondavin has no intention of developing its own software to provide them to its customers. We will work with the most effective software suppliers and provide them our expectations for them to develop a CRM software meeting our clients’ needs. In fact, we will work tightly with them to have good results the first time.

We chose the following software suppliers to work with. AMS, MIS and Elypsis are companies only dedicated to software for wineries, whereas, Oracle and Microsoft have a more broader range of product, they develop different programs for all types of industries.

Advanced Management Systems (AMS): provider of wine industry information systems. They provide a comprehensive suite of software supporting a winery from planting a vineyard, taking the customer's check to the bank, reporting back to investors and all the different activities in between. Provides customization to meet the needs of the customers.

Modular Information Systems (MIS): Vintners Advantage winery software, by Modular Information Systems, is a suite of fully integrated, winery-specific software modules for managing the winemaking process, from the vineyard to the distributor or consumer sale.

Elypsis Inc.: software providers for the wine industry. With its strategic partnership with Microsoft, it has grown to be one of the best in this field. It helps wineries use people, processes, and technology to gain insight into the behavior and value of customers, giving a
comprehensive real-time view of customer relations, retail point-of-sales, wine club memberships and activities, facility operations and management, and accounting.

Oracle: JD Edwards EnterpriseOne is a software that already existed but now they have developed new modules and enhanced features to address the needs of the food and beverage market. The three new modules include Blend Management, Grower Management and Grower Pricing and Payments.

Microsoft Dynamics is a line of familiar, adaptable customer relationship management (CRM) solutions designed to meet almost any business need and help employees make important business decisions confidently. These solutions automate and streamline financial, business intelligence, and supply chain processes in a way that can help drive business success.

8.10. Knowledge Management

When delivering consulting services data management becomes crucial for the success of the company. This business and the way we understand Mondavin it is through the trust between client and company.

Therefore we have to be very accurate with the data we own and it needs to be upgraded continuously. In order to do so, it is very important to have a good communication among the consultants and a proactive disposition to know more about the sector and the market.

Data capture and the creation of contact lists

All the information Mondavin gathers will be incorporated to an internal database to which all the consultants will have access as well as the possibility of rectification and incorporation of new data.

Every step in a project is to be documented and collected to archive. This data will be very useful for future projects and there we will find information related to the winery related with contact people, level of production, information technology available, resources used, database management, relation establish with the customer.

In the same way, Mondavin will have to ask for the latest data maybe to other companies that have relation with our clients and whose information could be interesting to improve the service we can deliver to the wineries. It is important to have good relation with different suppliers to create with them also the same trust we want to build with our clients.

All this effort should be addressed to what in Mondavin we call “Intellectual Management”, an essential tool to use in our company that will define Mondavin’s success in the sector and our objective of being a consulting company of reference in the next few years.

8.11. Post Sales
Before the project closure there will be a support period estimated depending on the project magnitude in order to ensure that the customer business runs perfectly. The Project Manager remains accountable for the Closure as well as the Consultants and Partners. After a period of 6 months one of our specialists will contact the client to ensure the satisfaction with the results of the project. Thereby he/she will collect further data from the client which can be part of new projects or follow ups. The post sales gain its importance because of 2 facts:

- Our client orientation doesn’t end with the project; we want to keep a close relationship to ensure satisfaction with our services.
- The possibility that a project feeds in the sale of a new project.

9. Human Resources

9.1. Organizational Structure

Mondavin is founded by 4 partners who are working as consultants and have other responsibilities assigned in order to run the business. Besides Partnership, the responsibilities are distributed as follows:

**Yiranís Pérez**: Consultant and in charge of the financial and legal aspects of the firm. She is responsible for developing the financial planning and statements and to provide the internal and external reporting. Also, responsible for the fiscal management aspects of company operations, she provides leadership and coordination in the administrative, business planning, accounting and budgeting efforts of the company. By this we mean that she is responsible for the strategic leadership in the company controlling the short and long term goals decided by the 4 partners.

**Melissa Zephir**: Consultant and in charge of the Information Technology area.
She is responsible for Planning, managing and controlling the technology, systems, strategies and IT operations., to manage the security and the data of the company and plan the applications development. An important responsibility that she has, because it also touches the customer, is the Sub contracting of the IT suppliers and the definition of the best implementation approach to offer our customers on the CRM Service and manage the technological change with the people from the organizations.

**Ignacio Díaz:** Consultant and in charge of Sales and Marketing of Mondavin.

Ignacio is a key contact to external stakeholders and responsible for doing the Public Relations and managing Mondavin's appearance in DO meetings, marketing events and direct contact with wineries. He will direct new product development and ensure the continuing appeal of existing offerings and other growth initiatives to meet the company's revenue and earning targets. He will be the contact point between Mondavin and the wineries and he will play an important role as trust builder for the company, a crucial point in the consulting sector.

**Roman Eberheissinger:** Consultant and in charge of Mondavin’s Operations.

Roman is responsible to align Mondavin's operations with Mondavin's strategic goals and performance targets to ensure a smooth functioning of the company. He will set up the project planning and scheduling, allocating the required infrastructure and resources of people and capital needs across Mondavin to support operating projects. Roman will also establish new procedures and processes and monitor the operational progress and work load against performance targets and planning. After significant growth, Roman will be as well in charge of the Quality Management within Mondavin.

### 9.2. Company policy

#### 9.2.1. Partnership participation

In order to make the best decisions and ensure the company's success, Mondavin's Partners will manage the day-to-day activities of the company with key responsibilities as mentioned under the organizational structure. To coordinate and keep everyone up to date in all business activities, we will have weekly meetings to share and collect data, enhance the intellectual capital platform and present the evolution of the projects in place. This will as well allow the partners to take decisions as a board, where each partner's vote will have 25% weight.

#### 9.2.2. Confidentiality

**Client Privacy Policy**

Mondavin will collect data from its client in order to perform the service. Therefore, it is important to emphasize on the client confidentiality policy. When collecting information about a winery, it will be stored and kept in Mondavin's database with a strict policy of neither sharing nor revealing to third parties the confidential information without the consent of the client or for clear legal reason. All Mondavin employees should adhere to the client privacy policy and not use the client's data for personal
or professional gain. Furthermore, any project done by Mondavin’s consultants will not be shared as samples without the client’s approval.

Mondavin staff & Candidates Privacy Policy

All given information from applicants will be held confidential to Mondavin’s use and won’t be shared with third parties.

Freelancers, such as our Trainees or Junior Consultants, contracted by Mondavin, will sign a clause that they won’t compete, and mustn’t contract wineries personally to offer the wineries any kind of consulting services.

9.2.3. First Meeting Process

One of the basic points of our business is the creation of a powerful database with as many wineries as possible and the different contacts with those wineries. In order to do so and offer our services in the most efficient way, we have to be accurate in the election of the members of the Mondavin Team that will go to the different wineries we will be targeting. The visits will be in pairs in order to be able to collect as many information as possible during the meeting, which we can use when developing a proposal briefing to the winery and planning a potential project.

In cases when we have fixed a visit through a Mondavin’s member contact, he/she will be one of the visitors and will choose his companion according to the information he/she already knows about the client and the possible points to improve the winery could have.

When the first contact is established through the Observatorio (OeMV) without any previous contact with the winery, a brief analysis will be done in order to choose the best 2 consultants. The assigned consultants will, as described in the operations plan, execute a scouting analyze to find essential points and a possible "burning platform" of the specific winery. This procedure will help Mondavin members to prepare a project proposal for the client.

9.2.4. Source & Select

The process of sourcing and selecting new members for Mondavin will be part of the responsibilities of the Mondavin Management Team. When sourcing a position we will use specialized WebPages such as www.jobpilot.es and www.infojobs.es which offer free access to potential candidates for companies. Furthermore we will use the connection to the Escuela de Organización Industrial (EOI) to contact students of the Master courses. The job advertisements for the General Management Assistant, Trainee and Junior Consultant are orientated on the in 7.3 Future workforce: Profiles & Job Description developed job requirements. The selection process will be divided in 2 parts: A case study designed as part of a project and a personal interview. Goals are to expose the “fit” of the candidate within the Mondavin Company. The interview and the case study will be held by one of the 4 partners of Mondavin.

To ensure the standard of our selection process we establish a set of competencies to be measured within the case study and the interview.
Education / Training

The candidate has the necessary education and/or training required by the position.

- Exceeds requirements
- Meets requirements
- Needs a little more training
- Doesn't meet requirements

Comments:

Work Experience

The candidate has prior work experience that is related to the position

- Extensive experience
- Meets requirements
- Not related but transferable skills
- No prior experience
- Not needed

Comments:

Analytical skills

All our services are based on analysis, so we need people skilled in qualitative and quantitative data analysis in order to provide accurate solutions to our customer.

- Exceeds requirements
- Meets requirements
- Needs a little more training
- Doesn't meet requirements

Comments:

Marketing knowledge

As a functional competency, marketing describes the knowledge and educational background in the services Mondavin is offering: Customer Value Analysis, Benchmarking, Marketing / Process re-engineering, CRM software solutions - Customer Management. The worker is able to carry out business fundamentals in the subject and adopt them to different scenarios.

- Exceeds requirements
- Meets requirements
- Needs a little more training
- Doesn't meet requirements

Comments:
**Sector knowledge**
The sector knowledge is a functional knowledge of the Spanish wine sector, its major players and the drivers in the wine industry. The sector knowledge is fundamental to understand Mondavin and the inter-relationship of Mondavin in the Spanish wine sector.

- Exceeds requirements
- Meets requirements
- Needs a little more training
- Doesn't meet requirements
- Not needed

Comments:

**Customer Service Oriented**
Our workforce needs to be 100% focused on the customer's wants and needs, clearly understand them, and match their requirements with our services. The candidate demonstrates the ability to be customer focused.

- Exceeds requirements
- Meets requirements
- Needs a little more training
- Doesn't meet requirements

Comments:

**Negotiation skills**

Very related with the communication competence, it measures the capability of the employee to adapt different communications and approaches to reach agreements. In this sense, Mondavin worker will have to focus on the achievement of the objectives established at the beginning of the negotiation process. The candidate demonstrates the ability to adapt different communications and approaches to reach agreements.

- Exceeds requirements
- Meets requirements
- Needs a little more training
- Doesn't meet requirements
- Not needed

Comments:
Problem Solving

Demonstrates the ability to identify complex situations and design innovative solutions to solve upcoming problems.

___ Exceeds requirements
___ Meets requirements
___ Needs a little more training
___ Doesn't meet requirements

Comments:

Communication and interpersonal skills

Highlights the ability to proactively seek and exchange information with clients and other peers in a clear and structured way, both oral and written.

___ Exceeds requirements
___ Meets requirements
___ Needs a little more training
___ Doesn't meet requirements

Comments:

Teamwork

The management and realization of a project requires the work of different people with different background and various skills. Therefore, in order to reach a successful project outcome, it is mandatory to have the group of people involved in the project, work as a team along the project life cycle. Efficient teamwork is relevant for the success of a project. The candidate shows that he/she has the necessary initiative to perform the job successfully and the ability to work well in a team either superiors, peers, and reporting staff.

___ Exceeds requirements
___ Meets requirements
___ Needs a little more training
___ Doesn't meet requirements

Comments:

Time Management

Demonstrates the ability to manage time independently and work efficiently.

___ Exceeds requirements
___ Meets requirements
___ Needs a little more training
___ Doesn't meet requirements

Comments:
Motivation for the Job
The candidate expresses his/her interest and excitement about the job and the company.

___ Exceeds requirements
___ Meets requirements
___ Needs a little more training
___ Doesn't meet requirements

Comments:

Overall Recommendation

___ Highly recommend
___ Recommend
___ Need clarification of qualifications
___ Do not recommend

Comments:

Contracting

When contracting new Mondavin employees we will do it under the "self-employee" regime. That means that the worker will sign a commercial contract with us in which we commit to pay him/her a fixed salary plus a bonus according to performance as it is explained in point f) below. With this type of contract we will spare Mondavin from all the legal aspects of contributing to the social security system for our employees. It will also simplify the process in the case of release an employee.

9.2.5. Develop & Counsel

Besides the trainees who will be contracted at the second year, the junior consultants will also receive a continuous training on the job. They will have the possibility to learn with the partners while doing the work but will also be able to attend different conferences related to our business given at business schools, universities and Chamber of Commerce for instance. The in-house training on the job, provided by the partners, is for the trainees, as well as the junior consultant, an efficient way of developing and improving their skills effectively. In fact, training related to customer service, team building, and project management becomes necessary to increase the interpersonal skill levels of our personnel. The continuous improvement of the workforce will have an impact on the future growth of Mondavin.
9.2.6. Reward & Retain

For all employees of Mondavin we establish a fixed salary system, 12 monthly payments and a bonus. Wages will be paid at the end of each month. See the chart for the specific salaries and evolutions:

We accept low salaries to put emphasis in our contribution in the success of Mondavin and as a positive sign for the investors. Our bonuses will be depending on the year's performance. The bonus pool will be distributed with an equal split up of 25% each partner.

The bonus will depend on the revenues generated and will be distributed based on the year performance of the workers as a 13th payment. The payments will be deposited in a pool which will be distributed according to the positions. As a guideline for the overall distribution we established this split up:

- General Manager Assistant.- 2%
- Trainee.- 3%
- Junior Consultant.- 5%
- Partner (4).- Rest of the pool

The split up is due to change according to the yearly performance and the further growth of Mondavin. When hiring someone new, we will establish his category and assign him the correspondent bonus maximum. The performance will be evaluated according to the following template and will have an impact on the bonus as follow:

100% - 90% performance- 100% of bonus
89% - 80% of performance - 75% of bonus
79% - 60% of performance - 50% of bonus
>60% - no bonus
Template for project evaluation & promotion

The performance of all employees will be measured after each project closure. Each parameter will be evaluated by the consultant in charge through 4 levels: "Outstanding - Good - Fair - Unsatisfactory". These are the parameters to be taken into consideration:

- Primary research: The ability to capture data from the client

- Secondary research: In the development phase, how the consultant selects the appropriate information for a specific project

- Team management: The way the consultant will handle his teamwork

- Process management: From the beginning to the project closure, this will help assess the consultant’s ability to manage the different project’s phases

- Communication: As one of our required skills, the ability to communicate is one of the most important skills that a consultant has to master

- Intellectual Capital creation: The ability of the consultant to provide new ideas and solutions to a problem

- Professional maturity: After each project, a consultant should gain a professional maturity out of that experience. The way he/she uses this experience for further project will prove he/she is gaining professional maturity.

With these measurements, we will be able to identify the points of each consultant for further improvements but also their strong characteristics. This will help us promote our consultants and reward them according to their performance as we show previously. In that sense, good performing trainees could go up in the scale and become a junior consultant and, in the same way, junior consultants with good results in the evaluation will be promoted to the consultant status.
9.3. Future workforce: Profiles & Job Description

9.3.1. General Management Assistant

Job descriptions & requirements:
In the 2nd year, we forecast an increase in the number of projects we will have. Therefore, we will hire a general management assistant to help us manage and coordinate the different projects we will have undergoing. He/she will have the delegated work and will be in charge of the daily activities in the office. The skills required are related to coordination, analyzing and working under pressure.

The person who will occupy this position must meet some requirements:

Educational background:
As he/she will be in charge of many general activities on a daily basis, it is required to have at least a bachelor degree. This will prove that this person has basic knowledge, a sense of organization and responsibilities.

Specific knowledge:
A specific knowledge is not required, however a general knowledge about office administration and computer skills are needed.

Work experience:
A minimum of 2 years of experience is required in order for us to be reassured that we can delegate some work to do that person. We don’t want to have to verify every single thing done by him/her.

Age range:
Someone from 23 to 45 years old will be able to have some experience, maturity and grow with the company.

Competences:
A communicative person with soft competences such as organizational skills, capability of working under pressure, with patience and a good presentation.

Gross Salary: From 10,000€ to 14,000€ yearly

For the second year, as we expect to increase the number of project, we will need to hire 1 Junior Consultant and 3 Trainees.
9.3.2. **Trainee**

**Job descriptions & requirements:**
The Trainee program lasts 1 year and offers the opportunity to a newly graduated student to learn and practice about the consulting business in our firm. The chosen candidate will work in different projects and will be coached by the partner. At the end of the program, the idea is to promote this trainee to Junior Consultant.

Educational background:
Business Administration, Industrial engineering, IT engineer

Specific knowledge: None
Work experience: None
Age range: 23-26
Soft Competences:
Curious, easy learner, responsible, team player, creative
Gross Salary: From 8,000€ to 10,000€ yearly

9.3.3. **Junior Consultant**

**Job descriptions & requirements:**
For this position we require consultants with 1-2 years experience in marketing and/or IT projects that will help us provide quality service to our customers. Some projects might be assign directly to them, depending on expertise and project complexity. English and winery sector knowledge are a plus for the candidates.

Educational background:
Business Administration, Industrial engineering, IT engineer

Specific knowledge:
CRM or system implementations, Strategy and Marketing, Business

Work experience: 1 - 2 years
Age range: 26 – 30
Soft Competences: None
Gross Salary: From 13,000€ to 15,000€ yearly
Index 1: Personnel Specification

Job Title:  

<table>
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<th>Criteria</th>
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<th>Desirable</th>
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<td>*Circumstances</td>
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<tr>
<td>Indicate if any special circumstances are attached to this post. (e.g. shifts, travel)</td>
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*Should only be included if a justifiable requirement for the job.

NB: Drawn up by employer based on minimum versus ideal requirements of the position as a result of a Job Description.
10. Financial Plan

Our financial plan aims to inform the investors about the economics of our business plan, the sales expectations in 3 scenarios and the management of the financial resources. The most likely scenario is described in detail in the following paragraphs and the pessimistic and optimistic scenarios can be found in the Appendix.

In the financial plan, we want to point out the importance of the partnership between investor and the Mondavin Management team and the total implication on the 4 Mondavin partners in the business.

10.1. Initial Investment

Mondavin is looking forward to an initial investment of 60,000€ to start its business. The composition of the capital inflow is the following:

**Equity:**
- Partner Class A: A subscription of 51% of shares; each partner invests 5,100€ to amount 20,400€
- Investor Class B: A subscription of 49% of preferred shares by investors to amount 19,600€

**Loan:**
- A loan of 20,000€ given by investors

The loan has a payback period of 2 years and an interest of 10%. It will be paid back quarterly in starting Q1, March, 2012. This will be displayed in the Treasury.

We will subscribe a total of 196 share of a subscription value of 100€ each. The minimum of shares to buy is 50. The commitment of each shareholder is to bring an inflow of capital plus 102€ to be considered as a loan.

Ex. If an investor subscribes to 100 shares = 10,000€, he equally gives us a loan of 10,200€.

As an investor we search especially for a sector expert and target e.g. Angel de Jaime Baró, former general director of the D.O. La Rioja as chairman of the board. He will support us with his sector knowledge, contacts and advice.

Our estimations are that we distribute dividends of 15% to all shareholders “Investor Class B” starting year 2. Thereby Mondavin offers a incentive for the shareholders to contribute to the success of Mondavin, like the chairman of the board.
### 10.2. Sales

In the 3 following tables, we describe the forecasted sales:

**Year 2011**

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**Year 2012**

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The net-profit of the first year will be balanced 100% retained earnings, hence we need a sufficient level of working capital in 2012. Starting 2012 we will pay 5.000€ in dividends and 10.000€ in 2013. This amount will be added to the retained earnings. In order to pay as less taxes as possible, we will establish a bonus pool for the earnings before taxes and distribute the amount as bonuses among the Mondavin partners and the workforce.

<table>
<thead>
<tr>
<th>Sales</th>
<th>Price</th>
<th>Quarter 1</th>
<th>Quarter 2</th>
<th>Quarter 3</th>
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<td>(Segm 2) Benchmarking</td>
<td>Units</td>
<td>7</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
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<td>6.500,00</td>
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</tr>
<tr>
<td>(Segm 2) Customer Value Analysis</td>
<td>Units</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
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<td></td>
<td></td>
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<td>20.000</td>
<td>10.000</td>
<td>50.000</td>
</tr>
<tr>
<td>(Segm 2) CRM Implementation</td>
<td>Units</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>32.000,00</td>
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<td>0</td>
</tr>
<tr>
<td>(Segm 2) Marketing Management</td>
<td>Units</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
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<td>10.000</td>
<td>20.000</td>
<td>10.000</td>
<td>50.000</td>
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<tr>
<td>(Segm 2) CRM Implementation</td>
<td>Units</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>12</td>
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<td></td>
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<td>56.000</td>
<td>32.000</td>
<td>8.000</td>
<td>96.000</td>
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<tr>
<td>(Segm 3) Benchmarking</td>
<td>Units</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>4</td>
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<tr>
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<td>16.000,00</td>
<td>16.000</td>
<td>16.000</td>
<td>16.000</td>
<td>64.000</td>
</tr>
<tr>
<td>(Segm 3) Customer Value Analysis</td>
<td>Units</td>
<td>7</td>
<td>4</td>
<td>1</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16.000,00</td>
<td>16.000</td>
<td>16.000</td>
<td>16.000</td>
<td>64.000</td>
</tr>
<tr>
<td>(Segm 3) CRM Implementation</td>
<td>Units</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23.500</td>
<td>23.500</td>
<td>23.500</td>
<td>23.500</td>
<td>70.500</td>
</tr>
<tr>
<td>(Segm 3) Marketing Management</td>
<td>Units</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25.000,00</td>
<td>25.000</td>
<td>50.000</td>
<td></td>
<td>100.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25.000</td>
<td>25.000</td>
<td>50.000</td>
<td></td>
<td>100.000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>216.000</td>
<td>157.500</td>
<td>77.500</td>
<td>74.500</td>
<td>525.500</td>
</tr>
</tbody>
</table>
In terms of numbers, Benchmarking represents 51% of our project, which is due to our 2 ways market entry strategy, but in terms of value our revenues are more equally distributed. And our revenue drive is the Marketing service. Comparing the projects in year 1, we can see that the project distribution is mostly the same. The reason for that is that we need a sufficient number of wineries for the first Benchmarking phase to enter the market.
Here you can see the sales revenues and the number of projects in the first three years divided by services:

The graphics show that in terms of numbers, Benchmarking is our most popular service but the sales figures show that the other services offer a higher margin. This is related to our strategy where Benchmarking is used as an enabler for further projects and services.
10.3. Profit & Loss

This is the Profit & Loss statement in the most likely scenario planned for the first 3 years of operation.

<table>
<thead>
<tr>
<th>Concept</th>
<th>1</th>
<th>% / Ventas</th>
<th>2</th>
<th>% / Ventas</th>
<th>3</th>
<th>% / Ventas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>€ 249,500.00</td>
<td>100%</td>
<td>€ 328,500.00</td>
<td>100%</td>
<td>€ 525,500.00</td>
<td>100%</td>
</tr>
<tr>
<td>Variable costs of buying and selling</td>
<td>€ 15,285.00</td>
<td>6%</td>
<td>€ 17,755.00</td>
<td>5%</td>
<td>€ 31,365.00</td>
<td>6%</td>
</tr>
<tr>
<td>Gross Margin / Sales</td>
<td>€ 234,215.00</td>
<td>94%</td>
<td>€ 310,745.00</td>
<td>95%</td>
<td>€ 494,135.00</td>
<td>94%</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>€ 84,000.00</td>
<td>34%</td>
<td>€ 132,000.00</td>
<td>40%</td>
<td>€ 218,000.00</td>
<td>41%</td>
</tr>
<tr>
<td>Social charges</td>
<td>€ 19,824.00</td>
<td>8%</td>
<td>€ 28,772.00</td>
<td>9%</td>
<td>€ 46,380.00</td>
<td>9%</td>
</tr>
<tr>
<td>Utilities: electricity, water, telephone, gas oil</td>
<td>€ 8,400.00</td>
<td>3%</td>
<td>€ 8,400.00</td>
<td>3%</td>
<td>€ 8,400.00</td>
<td>2%</td>
</tr>
<tr>
<td>Office supplies</td>
<td>€ 3,600.00</td>
<td>1%</td>
<td>€ 3,600.00</td>
<td>1%</td>
<td>€ 3,600.00</td>
<td>1%</td>
</tr>
<tr>
<td>Advertising and Promotions</td>
<td>€ 6,000.00</td>
<td>2%</td>
<td>€ 6,000.00</td>
<td>2%</td>
<td>€ 6,000.00</td>
<td>1%</td>
</tr>
<tr>
<td>Leases</td>
<td>€ 12,000.00</td>
<td>5%</td>
<td>€ 12,000.00</td>
<td>4%</td>
<td>€ 12,000.00</td>
<td>2%</td>
</tr>
<tr>
<td>Equipment Depreciation</td>
<td>€ 4,554.00</td>
<td>2%</td>
<td>€ 4,554.00</td>
<td>1%</td>
<td>€ 4,554.00</td>
<td>1%</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>€ 138,378.00</td>
<td>55%</td>
<td>€ 195,326.00</td>
<td>59%</td>
<td>€ 298,934.00</td>
<td>57%</td>
</tr>
<tr>
<td>Provision for Partner bonus</td>
<td>€ 30,723.00</td>
<td>13%</td>
<td>€ 33,312.00</td>
<td>11%</td>
<td>€ 50,400.00</td>
<td>14%</td>
</tr>
<tr>
<td>Provision for staff bonus</td>
<td>€ 1,617.00</td>
<td></td>
<td>€ 8,328.00</td>
<td></td>
<td>€ 21,600.00</td>
<td></td>
</tr>
<tr>
<td>Earnings Before Interest and taxes (EBIT)</td>
<td>€ 63,497.00</td>
<td>25%</td>
<td>€ 80,619.00</td>
<td>25%</td>
<td>€ 123,201.00</td>
<td>23%</td>
</tr>
<tr>
<td>Financial Expenses</td>
<td>€ 2,000.00</td>
<td>1%</td>
<td>€ 2,000.00</td>
<td>1%</td>
<td>€ 1,000.00</td>
<td>0%</td>
</tr>
<tr>
<td>Financial Results</td>
<td>-€ 2,000.00</td>
<td>-1%</td>
<td>-€ 2,000.00</td>
<td>-1%</td>
<td>-€ 1,000.00</td>
<td>0%</td>
</tr>
<tr>
<td>Earnings Before Interest (EBIT)</td>
<td>€ 61,497.00</td>
<td>25%</td>
<td>€ 78,619.00</td>
<td>24%</td>
<td>€ 122,201.00</td>
<td>23%</td>
</tr>
<tr>
<td>Earnings Before taxes (EBT)</td>
<td>€ 61,497.00</td>
<td>25%</td>
<td>€ 78,619.00</td>
<td>24%</td>
<td>€ 122,201.00</td>
<td>23%</td>
</tr>
<tr>
<td>Tax Provision</td>
<td>€ 15,374.00</td>
<td>6%</td>
<td>€ 19,655.00</td>
<td>6%</td>
<td>€ 30,550.00</td>
<td>6%</td>
</tr>
<tr>
<td>Cumulate Results before taxes</td>
<td>€ 46,123.00</td>
<td>18%</td>
<td>€ 58,964.00</td>
<td>18%</td>
<td>€ 91,651.00</td>
<td>17%</td>
</tr>
</tbody>
</table>

Mondavin’s Profit & Loss statement is as well as the Balance defined by our light structure. Salaries and Bonuses, distributed depending on the year’s performance, are the cost centers. Our net profit is determined to be the retained earnings for the following year, adding the difference between revenues and net profit to the distributed bonuses.
10.4. Balance sheet

This is the initial balance sheet, and the planned for the end of the first year:

<table>
<thead>
<tr>
<th></th>
<th>Year 0</th>
<th>%</th>
<th>€</th>
<th>%</th>
<th>€</th>
<th>%</th>
<th>€</th>
<th>%</th>
<th>€</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Tangible Fixed Assets</td>
<td>6.000</td>
<td>10.0%</td>
<td>4.020</td>
<td>3.1%</td>
<td>3.045</td>
<td>1.7%</td>
<td>3.045</td>
<td>1.7%</td>
<td>570</td>
<td>0.2%</td>
</tr>
<tr>
<td>Net Intangible Assets</td>
<td>4.800</td>
<td>8.0%</td>
<td>3.216</td>
<td>2.5%</td>
<td>1.632</td>
<td>0.9%</td>
<td>1.632</td>
<td>0.9%</td>
<td>48</td>
<td>0.0%</td>
</tr>
<tr>
<td>Financial fixed assets</td>
<td>1.000</td>
<td>1.7%</td>
<td>1.000</td>
<td>0.8%</td>
<td>1.000</td>
<td>0.6%</td>
<td>1.000</td>
<td>0.6%</td>
<td>1.000</td>
<td>0.4%</td>
</tr>
<tr>
<td>Amortization Expenses Net</td>
<td>3.000</td>
<td>5.0%</td>
<td>2.010</td>
<td>1.6%</td>
<td>1.020</td>
<td>0.6%</td>
<td>1.020</td>
<td>0.6%</td>
<td>30</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Realizable</td>
<td>2.664</td>
<td>4.4%</td>
<td>58.700</td>
<td>45.8%</td>
<td>60.600</td>
<td>33.8%</td>
<td>38.707</td>
<td>16.7%</td>
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<tr>
<td>Treasury</td>
<td>42.536</td>
<td>70.9%</td>
<td>59.201</td>
<td>46.2%</td>
<td>112.053</td>
<td>62.5%</td>
<td>192.116</td>
<td>82.6%</td>
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<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>60.000</td>
<td>100.0%</td>
<td>128.147</td>
<td>100.0%</td>
<td>179.350</td>
<td>100.0%</td>
<td>232.471</td>
<td>100.0%</td>
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<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
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<td>86.123</td>
<td>67.2%</td>
<td>145.087</td>
<td>80.9%</td>
<td>184.865</td>
<td>79.5%</td>
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<td></td>
</tr>
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<td>Reserves</td>
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<td>0</td>
<td>0</td>
<td>46.123</td>
<td>25.7%</td>
<td>53.964</td>
<td>23.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit and Loss Exercise</td>
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<td>0</td>
<td>46.123</td>
<td>36.0%</td>
<td>53.964</td>
<td>30.1%</td>
<td>80.901</td>
<td>34.8%</td>
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</tr>
<tr>
<td>Dividends</td>
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<td>0</td>
<td>5.000</td>
<td>2.8%</td>
<td>10.000</td>
<td>5.6%</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long Term Liabilities</strong></td>
<td>20.000</td>
<td>33.3%</td>
<td>20.000</td>
<td>15.6%</td>
<td>10.000</td>
<td>5.6%</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Term Financing</td>
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<td>33.3%</td>
<td>20.000</td>
<td>15.6%</td>
<td>10.000</td>
<td>5.6%</td>
<td>0</td>
<td>0</td>
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<td></td>
</tr>
<tr>
<td>Other Creditors (leasing)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C/C Partners and Administrators</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Short Term Liabilities</strong></td>
<td>0</td>
<td>0.0%</td>
<td>22.024</td>
<td>17.2%</td>
<td>24.263</td>
<td>13.5%</td>
<td>47.606</td>
<td>20.5%</td>
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<td></td>
</tr>
<tr>
<td>Credit Institutions</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Creditors</td>
<td>0</td>
<td>0</td>
<td>4.680</td>
<td>3.7%</td>
<td>2.000</td>
<td>1.1%</td>
<td>4.680</td>
<td>2.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries Payable</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Creditors (H.P.)</td>
<td>0</td>
<td>0</td>
<td>17.344</td>
<td>13.5%</td>
<td>22.263</td>
<td>12.4%</td>
<td>42.926</td>
<td>18.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total External Resources</strong></td>
<td>60.000</td>
<td>100.0%</td>
<td>106.123</td>
<td>82.8%</td>
<td>155.087</td>
<td>86.5%</td>
<td>184.865</td>
<td>79.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>60.000</td>
<td>100.0%</td>
<td>128.147</td>
<td>100.0%</td>
<td>179.350</td>
<td>100.0%</td>
<td>232.471</td>
<td>100.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10.5. Working Capital

This is the cash flow statement for the 1st year:

<table>
<thead>
<tr>
<th>Concept</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial balance (1)</td>
<td>€ 42,536,00</td>
<td>€ 5,141,00</td>
<td>€ 49,320,00</td>
<td>€ 121,041,00</td>
<td></td>
</tr>
<tr>
<td>Sales Charge</td>
<td>€ 70,600,00</td>
<td>€ 96,400,00</td>
<td>€ 23,800,00</td>
<td>€ 190,800,00</td>
<td></td>
</tr>
<tr>
<td>VAT, Impact</td>
<td>€ 12,708,00</td>
<td>€ 17,352,00</td>
<td>€ 4,284,00</td>
<td>€ 34,344,00</td>
<td></td>
</tr>
<tr>
<td><strong>Total Entries (2)</strong></td>
<td>€ 83,308,00</td>
<td>€ 113,752,00</td>
<td>€ 28,084,00</td>
<td>€ 225,144,00</td>
<td></td>
</tr>
<tr>
<td>Buying Payment</td>
<td></td>
<td></td>
<td></td>
<td>€ 3,120,00</td>
<td>€ 3,120,00</td>
</tr>
<tr>
<td>Payment of other variable costs</td>
<td>€ 1,770,00</td>
<td>€ 3,240,00</td>
<td>€ 240,00</td>
<td>€ 7,485,00</td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>€ 21,000,00</td>
<td>€ 21,000,00</td>
<td>€ 21,000,00</td>
<td>€ 21,000,00</td>
<td>€ 84,000,00</td>
</tr>
<tr>
<td>Social charges</td>
<td>€ 4,956,00</td>
<td>€ 4,956,00</td>
<td>€ 4,956,00</td>
<td>€ 4,956,00</td>
<td>€ 19,824,00</td>
</tr>
<tr>
<td>Utilities: electricity, water, telephone, gas oil</td>
<td>€ 2,100,00</td>
<td>€ 2,100,00</td>
<td>€ 2,100,00</td>
<td>€ 2,100,00</td>
<td>€ 8,400,00</td>
</tr>
<tr>
<td>Office supplies</td>
<td>€ 900,00</td>
<td>€ 900,00</td>
<td>€ 900,00</td>
<td>€ 900,00</td>
<td>€ 3,600,00</td>
</tr>
<tr>
<td>Advertising and Promotions</td>
<td>€ 1,500,00</td>
<td>€ 1,500,00</td>
<td>€ 1,500,00</td>
<td>€ 1,500,00</td>
<td>€ 6,000,00</td>
</tr>
<tr>
<td>Leases</td>
<td>€ 3,000,00</td>
<td>€ 3,000,00</td>
<td>€ 3,000,00</td>
<td>€ 3,000,00</td>
<td>€ 12,000,00</td>
</tr>
<tr>
<td>Financial charges</td>
<td>€ 500,00</td>
<td>€ 500,00</td>
<td>€ 500,00</td>
<td>€ 500,00</td>
<td>€ 2,000,00</td>
</tr>
<tr>
<td>Year end Bonus Partners</td>
<td></td>
<td></td>
<td></td>
<td>€ 30,723,00</td>
<td>€ 32,340,00</td>
</tr>
<tr>
<td>Year End Bonus Staff</td>
<td></td>
<td></td>
<td></td>
<td>€ 1,617,00</td>
<td></td>
</tr>
<tr>
<td>VAT Supported</td>
<td>€ 1,669,00</td>
<td>€ 1,933,00</td>
<td>€ 1,393,00</td>
<td>€ 2,314,00</td>
<td>€ 7,309,00</td>
</tr>
<tr>
<td><strong>Total Outputs (3)</strong></td>
<td>€ 37,395,00</td>
<td>€ 39,129,00</td>
<td>€ 35,589,00</td>
<td>€ 73,965,00</td>
<td>€ 186,078,00</td>
</tr>
<tr>
<td>Quarterly VAT Clearance. (4)</td>
<td>€ 4,333,00</td>
<td>€ 6,442,00</td>
<td>€ 15,959,00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury period = (2) + (3) + (4)</td>
<td>€ 37,395,00</td>
<td>€ 44,179,00</td>
<td>€ 71,721,00</td>
<td>€ 61,840,00</td>
<td></td>
</tr>
<tr>
<td><strong>Ending Balance = Cash period + (1)</strong></td>
<td>€ 5,141,00</td>
<td>€ 49,320,00</td>
<td>€ 121,041,00</td>
<td>€ 59,201,00</td>
<td></td>
</tr>
</tbody>
</table>
Main ratios:

<table>
<thead>
<tr>
<th>Profitability Ratios</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. (Return on Equity)</td>
<td>49.17%</td>
<td>63.90%</td>
<td>54.30%</td>
</tr>
<tr>
<td>2. (Return on Investment)</td>
<td>53.00%</td>
<td>66.52%</td>
<td>59.39%</td>
</tr>
<tr>
<td>3. Margin on Sales</td>
<td>23.44%</td>
<td>52.13%</td>
<td>60.37%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Efficiency Ratios</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Asset turnover</td>
<td>2.26</td>
<td>1.28</td>
<td>0.98</td>
</tr>
<tr>
<td>2. Current Asset Turnover</td>
<td>2.28</td>
<td>1.29</td>
<td>0.98</td>
</tr>
<tr>
<td>3. Stock Turnover</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Ratios</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Liquidity</td>
<td>4.85</td>
<td>4.77</td>
<td>5.53</td>
</tr>
<tr>
<td>2. Availability</td>
<td>4.85</td>
<td>4.77</td>
<td>5.53</td>
</tr>
<tr>
<td>3. Debt Ratio or Leverage</td>
<td>0.26</td>
<td>0.29</td>
<td>0.22</td>
</tr>
<tr>
<td>4. Fixed assets coverage</td>
<td>112.18</td>
<td>77.96</td>
<td>679.88</td>
</tr>
<tr>
<td>5. Medium-Term Recovery</td>
<td>27 días</td>
<td>27 días</td>
<td>27 días</td>
</tr>
<tr>
<td>6. Medium Term Pay</td>
<td>108 días</td>
<td>108 días</td>
<td>108 días</td>
</tr>
</tbody>
</table>

| Working Capital | 183.217 | 515.393 | 1.118.800 |

| Return on Investment Period | 0.44 | 0.84 | 1.38 |
| Break even                   | 320.036 | 376.806 | 482.649 |

10.7. Bonus distribution + Shareholder Management

Mondavin aims to have a close and trustful relation to its shareholders. We will provide a series of safeguards for the shareholders, so they can be part of the decision marking.

- The shareholders will approve the bonus pool each year
- Each major decision on declare insolvency, mayor investments, etc must be approved by the shareholders

Both types of shareholders, Partner Class A and Investor Class B will vote as a group with the following allocation of votes: 51% Partner Class A, 49% Investor Class B. However, major decisions need to be approved with 75% majority.

Governance on Bonus and Dividends payments will be held according to preferred Loan and preferred Equity meaning that the repayment of loan and dividend distributions take preference over partner bonuses.

Furthermore, we have contacted Ángel de Jaime Baró, a former President of the "Consejo Regulador de la Denominación de Origen Rioja", to be Chairman of Mondavin’s Advisory Board.