

**BLACK ECONOMIC EMPOWERMENT VENTURES IN THE SOUTH AFRICAN WINE
INDUSTRY: BUSINESS MODELS AND KEY SUCCESS FACTORS**

HEINRICH JANTJIES

**Submitted in partial fulfilment of the requirements of the degree of
MASTER OF COMMERCE IN MANAGEMENT**

**FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES
SCHOOL OF BUSINESS AND FINANCE**

UNIVERSITY OF THE WESTERN CAPE



SUPERVISOR: PROF PHILIP HIRSCHSOHN

**UNIVERSITY of the
WESTERN CAPE**

NOVEMBER 2013

DECLARATION

I declare that the thesis “Black Economic Empowerment ventures in the South African wine industry: Business models and key success factors” is my own work, and that it has not been submitted for any degree or examination in any other university, and that the resources I have used or quoted have been indicated and acknowledged by complete references.

Heinrich Jantjies



Acknowledgements

I would like to thank God for blessing me with intellectual abilities and strength to complete this research report.

I wish to thank my wife Nadia and my lovely daughters Lila Grace and Claudia [Joy](#), for their boundless love and continuous support. Also, a big thanks to my parents for their continuous support throughout my academic career.

Thanks and appreciation is due to the following people and groups:

- The research population for this study, for their support, willingness and time given to this investigation.
- My study leader, Prof Philip Hirschsohn for his time, assistance and guidance.



Abstract

Black Economic Empowerment (BEE) is a growth strategy implemented by the South African government to address one of the country's largest challenges, inequality. However, the failure rate of BEE ventures in the wine industry, and the agricultural sector in general, has been very high. The South African wine industry dates back to the early 1800s, and provides an interesting context to study four cases of relatively new business ventures established since the 1990s. There is limited research that explicitly examines the relationship between the changes after liberalisation and the forms of black entry into the South African wine industry.

The purpose of this research is, firstly, to investigate the business models used by selected BEE ventures, in order to identify how they contribute to business success. The Osterwalder business model is utilised as a framework to investigate the business models of four BEE business ventures, namely Solms-Delta, Thokozani, M'Hudi and Seven Sisters. Secondly, the paper seeks to establish how ownership structure influences success. To explore this influence, two cases studied are 100% black owned and two cases are joint ventures between black and white owners directly involved in the business.

The present study indicates that BEE ventures in the South African wine industry face many challenges but are not necessarily unsuccessful. Findings of the present study are limited to the research sample only. Other empowerment transactions could be used for future investigation.

Key words

Business model

Black Economic Empowerment

Black ownership

Competitive success

Joint venture

Key success factor

Ownership

Wine industry

Western Cape

Table of Contents

Contents	I
Declaration	ii
Acknowledgements	iii
Abstract	iv
Key Words	v
Table of Contents	vi
List of Tables	xi
List of Figures	xii
List of Acronyms and Abbreviations	xiii
CHAPTER 1: INTRODUCTION	1
1.1 Introduction to the research	1
1.2 Background	1
1.3 Definition of the research problem	3
1.4 Research objectives	3
1.5 Research questions	3
1.6 Case details	4
1.7 Business models	4
1.8 Study outline	<u>45</u>
CHAPTER 2: LITERATURE REVIEW	6
2.1 Introduction	6
2.2 Business models	7
2.3 Key success factors in wine	13
2.4 Ownership structures	15
2.4.1 BEE and black ownership	15
2.4.1.1 Broad Based Black Economic Empowerment	<u>156</u>
2.4.1.2 Reasons for success and failure	16



2.4.1.3 Challenges for BEE wineries	17
2.4.2 Joint ventures	<u>17</u> 8
2.5 Business models for South African wineries	18
2.5.1 Types of wine companies	18
2.5.2 South African wine industry	19
2.5.3 International wine market	<u>20</u> 1
2.5.3.1 Competitiveness of South Africa wine industry internationally	<u>22</u> 3
2.5.4 Wine tourism	<u>24</u> 5
2.6 Conclusion	<u>25</u> 6
CHAPTER 3: RESEARCH DESIGN	26
3.1 Introduction	26
3.2 Research problem	<u>26</u> 7
3.2.1 Research questions	<u>26</u> 7
3.3 Research Methodology	<u>27</u> 8
3.3.1 Profiles of the cases	<u>27</u> 8
3.4 Research respondents	<u>23</u> 9 <u>0</u>
3.4.1 Data collection	<u>30</u> 1
3.4.2 Interview procedure	<u>30</u> 1
3.5 Research approach: Selection of case study methodology	31
3.5.1. Comparative case study design	<u>31</u> 2
3.6 Data analysis	<u>31</u> 2
3.6.1 Analysis strategy	<u>31</u> 2
3.7 Limitations to the study	32
3.8 Ethical considerations	<u>32</u> 3
CHAPTER 4: RESEARCH FINDINGS	<u>33</u> 4
4.1 Introduction	<u>33</u> 4
4.2 Solms-Delta	<u>34</u> 6



4.2.1 Introduction	346
4.2.2 Ownership structure	357
4.2.3 Domestic business model	367
4.2.4 Export business model	368
4.2.5 Wine tourism	378
4.2.6 Conclusion	379
4.3 Thokozani	389
4.3.1 Introduction	389
4.3.2 Ownership structure	3490
4.3.3 Domestic business model	3491
4.3.4 Export business model	401
4.3.5 Wine tourism	401
4.3.6 Conclusion	412
4.4 M'Hudi	413
4.4.1 Introduction	413
4.4.2 Ownership structure	423
4.4.3 Domestic business model	424
4.4.4 Export business model	434
4.4.5 Wine tourism	445
4.4.6 Conclusion	445
4.5 Seven Sisters	446
4.5.1 Introduction	446
4.5.2 Ownership structure	456
4.5.3 Domestic business model	457
4.5.4 Export business model	468
4.5.5 Wine tourism	468
4.5.6 Conclusion	478



4.6 Key Success Factors: Analysis	478
CHAPTER 5: DISCUSSION OF THE RESULTS	502
5.1 Introduction	502
5.2 Domestic business model	513
5.2.1 South African wine market	513
5.2.2 South African retailers	524
5.3 Export/International business model	535
5.4 Wine tourism	545
5.4.1 Tasting room	536
5.4.2 Festivals	547
5.5 Role of ownership	547
5.5.1 Joint ventures	557
5.5.2 Black owned	568
5.5.3 Mentorship	5760
5.6 Key common elements	5760
5.6.1 Key resources	5670
5.6.2 Cost structure	5648
5.7 Conclusion	5692
CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS	614
6.1 Introduction	614
6.2 Findings	614
6.2.1 The competitive success of the sample	614
6.2.2 Type of business model	625
6.2.3 Ownership structure of the organisation	635
6.2.4 Competitiveness of the wine industry	636
6.2.5 Various channels through which wine is available	636
6.2.6 The role of the retail sector in South Africa	646



6.2.7 The impact of wine tourism	647
6.2.7.1 The tasting room experience	647
6.2.7.2 On-site wine festivals	657
6.2.8 Mentorship and guidance by industry experts or JV partners	658
6.2.9 The linkage to a lead firm	658
6.2.10 Consumers will not pay more for a BBBEE wine brand	658
6.2.11 Government support and involvement	669
6.3 Significance of the research	669
6.4 Limitations and future research	679
7. Reference list	6874
8. Appendix A	758



List of Tables

Table 1: <u>Business model ontology</u> <u>Producers</u>	142
Table 2: <u>Key success factors in Wine Industry</u> <u>Business model ontology</u>	132
Table 3: <u>Key success factors in International Wine Industry</u> <u>Key success factors</u>	143
Table 4: <u>Wine produced (Million Gross Litres)</u> <u>More key success factors</u>	195
Table 5: <u>Total South Africa exports</u> <u>Wine produced (Million Gross Litres)</u>	19
Table 6: <u>Wine cellar</u> <u>Total South Africa exports</u>	20
Table 7: <u>Packaged wine exports by country</u> <u>Wine cellar</u>	220
Table 8: <u>The competitiveness rating of the wine industry in South Africa (2000-2008) based on the Relative Trade Advantage(RTA)</u> <u>Packaged wine exports by country</u>	243
Table 9: <u>Producers</u> <u>The competitiveness rating of the wine industry in South Africa (2000-2008) based on the Relative Trade Advantage(RTA)</u>	274
Table 10: <u>List of interviewees</u> <u>List of interviewees</u>	30
Table 11: <u>Summary: Osterwalder building blocks</u> <u>Summary: Osterwalder building blocks</u>	314
Table 12: <u>Solms-Delta tours</u> <u>Solms-Delta tours</u>	379
Table 13: <u>Ownership of Thokozani</u> <u>Ownership of Thokozani</u>	3940
Table 14: <u>Key success factors: analysis</u> <u>Key success factors: analysis</u>	489

Comment [a1]: fit table on 1 page

Formatted: Font: Not Bold, No underline

Formatted: Font: Not Bold, No underline

Formatted: Font: Not Bold

Formatted: Font: Not Bold

Formatted: Font: Bold

Table 15: <u>SWOT Analysis</u> SWOT analysis	
568	
Table 16: <u>Key Success Factors: Comparison</u> Key success factors: comparison	
5962	
<u>Table 17: Risks – Ownership Structures</u>	63



List of Figures

Figure 1: Conceptual Model	7
Figure 2: Osterwalder & Pigneur (2005)	11



List of Acronyms and Abbreviations

AVA	African Vintners Association
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
DTI	Department of Trade and Industry
JV	Joint Venture
KSF	Key success factor
KWV	Ko-operatiewe Wijnbouwers Vereniging
LSM	Living standards measure
PWC	PricewaterhouseCoopers
MD	Managing Director
RTA	Relative Trade Advantage
RTD	Ready to drink
SABVA	South African Black Vintners Association
SAWIS	South Africa Wine Industry Information & Systems
SAWIT	South African Wine Industry Trust
UK	United Kingdom
USA	United States of America
WCI	Wine Consumption Index
WCR	Wine Competitive Rating
WOSA	Wines of South Africa



CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION TO THE RESEARCH

The failure rate of Black Economic Empowerment (BEE) ventures in the wine industry, and the agricultural sector in general, has been very high. There is limited research that explicitly examines the relationship between the changes after liberalisation and the forms of black entry into the South African wine industry (Sato, 2013).

BEE is a growth strategy implemented by the South African Government to address inequality, one of the main challenges in South Africa. It was not aimed at merely taking away wealth from the white people and giving it to the black people (Republic of South Africa, 2007a).

Transformation in the South African wine industry has had minimal success over the years, with a high failure rate of BEE ventures. Various commonalities and complex challenges face BEE ventures and traditional wine farmers alike.

The purpose of this study is to compare the business models used by selected BEE ventures, in order to identify how current business models contribute to the success of BEE endeavours. The importance of ownership structures will also be investigated to identify to what extent ownership structure influences the relationship between the business model and competitive success.

Using a comparative case study design, data collection was conducted using open-ended, semi-structured interviews. The research findings could contribute significantly to understanding future requirements for BEE ventures in the wine industry. This study was limited to four cases in the wine industry and cannot be generalised throughout the rest of the agricultural sector without further investigation. Further research into other areas of the agricultural sector is recommended as the model can easily be replicated.

1.2 BACKGROUND

The South African wine industry is much wider than signified. It encompasses natural, fortified and sparkling wine, as well as brandy, because wine grapes are the building blocks of brandy. The South African wine industry produced 831.2 million litres of wine in 2011, compared to 779.8 million litres in 2010, which is an increase of 6.6%. Domestic

sales of natural wine increased slightly from 304.4 million litres in 2010 to 310.8 million litres in 2011, which is an increase of a mere 2.1%. On the contrary, the export of wine declined considerably from 370.9 million litres in 2010 to 350.4 million litres in 2011, which is a decrease of 5.5% (SAWIS, 2012). The number of private wine cellars increased significantly from 349 in 2002 to 505 in 2011 (SAWIS, 2012). This led to increased competition between the private wine cellars and made it difficult to differentiate the cellars and their brands from one another (SAWIS, 2012).

The international wine market is complex because large quantities of wine are produced in areas all over the world. Since there are countless different producers, the marketing and management of a winery has gained substantial importance. The international landscape of wine production and consumption has changed significantly with “New World” wine countries such as, Australia, South Africa, Chile, USA, New Zealand and Argentina, challenging the “Old World” countries such as, France, Italy, Spain, Germany and Portugal (Orth, Lockshin & d’Hautville, 2007).

Esterhuizen and van Rooyen (2006) argued that developing the global competitiveness of the South African wine industry is a dynamic and involved process. Long-term performances are relevant in defining and describing competitiveness. Competitiveness could also be viewed as the ability to achieve sustainable growth within the global environment, while at least recouping the cost of resources employed.

For the South African wine firms to be competitive, they must build their foundations on a solid business model. The term, business model, can be defined as a particular business concept (or way of doing business), as reflected by the business core value proposition(s) for customers. The business model should provide its configured value network i.e. the value consisting of its own strategic capabilities, as well as other value networks (e.g. outsourced/alliance), and its continued ability to reinvent itself and satisfy the multiple objectives of its various stakeholders (Voelpel, Leibold, Tekie & Van Kroch, 2005).

BEE is creating various opportunities and challenges for the wine industry. BEE has been well documented with various literatures such as, Du Toit, Kruger and Ponte (2008), who investigated transformation in the wine industry, Williams (2005), who looked at the transformation process of KWV and Hamman and Ewert (1999), who examined land reform cases in the wine industry.

1.3 DEFINITION OF THE RESEARCH PROBLEM

The aim of this research was to identify (a) the success or failure factors of BEE ventures in the South African wine industry, (b) the extent to which the business model has contributed to success or failure and (c) the influence of ownership on the success of the business model. Identifying key success factors in the wine industry serves as a benchmark to determine whether or not, domestic and international wine industry players are facing the same challenges as BEE ventures.

1.4 RESEARCH OBJECTIVES

The objective of this study was to investigate the impact of business models on BEE ventures in the Western Cape wine value chain. A qualitative research approach by means of open-ended, semi-structured interviews was used. In total, four cases were involved in the research. These were carefully selected to be part of a comparative case study design. The main reason for selecting four cases was to allow the researcher to gain a more in-depth knowledge of the cases through open-ended, semi-structured interviews. The use of a comparative case study design resulted in more compelling and robust findings. Two of the four cases studied are joint ventures, and the other two are 100% black-owned businesses. The reason for this choice was to identify the influence of business models on BEE joint ventures and 100% black-owned businesses and also to establish whether ownership structure is an important factor in strategic success.

1.5 RESEARCH QUESTIONS

The focus of the case studies was to answer the following questions:

- How does the business model influence the success/failure of the organization? How does ownership influence the competitive success of the organization?
- How does the ownership structure influence the relationship between the business model and competitive success? How have the business models evolved over the years and why did they change?

1.6 CASE DETAILS

Four of BEE ventures in the South African wine industry were investigated. The main difference is between them is that Solms-Delta and Thokozani are joint-venture models, with white capital and management still involved in wine estate, while M'Hudi and Seven Sisters are 100% black owned and managed. All four cases in the sample are relatively new business ventures and were only established in the 1990s, although the South African wine industry dates back to the early 1800s. The whole sample is situated in the Western Cape region, with Seven Sisters and M'Hudi in Stellenbosch, Solms-Delta in Franschhoek and Thokozani in Wellington.

1.7 BUSINESS MODELS

In this study, three complementary business models are identified, described and differentiated. Firstly, the local South African wine market is very important for all wine producers. It creates numerous opportunities and challenges for producers, which need to be considered.

Secondly, the international wine market creates various opportunities for wine producers, but the market and trading conditions are very different from those in the South African market. Therefore, local practices cannot be replicated on the international stage. Various challenges and risks are also associated with the export of wine.

Thirdly, the wine tourism industry has developed greatly over the years and forms an inherent part of wine production. Wine tourism is defined as tour visits to the wine estates/vineyards, wine shows and wine festivals (Hall & Mitchell, 2000).

The research studied how these three different business models are intertwined and complement each other. While the ownership structure is of critical importance to the operation of all wine ventures, the study finds that the two BEE firms were able to secure mentors to diverse support that has enhanced their competitive performance.

1.8 STUDY OUTLINE

The research project has six chapters. The literature review is discussed in Chapter 2 where the theoretical basis of key success factors, business models and BEE is addressed. The impact of BEE, ownership structures, wine tourism and the South African wine industry, both local and international, are also discussed. The research methodology is described in Chapter 3. The results emerging from the research are presented and

discussed in Chapters 4 and 5, respectively. Chapter 6 summarises the project and comments on the main findings, based on the experiences and perceptions of the research sample. Recommendations for future research are also presented.



CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

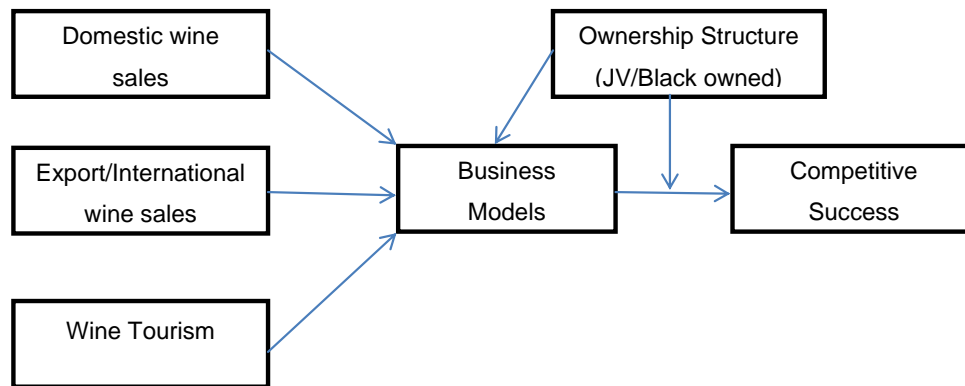
The progress of BEE in the agricultural sector is still in the early stages, but various forms of entry into the wine industry currently exist and are not limited to BEE deals by large corporations (Sato, 2013). The first BEE transaction in the wine industry took place in 2003, when the Boschendal Estate sold part of its shares to a group of black investors (Du Toit et al. 2008). The success rate of BEE ventures in the wine industry, and the agricultural sector in general, has not been very high. Similar problems are experienced by traditional farmers in the wine industry, especially amateur wine farmers, who face the same challenges as emerging BEE ventures. There is limited research that explicitly examines the relationship between the changes after liberalisation and the forms of black entry into the South African wine industry (Sato, 2013).

BEE differs widely among industries and sectors. Therefore, it is necessary to analyse the unique characteristics of each industry (Sato, 2013). Existing literature on BEE policy and practices in the wine industry can be divided into two groups. The first group considers BEE wineries that own their own land, and the second group discusses BEE wineries that do not own land (Wines of South Africa, 2009). The focus of this study is on BEE wineries that own their own land.

The South African wine industry encompasses natural, fortified and sparkling wine, as well as brandy because wine grapes are the building blocks for brandy. The South African wine industry focuses on both local and international sales, with each channel having its own opportunities and challenges. Wine tourism has developed rapidly in the last 15 years and has become an important part of the South African wine industry.

The conceptual model (see Fig.1) for the study, deals specifically with the strategic choices that wine ventures make, whether implicit or explicit. These choices can be described using the business model concept (Morris et al 2005). The choice of business model influences the competitive success or failure of the venture. The ownership structure, whether black owned or a joint venture involving white partners and management, or also affects the business model and impacts on the competitive success of the business.

Figure 1: CONCEPTUAL MODEL



The research findings could contribute significantly to future BEE ventures in the wine industry and can be applied to other areas in the agricultural sector, such as the fruit industry, which faces similar challenges.

This chapter deals with key success factors, business models and BEE, using the South African wine industry as an example. Generic key success factors are covered, as well as key success factors specific to the wine industry. This is followed by a detailed discussion of business models. The South African wine industry is also discussed in detail, with specific reference to BEE, local and international markets, wine tourism, its competitiveness, problems, challenges and ownership structures.

2.2 BUSINESS MODELS

The business model is a relatively simple way to delimit and organise key decisions that must be made at the outset of a venture (Morris, Schindehutte & Allen, 2005). The business model encourages the entrepreneur to (a) conceptualise the venture as an interrelated set of strategic choices; (b) seek complementary relationships among elements through unique combinations; (c) develop activity sets around a logical framework; and (d) ensure consistency between elements of strategy, architecture, economics, growth and exit intentions. Strategic choices that characterise a venture are made both intentionally and by default. The business model makes these choices explicit (Morris, Schindehutte & Allen, 2005).

According to Morris, Schindehutte and Allen (2005), there is no accepted definition of a business model. The terminology, business model, can be confusing because business model, , business concept, strategy and economic model are used interchangeably and are easy to confuse.

The term 'business model' can be defined as: a particular business concept (or way of doing business), as reflected by the business core value proposition(s) for customers; its configured value network to provide that value, using the firm's own strategic capabilities, as well as relationships with other (e.g. outsourced/alliance) value networks; and its continued sustainability to reinvent itself and satisfy the multiple objectives of its various stakeholders (Voelpel, Leibold, Tekie & Van Kroch, 2005)

Morris, Schindehutte and Allen (2005) have developed an integrative framework that consists of three levels namely, the foundation level, proprietary level and rules level. At the foundation level, every entrepreneur has to make basic or generic decisions regarding the business, to define what the business is and is not. At the proprietary level, the framework is used as a tool that encourages the entrepreneur to focus on how to create value in all of the six decision areas. The rules level however, delineates the guiding principles governing the execution of decisions made at levels one and two.

a) How will the firm create value?

This refers to the value proposition of the business, the product or product mix, how to sell it and what the company's role will be in service delivery or production. According to Walters (2004), organisations must develop a competitive advantage by relevant positioning within its industry value chain, in order to create value.

b) For whom will the firm create value?

In which markets will it compete? To whom will they sell their product/service and where in the value chain will it operate? Also, the type of customer and geographic dispersion.

c) What are the firm's internal sources of competitive advantage?

The distinctive internal capabilities or competencies are deployed to ensure that the firm performs better than competitors, and these normally lie at the heart of any business model. Walters (2004) stated that a business model should have a single-minded view on core assets and distinctive capabilities.

d) How will the firm position itself in the marketplace?

Which unique, defensible niche enables the organisation to mitigate on-going developments in their environment?

e) How will the firm make money?

The economic model includes operating leverage cost, variable cost, margins and the organisation's revenue model. Research conducted by Walters (2004), highlights the importance of companies being cash-flow driven and having a strong focus on return on investment (ROI).

f) What are the entrepreneur's time, scope and size ambitions?

These influence the firm's strategic architecture, resource management, competitive strategy, economic performance and affect the creation of internal competencies. This is also known as the organisation's investment model.

The business model by Voelpel et al. (2005) identified the supply chain, business systems and technology as key areas that should form part of any business model. This is important because the wine industry has become technology driven and is dependent on technological advancement and the latest business systems to remain competitive. Similarly Morris et al. (2005), highlight the importance of the supply chain.

According to Walters (2004), new approaches to business models must be investigated because the new economy is continuously changing and traditional business models, which focus mainly on asset ownership and vertical organisation structures, are no longer sufficient. This complements the model from Morris et al. (2005), which does not have a strong focus on these elements.

According to Hedman and Kalling (2003), a generic business model should include the following components: Customers, Competitors, Offering. Activities and organisations, Resources, Supply of factor and production inputs, and Cognitive and cultural constraints. This model supports the arguments from Morris, Schindehutte and Allen (2005), and makes reference to the same points and their importance.

Hedman and Kalling (2003) state that it is important for a business model to be managed and developed over time. The model must evolve because customers and competitors on the outside, and managers and people on the inside, continue to evolve.

For the purpose of this research, the researcher built on the work of Osterwalder and Pigneur (2005), who identified the following nine core elements of a business model (See Fig.2).

- 1) Customer segments
- 2) Value propositions
- 3) Channels
- 4) Customer relationships
- 5) Revenue streams
- 6) Key resources
- 7) Key activities
- 8) Key partnerships
- 9) Cost structure

Each building block contains elements describing the building block's business logic. For example, customer segments could be women either housewives or career driven or young, single men. At the centre, there is the value proposition that describes which customer problems are solved, and why the offer is more valuable than similar products from competitors. In the customer segment, the customers themselves are analysed and separated into groups to help identify their needs, desires and ambitions. The distribution channel illustrates how the customer is to be reached and by whom he is addressed. In addition, customer relationships specify what type of relationship the customer expects, and how it is to be established and maintained (Osterwalder and Pigneur, 2005).

To be able to deliver the value proposition, the business must have resources and transform them through key activities into the final product or service. For resources and activities, a business usually depends on an external partner network. A business model would not be complete without financial information (Osterwalder and Pigneur, 2005).

The last two building blocks focus on cost and revenue. The cost structure should be aligned to the core ideas of the business model (key resources and key activities) and revenue streams, which mirror the value the customers are willing to pay for the product or service (Osterwalder and Pigneur, 2005).

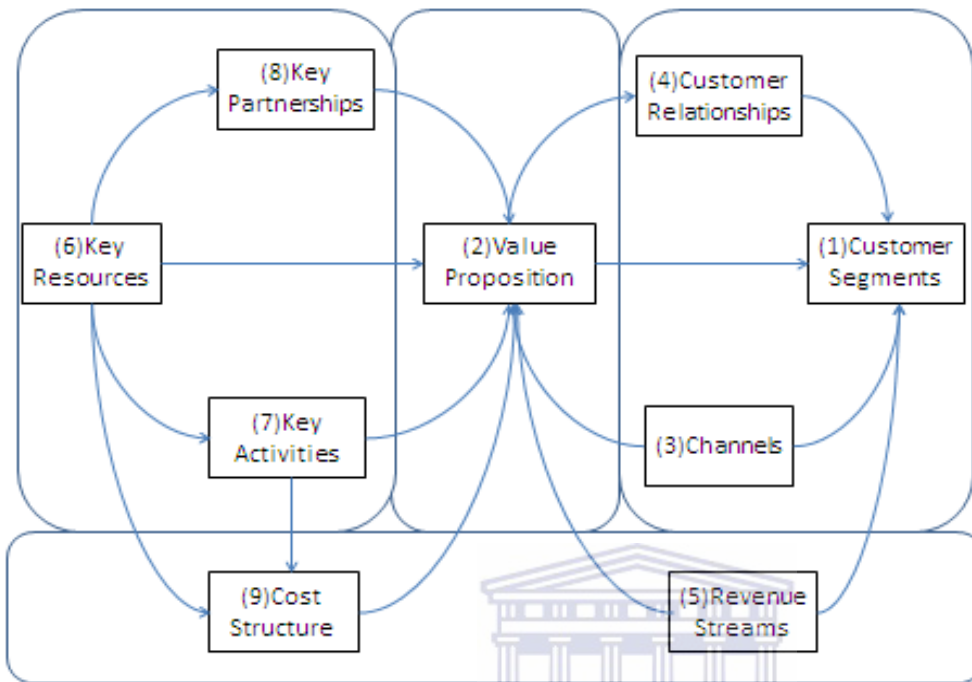


Figure 2: Osterwalder and Pigneur (2005)

Figure 2 demonstrates that “an organisation serves one or several customer segments (1) and seeks to solve customer problems and satisfy customer needs with its value proposition (2), which are delivered to customers through communication, distribution and sales channels (3). Thereby, customer relationships (4) are established and maintained with each customer segment. The generated revenue streams (5) result from value propositions successfully offered to the organisation’s customers. Key resources (6) are required, to offer and deliver the previously described elements, by performing a number of key activities (7). Some activities are outsourced and some resources are acquired outside the enterprise through key partnerships (8). All these activities result in a cost structure (9)” (Osterwalder & Pigneur , 2005).

The nine building blocks of the Osterwalder Pigneur business model are very important. In Table 1, the components proposed by different authors on business models are compared to the model of Osterwalder and Pigneur.

Table 1: Business model ontology

Business model ontology	Weill and Vitale, 2001	Afuah and Tucci, 2003	Hamel, 2000	Applegate and Collura, 2001
Value Proposition	Value proposition, strategic objective	Customer value	Product/market scope	Product and service offered
Customer Segments	Customer segments	Scope	Market scope	Marketing opportunity
Channels	Channels		Fulfilment and support, information and insight	Marketing/sales model
Customer Relationships			Relationship dynamics	Brand and reputation
Key Resources		Connected activities, value configuration	Core processes	Operating model
Key Activities	Core competencies, CSF	Capabilities	Core competencies, strategic assets	Organisation and culture, management model
Key Partnerships	e-business schematics	Sustainability (team-up strategy)	Suppliers, partners, coalitions	Partners
Cost Structure		Cost structure		
Revenue Streams	Source of revenue	Pricing, revenue source	Pricing structure	Benefits to firm and stakeholders

2.3 KEY SUCCESS FACTORS IN WINE

Key success factors are the competitive factors that affect an industry's ability to prosper in the marketplace. These include the resources, competencies, product attributes, market achievements and competitive capabilities that make the difference between a strong and weak competitor (Thompson, Strickland & Gamble, 2003). Thompson et al. (2003) further state that key success factors are very important for future competitive success, and all firms in their specific industry should pay close attention to them.

According to Thompson et al (2003), the common types of industry key success factors include (see Table 2):

Table 2: Key success factors in Wine Industry

Comment [a3]: fit table on 1 page

Type	Examples	Wine examples
Technology related KSFs	<ul style="list-style-type: none"> • Expertise in a particular technology or scientific research • Proven ability to improve production processes 	<ul style="list-style-type: none"> • Online sales • Cellar innovation
Distribution related KSFs	<ul style="list-style-type: none"> • A strong network of wholesale distributors/dealers • Ability to secure favourable display space on retailer shelves • Strong direct sales capabilities 	<ul style="list-style-type: none"> • Route to market importance • Access to retailers • Shelf space • Direct sales to the end consumer
Manufacturing related KSFs	<ul style="list-style-type: none"> • Ability to achieve economies of scale • Access to attractive supplies of skilled labour • Low cost product design 	<ul style="list-style-type: none"> • Quality products • Keep input costs as low as possible • Experienced winemakers
Marketing related KSFs	<ul style="list-style-type: none"> • A well known and respected brand • Breadth of product line and product selection 	<ul style="list-style-type: none"> • Product differentiation • Marketing budget and spend • Development of brand

Skills and capability related KSFs	<ul style="list-style-type: none"> • Talented workforce • National and global distribution capabilities • Product innovation capabilities • Supply chain management capabilities 	<ul style="list-style-type: none"> • Wine maker • Access to distribution networks • Supply chain efficiency • Mentorship
Other types of KSFs	<ul style="list-style-type: none"> • Overall low cost • A strong balance sheet and access to financial capital 	<ul style="list-style-type: none"> • Wine tourism • Tasting room experience • Exporting of wine

Similarly, Castaldi, Cholette and Hussain (2006) highlighted existing domestic market position, domestic market growth potential, economies of scale, cost structure benefits, adaptability to industry change and the potential to attract foreign investment.

Research by Anderson (2004), refers to the importance of European countries as significant potential markets for new black entrants, who are forced to compete with global competition for shelf space in supermarkets.

Research conducted by Mora (2006) from the Bordeaux School of Management identified the following key success factors in the international wine sector:

Table 3: Key success factors in International Wine Industry

Type	Example
Distribution related KSF's	<ul style="list-style-type: none"> • Shorten logistics chain
Manufacturing related KSF's	<ul style="list-style-type: none"> • Simplify production
Marketing related KSF's	<ul style="list-style-type: none"> • Product design • Market price • Highly-visible sales force
Other types of KSF's	<ul style="list-style-type: none"> • Value added exports • Hyper segmentation • Communication

Source: Mora (2006)

2.4 OWNERSHIP STRUCTURES

2.4.1 BEE AND BLACK OWNERSHIP

Black ownership refers to the effective ownership of an enterprise by black people, their voting rights and their economic interest in organisations. Black ownership also makes reference to black woman ownership. One hundred per cent black ownership equates to 100% of the voting rights, economic interest and decision making, lying with the black owners (Intergrascos, 2011).

Compared to joint ventures, 100% black-owned firms do not have the support and expertise of a partner who has been operating in the industry for many years. The black owners do not have access to the supply and distribution networks that have been in place for many years. The challenges of BEE in the industry are dealt with under 2.4.1.3 below.

2.4.1.1 BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

BBBEE is a growth strategy implemented by the South Africa government to address one of the main challenges in South Africa, inequality, and was not formed merely to take away wealth from the white people and give it to the black people (Republic of South Africa, 2007a). The South African Government sees BBBEE as a direct contributor to economic transformation of the country by decreasing the income inequalities of the country (Woolley, 2005). Similarly, Nsibandé and Pienaar (2010) state that the main purpose of BBBEE is to address the racially-biased imbalances of the past. Balshaw and Goldberg (2005) affirm the importance of BBBEE for South Africa. They state that it will affect the entire South African economy and encompass all companies, irrespective of their ownership structure, nature or size.

BBBEE in the sector has been well documented by Du Toit, Kruger and Ponte (2008), who investigated transformation in the wine industry, Williams (2005), who studied the transformation process of KWV and Hamman and Ewert (1999), who examined land reform cases in the wine industry.

An agriculture transformation charter and a wine transformation charter were gazetted in 2005 and 2007, respectively. These take into account the most recent drafts of the Codes of Good Practice for Broad-Based BEE, as published by the Department of Trade and Industry. The main objectives of the Wine Industry Transformation Charter are

(a) to facilitate participation and access in the entire value chain of the wine industry, (b) to support the advancement of women in the industry, (c) to increase black ownership, management and control of land and enterprises throughout the value chain and (d) to provide a better life for all workers in the industry (Wine Industry Transformation Charter, 2007).

Comment [a4]: create list

2.4.1.2 REASONS FOR SUCCESS AND FAILURE

The existing literature on success in the wine industry tends to be based on a case-by-case analysis, rather than an overview of the industry as a whole. Ewert, Eva and Hamman (2006) found that the Thandi case was built on a business model that focused very strongly on partnerships with its workers, growers, wine business retailers and the government, and addressed issues on sustainability, quality and continuous improvement.

Golen, Heitz, O'Neil and Tomback (2005) found that the mentorship of Beyers Truter, "Pinotage King of South Africa", was critical to the Bouwland case. His support, guidance and access to international markets greatly contributed to their success. The transfer of knowledge to all workers was core to the success of the Bouwland case because it ensured that the farm workers were in a position to run the business successfully on their own (Golen et al. 2005).

Ewert, Eva and Hamman (2006) found that the lack of business and managerial skills in farm workers contributed to many failures in the wine industry.

According to Nondumisa Pikashe, who co-owns Ses'fikile Wines with two black women, there are numerous obstacles facing black South African wine makers. These include the challenges that their wine must compete against established brands and the wine industry has long-established networks. In addition, capital, infrastructure and distribution present further challenges for black wine makers (Ngubane, 2009). The organiser of the Soweto Wine Festival and owner of Morara wines, Mnikelo Mangciphu, states that the lack of funds prevents many black wine makers from entering the market (Ngubane, 2009). During the 2009 Soweto Wine Festival, only eight black exhibitors attended, a decline of over 25%. This was due to the high costs involved and the difficulty in sustaining annual marketing plans (Ngubane, 2009).

2.4.1.3 CHALLENGES FOR BEE WINERIES

Both BEE wine brand companies and joint ventures focus mainly on the export market because it is very difficult for new entrants to enter the South African market. This is due to large corporations, such as, Distell and KWV, having a monopolising presence. Secondly, there is a deeply rooted prejudice against BEE wine, as being inferior in quality compared to established brands. The “black diamond” market is also not supportive of BEE wine and prefers well-known wine brands (Sato, 2013).

Most BEE wineries struggle financially and are even in debt. Overall, the profitability of most BEE wineries remains low. The main reason for this is that most BEE wineries do not have a clear marketing strategy, nor do they understand the differences in the wine market of each country (Sato, 2013).

Although not limited to black people only the ability to acquire land is limited in the wine industry, and to start a wine brand company was seen as a shortcut to enter the industry. However, it became evident over time that the lack of essential assets such as, a cellar and vineyard was a substantial disadvantage to them when selling wine (Sato, 2013).

2.4.2 JOINT VENTURES

A joint venture is the cooperation between firms that allow them to share resources, information, markets and risks. It also creates the opportunity to build trust among firms and create economies of scale jointly (Gomes-Casseres, 2001). Kumar and Seth (1998) define a joint venture as an organisation formed by the pooling of resources and sharing of equity by two or more firms. There are also negative aspects related to joint ventures. Gomes-Casseres (2001) states the costs in joint ventures as a potential for disagreements between partners.

Another form of joint venture, which was specifically designed for the wine and fruit industry, is a share equity scheme. The reason for this is the high price of agricultural land for wine and fruit farming, and due to this, it can take years before one will realise a return on investment (Vinpro, 2004). The main advantages of shared equity schemes are that they give access to funding, as well as knowledge and experience (SAWIS 2007:20).

Joint ventures have several benefits for farmworkers. Firstly, the initial capital investment required is relatively small because the venture can use the cellar facilities and machinery belonging to the farmer. The farmworkers can also rely on the experience and existing networks of the farmer, ensuring the development of marketing strategies for their wine brand and the quality of wine production (Kruger, S. 2008).

The long-term objective of joint ventures in the wine industry typically lies in promoting and integrating black people into management positions, but current achievements in this regard are not very promising (Sato, C. 2013). A primary advantage of joint ventures is the ability of new ventures to draw on the expertise of experienced industry players or to access specialist expertise that BEE firms often lack.

2.5 BUSINESS MODELS FOR SOUTH AFRICAN WINERIES

2.5.1 TYPES OF WINE COMPANIES

a) WINE PRODUCERS

Bisson et al. (2001) defines wine production as the art and science of making wine and involves individual creativity and innovative technology. They also state that wine production is a business with economic factors that drive manufacturing practices. To be successful in the wine industry, wine makers must integrate the artistic and economic aspects of wine production (Bisson et al. 2001).

b) WINE BRAND COMPANIES

A wine brand company buys wine from other cellars and sells it as its own brand. Most black-owned brand companies consist of either one or two persons. Most of the wine production processes, such as the crushing of grapes, fermentation, blending, maturing and bottling, are outsourced to other wineries or cellars.

There are various examples of wine brand companies that have failed over the years. However, some black wine brand companies have been operating since their establishment in the early 2000s. The common feature among most founding owners and members of wine brand companies is their very limited experience and knowledge of the wine industry.

The main challenge that wine brand companies face is to build good relationships with the cellars that supply their wine. All wine brand companies, but more specifically BEE wine brand companies, have struggled to find good suppliers of wine. An example is Re'Mogo Wine could not reach an agreement with at least two cellars before signing a contract with their current supplier (Sato, C. 2013).

2.5.2 SOUTH AFRICAN WINE INDUSTRY

The South African wine industry encompasses natural, fortified and sparkling wine, as well as brandy as wine grapes are the building blocks for brandy. The South African wine industry produced 870.9 million litres of wine in 2012, compared to 625.8 million litres in 2005, which is an increase of 38.5% (See Table 4).

Table 4: Wine produced (Million Gross Litres)

	2005	2006	2007	2008	2009	2010	2011	2012
Wine	628.5	709.7	730.4	763.3	805.1	780.7	831.2	870.9
Distilling wine	129.2	147.9	146.4	166.5	122.1	113.3	107.2	121.8

Source: WOSA

The export of wine have increased significantly with a mere 99 million litres exported in 1996 compared to 408 million in 2012. South African wine exports had been declining since between 2008 and 2011 but started to increase in 2012 again (See table 5)

Table 5: Total South Africa exports

Year	Litres	Trend
1996	99 900 000	140
2000	138 400 000	108
2001	176 100 000	126
2005	280 084 000	105
2007	313 886 000	115
2008	407 320 000	132
2011	350 564 774	95
2012	408 969 047	117

Source: WOSA

The number of private wine cellars has increased greatly from 429 in 2004 to 509 in 2012 (SAWIS, 2012). This led to increased competition between the private wine cellars and made it difficult to differentiate the cellars and their brands from one another (SAWIS, 2012) (see table 6).

Table 6: Wine cellars

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Producer cellars	66	65	65	59	58	57	54	52	50
Private wine cellars	423	477	495	481	504	524	493	505	509
Producing wholesalers	18	21	17	20	23	23	26	25	23

Source: WOSA

2.5.3 INTERNATIONAL WINE MARKET

The international wine market is complex because large quantities of wine are produced from numerous origins all over the world. There is an abundance of producers and therefore the marketing and management of a winery has gained significant importance to competitive success. The international landscape of wine production and consumption has changed significantly with the “New World” wine countries such as Australia, South Africa, Chile, USA, New Zealand and Argentina challenging the “Old World” countries such as, France, Italy, Spain, Germany and Portugal (Orth, Lockshin & d’Hautville, 2007).

The South African export market has expanded greatly over the years, with a total quantity of wine exported in 2011 of 350 million litres, compared to a very modest 139 million litres in 2000. However, exports, as a percentage of wine production in South Africa, were 43.2% in 2011, a significant decrease from 48.5% in 2010. South African wine farms export both packaged wine and bulk wine to various countries around the world, and had a 3.6% market share of the total world wine exports in 2011 (www.sawis.co.za). Both packaged wine and bulk wine should form part of the business model of any wine related organisation (www.sawis.co.za).

The export of wine is also creating various challenges for South African wine estates. According to Mather (2004), the buying practices of various retailers in the United Kingdom create problems and challenges, due to them passing risks and costs down the value chain. They expect South African producers and agents continually to provide new product varieties and packaging. Their presentation demands and small, last-minute delivery requests create a burden of additional costs (Mather, 2004). In the South African wine industry there are hundreds of small wine exporters that do not have the necessary economies of scale and marketing spend to market and build their brands (Vinitell, 2013).

Although the total amount of wine exported by South Africa has declined in the last few years, wine remains the leading agricultural export product for the country, with the main markets being the United Kingdom, Sweden, Denmark, Germany and the Netherlands. South Africa is the eighth largest producer of wine, accounting for 3.6% of the total wine production in the world (SAWIS 2012: 27-34). The United Kingdom remains the largest market for bottled South African wine, although there was a severe decline in sales from 50% total exports in 2003 to 17% of total exports in 2012. See table 8 below with the packaged wine exports by country.

South African wine exports to China and Africa have been non-existent in 2003 and account for 3% and 8% of total wine exports respectively.

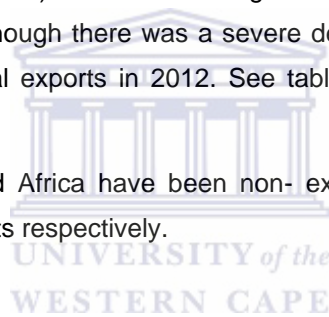


Table 78: Packaged wine exports by country (Litres)

Country	2003(%)	2009(%)	2010(%)	2011(%)	2012(%)
UK	50	40	30	22	17
Netherlands	19	9	9	10	10
Sweden	7	14	14	15	14
Germany	7	6	8	9	10
Denmark	2	5	5	4	4
Canada	2	4	4	4	5
Belgium	2	2	2	3	3
USA	3	4	4	5	6
Finland	2	2	2	3	3
Africa		2	4	6	8
China			2	3	
All others	8	12	18	17	17

Source: WOSA

The survey conducted by PricewaterhouseCoopers in 2011 on South African wine producers, confirmed that the participating cellars market the major portion of their produce locally for consumption or export by local buyers. The competitive global economic environment and the relative strength of the rand must be considered in any export decision (www.pwc.co.za). A weak South African rand is ideal for exports but due to the instability of the South African rand against major world currencies it creates various risks for wine exports.

2.5.3.1 COMPETITIVENESS OF SOUTH AFRICA WINE INDUSTRY INTERNATIONALLY

"Old world" wine countries, particularly Italy and France, dominated the International wine world up to the 1980s but their supremacy has been challenged by new

Comment [a5]: fix Layout

Comment [a6]: clarify

international players such as Australia, Argentina, USA, Chile and South Africa (Cusmano, Morrison and Rabelloti, 2010). Cusmano et al. (2010) found that “new world” wine countries, such as South Africa, were catching up with leaders such as France and Italy.

Comment [a7]: fix layout

Esterhuizen and van Rooyen (2006) described the competitiveness of the South African wine industry as a dynamic and involved process with a focus on sustained growth produced by competitive activities. Long-term performances are relevant in defining and describing competitiveness. Competitiveness could also be viewed as the ability to achieve sustainable growth within the global environment while earning at least the opportunity cost of returns on resources employed.

Esterhuizen & van Rooyen (2006) identified the following definition of competitiveness for the South African wine industry: “Wine industries and firms are competitive when they are able to deliver unique products at qualities and prices as good or better than their competitors; and they are able to attract sufficient investments of scarce resources such as capital, land, labour, technology, innovation and initiative and management from other competing economic activities”.

Esterhuizen and van Rooyen (2006) developed the Wine Competitive Index (WCI), which indicates how competitive South African wines are internationally. They state that the production of affordable high quality products, stringent regulatory standards in the industry, the present intense competition in the market and the availability of internationally competitive local suppliers of primary inputs are the major success factors to the competitiveness of this industry. They have also indicated negative influences on the competitive success of this industry as the strong rand, fluctuations in the exchange rate, trust in the political support system, competence of personnel in the public sector, crime, South Africa’s labour policy and the growth and size of the local market.

Van Rooyen, Esterhuizen and Stroebel (2011) measured the competitive performance of the South African wine industry through the Wine Competitiveness Rating (WCR), which is based on the Relative Trade Advantage (RTA). See Table 8.

Table 8. The competitiveness rating of the wine industry in South Africa (2000-2008) based on the Relative Trade Advantage (RTA)

Product	RTA 2000	RTA 2001	RTA 2002	RTA 2003	RTA 2004	RTA 2005	RTA 2006	RTA 2007	RTA 2008
Wine	4.05	3.76	4.31	4.96	5.36	5.84	4.74	4.42	4.55

Source: Own calculation based on data from FAOSTAT; Esterhuizen and van Rooyen 2005,2007

Comment [a8]:

Comment [a9]: layout

South African wine has become increasingly more competitive internationally over the last two decades with its peak in 2005 and a decline between 2006 and 2008 as stated in table 8. Van Rooyen, Esterhuizen & Stroebe (2011) have highlighted the following factors affecting the competitiveness of the South African wine industry:

- The strong rivalry and competition in the local market;
- Strong international competition;
- The affordability of high quality South African products;
- The entry of new competitors into the local market;
- Quality production services and processes;

Castaldi , Cholette and Hussain (2006) define South Africa as a country with a moderate competitive advantage compared to other wine countries. They highlight South Africa's strong marketing economies of scale and moderate production economies of scale, but current domestic unrest has diminished its attraction for foreign investment and its ability to expand its home market (Castaldi , Cholette and Hussain 2006).

Comment [a10]: source?

2.5.4 WINE TOURISM

Wine tourism is defined as tour visits to the wine estates/vineyards, wine shows and wine festivals (Hall and Mitchell, 2000; Macionis, 1996). Wine tourism has various economic benefits for the industry because it creates jobs, increases the value of agricultural goods and facilitates the restructuring of local regions. For example, Thailand, South Africa, Australia and the United States have developed their own respective business for the wine industry (Batra, 2006). Wine tourism is important because travelling to a winery is often the visitor's first experience of a winery, and therefore, the winery, wine product and the visitor are important elements that form the wine tourism mix (O'Neil and Charters, 2000).

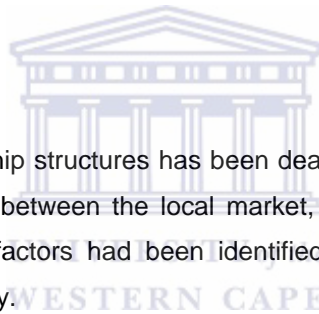
Comment [a11]: clarify

Many wine estates are depending on sales at the cellar door to survive. Research conducted by Carmichael (2005) found that 70% of wine tourism visitors purchase wine at the wine estate. Wine tourist's expenditure in South Africa consists of 53.1% wine purchases; 26.1% food and restaurants; and about 8.3% gifts and curios (Tassiopoulos, Nuntsu & Haydam, 2004). Wine tourism also creates the ideal opportunity for wine estates to educate their visitors about their brand and foster good relationships with the visitors (Hall & Mitchell, 2000).

Wine tourism is closely aligned to wine regions, and today the product's place of origin is used as a business strategy (Thode & Maskulka, 2007:276). Research conducted by Schamel (2006) highlights wine as a product that makes use of place of origin as a marketing tool. Therefore, the South African Tourism Board has divided the winelands into various wine routes. Schamel (2006) also states that visitors are prepared to pay more for wine from well-known wine routes.

2.6 CONCLUSION

The various business models and ownership structures has been dealt with in Chapter 2. The business model ontology distinguish between the local market, international export market and wine tourism. Key success factors had been identified and supported by examples of the South African wine industry.



CHAPTER 3 RESEARCH DESIGN

3.1 INTRODUCTION

The objective of this study is to investigate the impact of business models on BEE ventures in the Western Cape. The researcher made use of a qualitative research approach, by means of open-ended, semi-structured interviews and archival documents. In total, four cases formed part of this research. These were carefully selected as part of a comparative case study design. The main reason for selecting four cases was to allow the researcher to gain a more in-depth knowledge of the cases. A comparative case study design was chosen as it would result in more compelling and robust findings. All four cases studied were wine-producing businesses, of which two were joint ventures and two were black owned. The reason for this choice of cases (see Table 2) was to identify the influence of ownership and business models on BEE joint ventures, compared to that of 100% black-owned enterprises. This was to establish the impact of the choice on positioning in the supply chain, and its determination as an important factor in strategic success or failure.

3.2 RESEARCH PROBLEM

Various business models exist within the wine sector and they are having a major impact on the success and sustainability of operations. The aim of the research is to identify (a) the influence of ownership structure on BEE ventures, business models and competitive success in the South African wine industry and (b) the extent to which the business model has contributed to that competitive success or failure. Identifying key success factors in the wine industry serves as a benchmark to determine whether or not domestic and international wine industry players are facing the same challenges as BEE ventures.

3.2.1 RESEARCH QUESTIONS

The focus of this research is to answer the following questions:

- How does the business model impact on the success/failure of the organisation?
- How does ownership influence the competitive success of the organisation?

- How does the ownership structure influence the relationship between the business model and competitive success?
- How have the firms' business models evolved over the years and why did they change?

3.3 RESEARCH METHODOLOGY

There is a limited amount of BEE ventures in the South African wine industry, the researcher identified four cases of which two was perceived being successful and the other two being less successful. Originally six cases were identified, including two new white-owned wine ventures. Six cases were reduced to four due to resource and time constraints. Due to the minimal number of BEE ventures in the industry it was very difficult to identify cases of the same age or characteristics. The cases for the study (see Table 9) were chosen based on the researcher's extensive personal knowledge of the industry and after consultation with the industry experts. See 3.3.2 below.

Table 9: Producers

JOINT VENTURE	BLACK OWNED
Solms-Delta	M'Hudi
Thokozani	SevenSisters

3.3.1 PROFILES OF THE CASES

A convenience sampling technique was used because the sample was not selected from a sample frame. The reason for this is that there are a very limited number of BEE ventures in the South African wine industry. Of the four cases two cases were perceived as successful while the other two were deemed less successful.

SOLMS – DELTA

Solms-Delta Wine Estate is found on Delta road, off the R45, in the Franschhoek Valley. The business was started in 2003 and is situated on 78 hectares of land that is under vines. It offers a unique value proposition through its social involvement on the estate, and the ethical manner in which it operates and performs business. It is bound by its history

and aims to address the wrongdoing of the past. It offers a unique opportunity for visitors, with on-site restaurants, a museum, tasting room facilities, well-established gardens and picnic facilities. The wine on offer is truly South African, incorporating a cascade of tastes and styles, all with a sense of place.

Professor Mark Solms is the brainchild of this unique organisation, together with British philanthropist, Richard Astor. It incorporates three neighbouring farms, in the Delta Trust and the Wijn de Caab Trust. Professor Mark Solms and Richard Astor each own a one-third share in the Solms-Delta Estate, with the community trust that represents the farm workers of Solms-Delta, completing this three-way partnership. Over the years, it has achieved tremendous success in a very difficult market, benefiting its black shareholders financially. It has an innovative and unique business model with various channels through which they operate (www.solmsdelta.co.za).

THOKOZANI

Thokozani forms part of the Diemersfontein Wine Estate and is situated on the Diemersfontein Wine and Country Estate, outside Wellington. It was launched in 2003 as an empowerment company and consists of two entities namely, Thokozani Winelands Investments, which consists of their wine brand, conference facilities and an art gallery, and Thokozani Properties, which consists of cottages for overnight guests. It offers a unique opportunity for visitors to the estate with on-site restaurants, an art gallery, tasting room facilities, conference facilities, guest cottages and well-established gardens. The wine on offer is true to the Wellington region and unique, because Diemersfontein is synonymous with their famous trademark, their coffee and chocolate Pinotage.

David Sonnenberg, the owner of Diemersfontein, and whose father planted the first vines in the 1970s, is the mastermind behind the Thokozani deal. He also provides leadership and guidance to the team and is completely committed to Thokozani. He has a 40% shareholding in the business (www.diemersfontein.co.za).

M'HUDI

The M'Hudi Farm is situated on the R101 Old Paarl Road, Koelenhof, in the Stellenbosch Wine District. M'Hudi was founded by the Rangaka family after they left their successful professional careers to start a new venture. They had to learn new and specialised skills in winemaking and viticulture, in order to establish the M'Hudi brand. It is a true family brand and the whole family is involved, both the parents and all the children. Their story is one of courage and determination against seemingly impossible odds and relentless pursuit of

their dreams and aspirations. M'Hudi is a true family business and sells the concept of family and togetherness; they had a dream and they followed it by becoming the first 100% black-owned wine estate in South Africa. It was started in 2003 and consists of 35 hectares. They produce high-quality wines and have a boutique venue for wine tasting, intimate parties and small seminars.

It is a truly South African story where a family was inspired to venture into the world of winemaking, despite having no knowledge of it. Regardless of this, M'Hudi has won numerous awards, including the winner of the 2009/2010 Emerging Tourism Entrepreneur of the Year Award (www.mhudi.co.za).

SEVEN SISTERS

The Seven Sisters Farm is situated on the Anandale Road, Welmoed, in the Stellenbosch Wine District. It was founded by the Brutus family and is a boutique winery run by Vivian Kleynhans, who represents the family. However, all the members of the family are working together, in order to advance the brand. Seven Sisters is a true family business and sells the concept of family and togetherness. They had a dream for the whole family to become independent by growing the Seven Sisters brand. "The Seven Sisters wine brand evolved from its association with the seven Brutus sisters of Paternoster. The Brutus family lived in a small fishing village on the western coast. The wines, carefully selected to match the styles and personalities of each sister, celebrate their bond and devotion to one another, a fitting tribute to sisterhood indeed (www.sevensister.co.za)".

The farm was started in 2003 and consists of ten hectares. They produce high-quality wines and have created a venue for wine tasting and wine and food pairings.

3.4 RESEARCH RESPONDENTS

The research sample consisted of senior representatives and decision-makers at each of the four case studies. The managers responsible for developing the business model, and those responsible for executing it, were all included. Experts from each organisation were also included, to reply to questions relating to their field of expertise, for example, sales and distribution.. A minimum of one respondent per operation was interviewed. Interviews were held with the owners and/or the CEOs/general managers of the various operations. See table 10 below:

Table 10: List of interviewees

FARM	INTERVIEWEE	POSITION
Solms – Delta	Craig Macgillivray	CEO
	Charlotte van Zyl	Sustainability Manager
Thokozani	Denise Stubbs	General Manager
	David Sonnenberg	Owner/MD
M'Hudi	Malmsey Rangaka	Owner/CEO
Seven Sisters	Viviene Kleynhans	MD/Shareholder

3.4.1 DATA COLLECTION

Open-ended, semi-structured interviews were used to collect the data. The main purpose of the interviews was to cover specific themes and to allow the exploration of issues emerging during the interview. By using semi-structured interviews, there was freedom to further BEE questions and themes that surfaced during the interview process, and to prompt the interviewees for additional information.

3.4.2 INTERVIEW PROCEDURE

The researcher contacted each organisation and asked them to identify suitable respondents, after explaining the purpose of the research and requesting their participation. All interviewees participated voluntarily in the study. Interviews were scheduled for two hours each and were conducted at the premises of the four cases involved in the study. Organisations were limited to a minimum of one respondent per case.

All interviews were conducted in English and the rationale for employing semi-structured, open-ended interviews was explained. During each interview, the researcher explained the purpose of the study, and guaranteed that the information shared by the interviewee would be treated with the highest confidentiality.

3.5 RESEARCH APPROACH: CASE STUDY METHODOLOGY

Case studies are suited to understanding “what is happening or has happened” and “how or why did something happen?”, but do not include questions like “who?”, “when?” and “where?” The main purpose of case studies is to look at why decisions are taken, how they are implemented and the results obtained from them (Yin, 1994).

This study will create the opportunity to study the links between the different elements of the business models, and the way they evolved and developed over the years. The main benefit of using a case study methodology is that it allows for an open-ended exploration of multiple themes, without being limited to a clearly defined beginning or end. The researcher made use of a comparative case design because four different cases were investigated, analysed and compared (Yin, 1994)

3.5.1 COMPARATIVE CASE STUDY

The four cases are all based in the Western Cape and are either black owned or a joint venture. Initially, each category had one case that was perceived as a success and another that was perceived a failure. The main reason for this was to compare similar cases with different ownership structures in order to identify whether ownership structure is a contributing factor towards the success of the business. The cases were identified after consultation with industry experts and organisations such as WOSA and SAWIT.

3.6 DATA ANALYSIS

3.6.1 ANALYSIS STRATEGY

Content analysis is a social science method for studying the content of communication. It is also defined as the systematic analysis of communication content (Krippendorf, 1980). When content analysis judgements are based on values, the studies are evaluations. In this study, content analysis was used for the analysis of the qualitative data captured during the semi-structured, open-ended interviews (Krippendorf, 1980).

The nine building blocks of the Osterwalder & Pigneur (2005) business model were used to analyse the cases. The key success factors identified were then used to evaluate the cases.

3.7 LIMITATIONS TO THE STUDY

The sample only consisted of four BEE joint ventures in the South African wine industry. Therefore, the results found cannot be generalised throughout the entire wine industry. The sample also consisted of joint ventures in the traditional wine regions of Stellenbosch, Paarl and Franschhoek. It is not representative of the newer wine regions such as, Hermanus, Elim and the Swartland region. The study also excludes the Northern Cape wine region, where the business models are vastly different from those in the Western Cape. Therefore, the findings cannot be generalised or applied to BEE ventures in that region. In the future, this study could be replicated in the Northern Cape.

With the slow progress of land reform and the transfer of agricultural land to black individuals, the sample of BEE organisations is very limited. Existing literature on BEE and business models in the wine industry is also limited because it is a new area of research. Therefore, literature about business models and BEE in the wine industry was found in different articles and applied to the research.

The research conducted is also a cross-sectional design study, and therefore, the findings are only current at the time of this research. A longitudinal study over a longer period of time would highlight how the business model has changed or been adapted over time. This is purely a qualitative research study and is not supported by quantitative analysis.

3.8 ETHICAL CONSIDERATIONS

The researcher is currently working for Distell, which is a wine and spirits organisation. Although the case studies are competing in the same sector, they are not in direct competition to Distell, because their business models are totally different. Distell is a high-volume wine, spirits and ready to drink producer, compared to the research sample, which consists of small wineries.

It is important to be sensitive towards the information and to keep any information gathered confidential. Because it is a comparative study by an industry insider, the integrity of the research is very important, and all parties were informed of my involvement in the industry.

The researcher also has a thorough knowledge of the industry, and sought to limit the impact of his beliefs and values on the outcome of the research.

CHAPTER 4

RESEARCH FINDINGS

4.1 INTRODUCTION

The research findings were formulated after the semi-structured interviews with representatives from the sample had taken place. The cases are presented using the nine building blocks of the Osterwalder business model, as previously described in the literature review. See table 11:

TABLE 11: SUMMARY OF OSTERWALDER BUILDING BLOCKS

Osterwalder - Elements	Tokozani	Solms-Delta	M'Hudi	Seven Sisters
Value proposition	Wine and Wine experience, Middle Income, LSM7-LSM10 Truly South African experience			
Key Activities	Making and selling of wine			
	Wine Tourism, Festivals, Accommodation, Conference facilities	Wine Tourism, Festivals, Accommodation, Conference facilities	Wine Tourism, Accommodation	
Key Resources	Wine and Wine grapes, Packaging, Labour			
Key Partners	David Sonnenberg, government, wine and grape suppliers, distributors and agents	Prof. M.Solms and Mr J. Astor, wine and grape suppliers, distributors and agents, public relations specialist	Government, wine and grape suppliers(Koelenhof), Grier family of Villiera and Schonenberg family Marks&Spencer,	Government, wine and grape suppliers, Swartland Cellars Heritage Links Brands, Harvard

Comment [a12]: ensure table layout has headings on both pages

			distributors & agents	Business School, distributors and agents
Cost Structure	Wine and wine grapes, Pay roll and labour, packaging costs, maintenance of estate, marketing costs and distribution costs			
Revenue Streams	Local and International Sales			
	Cellar door sales, on-site festivals and trade shows, Conferences, Accommodation , museum	Cellar door sales, on-site festivals and trade shows, Conferences, Accommodation, wine tours, museum	Cellar door sales, Wine festivals, accommodation	Wine festivals
Customer Relationships	Checkers, direct to end consumer	Pick n Pay, Makro, Ultra Liquors and Midmar. Direct to end consumer	Woolworths, Heritage Links Brands	Makro, Heritage Links Brands
Client Segments	Middle Income LSM7-10			
Channels	Local and International, Cellar Door, online, on-site festivals, agents and wine shows, retailers	Retail, Local and International, Cellar Door, online, on-site festivals, agents and wine shows	Local and International, Cellar Door, online, agents and wine shows, retailers	Local and International, agents and wine shows, retailers

4.2 SOLMS-DELTA

4.2.1 Introduction

Solms-Delta Wine Estate is found on Delta road, off the R45, in the Franschoek Valley. The business was started in 2003 and is situated on 78 hectares of land that is under

vines. It offers a unique value proposition through its social involvement on the estate, and the ethical manner in which it operates and conducts its business. It is bound by its history and aims to address the wrongdoing of the past.

The business model of Solms-Delta focuses on the South African domestic market, the export market and wine tourism. These three complement each other well and the wine farm is therefore, not dependent on one source of income. Wine tourism on their estate creates the ideal opportunity for them to introduce their brands to visitors, which leads to repeat purchases.

Solms-Delta is targeting the middle- to high-income group or more specifically, LSM 7 to LSM 10. Their revenue is from both local and international sales. Domestic sales account for 70% of their sales, while international sales make up the other 30%. Twenty per cent of the total sales of Solms-Delta are through their cellar door, while the rest of their local sales are through South African retailers. Prof Mark Solms has become synonymous with Solms-Delta and their business practices are widely applauded throughout South Africa. Their good reputation has created various opportunities for them and their brands are available in many retailers in South Africa such as, Pick n Pay, Makro, Midmar and Ultra Liquors.

The community trust, which holds a one-third-ownership stake, meets regularly with the other shareholders and the management team and is abreast of all the business affairs. Many members of the community trust and their children have obtained senior positions on the farm.

Profits from the sale of wine are shared equally between the Wijn de Caab Trust and the Solms and Astor families.

4.2.2 Ownership structure

Professor Mark Solms and a British philanthropist, Richard Astor, each hold a one-third share in the Solms-Delta Estate, together with the community trust that represents the farm workers of Solms-Delta. Prof Mark Solms and Richard Astor mortgaged their own farms to secure a bank loan, thus enabling the farm workers to buy a third adjoining farm, and together they are making wine under one label, Solms-Delta. Prof Mark Solms is critical to the success of Solms-Delta and his drive and ambition is the cornerstone of the operation. Neither Prof Mark Solms or Richard Astor are directly involved on a day-to-day basis with the running of the farm but have appointed a full-time management team, which

is responsible for the administration of Solms-Delta. However, they meet with the management team on a weekly basis to keep up-to-date.

4.2.3 Domestic business model

Locally, Solms-Delta is selling their wine through various retailers like Pick a Pay, SPAR, Ultra Liquors, Picardi Rebel and Liquor City. Their biggest markets are the Western Cape, Gauteng and Kwazulu Natal. Their wine is also available at various restaurants and wine speciality stores. On-line sales is also growing every year and is great growth area for the business.

Locally the retailers are creating various challenges for Solms – Delta which impact on their cost structure, like the costs related to distribution, and the rebates paid to retailers such as Pick 'n Pay. Payment terms are another challenge at certain times of the year, although this is manageable. Challenges occur after the buying in of grapes where dealing with the 90–120 days payment terms from retailers.

Domestically the relationship with the customer is very important to Solms-Delta and they are reaching the end consumer through various means. Social media plays a very important part in building and maintaining these relationships. They have also seen a great increase in their online sales, which are growing year by year. The year 2013 saw the birth of the Solms-Delta Wine Club, which enables them to stay in contact with their customers and to build relationships.

4.2.4 Export business model

The wine of Solms – Delta are available in various countries around the world specifically Namibia, Botswana, Zimbabwe, Nigeria, United Kingdom, Germany, Netherlands, Denmark, Belgium, Switzerland, Greece, California and New York.

The export side of their business is complementing the rest of their business well and there is a good balance between local and international sales. The export business model made up 30% of their total sales and various opportunities exist to increase their international operations.

4.2.5 Wine tourism

It offers a unique opportunity for visitors to the estate with on-site restaurants, a museum, tasting room facilities, well-established gardens and picnic facilities.

Various festivals are held throughout the year on the estate and these draw large crowds, contributing to the revenue of the business. Below, is a list of the annual festivals:

- Franschhoek Oesfees, which is their annual harvest festival
- Summer sunset concerts
- Franschhoek Uncorked Festival, which is a musical festival
- Bastille Festival, which creates the opportunity for the farm and community to celebrate their heritage
- Delta Draf and Delta Trap

As one of the leading wine estates in the Franschhoek Valley, Solms-Delta offers guided farm tours, which are led by farm residents and offer a personal insight into farm workers' lives, the vineyards and the musical and cultural heritage of Solms-Delta. More than 30 000 visitors visit the estate on an annual basis. Table 12 lists the tours currently on offer:

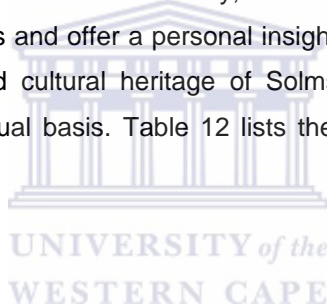


TABLE 12: SOLMS-DELTA TOURS

Cape Food and Wine Pairing Tour	Cape Music and Wine Tour
History, Archaeology and Wine Tour	Vineyards, Cellar and Wine Tour
Social History and Wine Tour	A Taste of our Food Heritage

4.2.6 Conclusion

Solms-Dela has an innovative ownership structure that is seen as visionary by all in the industry. They have an inspirational leader in Prof Mark Solms, who drives the business to succeed and be sustainable in the future. Solms-Delta is controlled by an experienced management team with proper business structures in place. This team reports to the board, which consists of the Solms family, Astor family and the community trust. Due to the ownership structure and the reputation of Prof Mark Solms, Solms-Delta received

much public recognition and advertising through articles in newspapers and the electronic media.

The business model of Solms-Delta focuses on both the domestic and international markets, as well as wine tourism. The three models complement each other well and minimise the risk of the estate being too dependent on one specific market. In contrast to the rest of the sample, Solms-Delta is available at various retailers in South Africa. Many people visit the Solms-Delta Wine Estate annually, which not only increases sales, but also creates the ideal opportunity to engage with the end consumer.

4.3 THOKOZANI

4.3.1 Introduction

Thokozani forms part of the Diemersfontein Wine Estate and is situated on the Diemersfontein Wine and Country Estate outside Wellington. It was launched in 2007 as an empowerment company and consists of two entities namely, Thokozani Winelands Investments, which consists of their wine brand, conference facilities and an art gallery, and Thokozani Properties, which consists of cottages for overnight guests. It offers a unique opportunity for visitors to the estate with on-site restaurants, an art gallery, tasting room facilities, conference facilities, guest cottages and well-established gardens. The wine on offer is true to the Wellington region and unique because Diemersfontein is synonymous with their famous trademark coffee and chocolate Pinotage. The Thokozani range consists of three varietals, a Shiraz/Mourvredre/Viognier, Rose and CVC. Their Shiraz/Mourvredre/Viognier is made in the same style as the trademark coffee and chocolate Pinotage from Diemersfontein

Thokozani, as a business, has various activities, of which the making and selling of wine is one of the most important. This is supported by their wine tourism activities such as, their guest cottages, art gallery and their participation in the Pinotage on Tap Festival, which is held annually at the Diemersfontein Estate and attracts over 2000 people.

A strategic partner in this business is David Sonnenberg, the owner of Diemersfontein, whose father planted the first vines in the 1970s. Not only is David Sonnenberg the mastermind behind the Thokozani deal, but he also provides leadership and guidance to the team. He is completely committed to Thokozani and has a 40% shareholding in the business.

4.3.2 Ownership structure

The ownership structure of Thokozani consist of Diemersfontein Investments, Diemersfontein staff and an external investor. See Table 13:

Table 13: Ownership of Thokozani

Ownership	Shareholding
Diemersfontein Investments	40%
Diemersfontein staff	30%
External investor(Jacques van der Heyde)	30%

Diemersfontein investments is represented by the owner of Diemersfontein David Sonnenberg on the board of Thokozani therefore holding an integral but minority stake in the business. All the employees of Diemerfontein forms part of Diemersfontein staff, staff were given R10 000 to R20 000 worth of shares depending on their seniority with the condition that they stay and work on the farm for five years. Each staff member also commit to devote 2% of their salary on a monthly basis to buy more shares in Thokozani. The external investor is Jacques van der Heyde who is the co-founder and Managing Director of African Capital Property Portfolio (Pty) Ltd. Daily management of Thokozani is handled by the management team of Diemersfontein.

4.3.3 Domestic business model

The Tokozani range is also available in Makro and Checkers outlets in South Africa. The listings with the South African retailers would not have been possible without their involvement and linkage to Diemersfontein and their sales team. Listing with the Shoprite Checkers Group was only possible due to relationships that were already formed with Diemersfontein.

Thokozani shares resources and channels with Diemersfontein, which already has a well-developed infrastructure in place. Their wine is sold through the same channels as Diemersfontein, which is evident with their Checkers listing. Customer relationships with

retailers such as, Makro and Checkers is managed by the sales team from Diemersfontein because they already have well-developed relationships.

4.3.4 Export business model

Thokozani's largest export market is the Netherlands but they also export to the USA, Germany, Sweden, Switzerland, Denmark, Czech Republic and Botswana. The export of wine is a very small part of the overall business of Thokozani and are an area of improvement and needs more focus in the immediate future.

4.3.5 Wine tourism

Thokozani is very specific in the customer segments they target. For example, the government makes use of their conference facilities, as well as their guest cottages for accommodation, where they offer two- or three-day packages. Thokozani offers a true wine tourism experience, with their cottages having a four-star tourism rating, and their facilities on the estate being of a very high standard for both international and local tourists.

Key activities include their visits to and participation in various trade shows and wine festivals around the world. Locally, the Soweto Wine Festival is a very effective platform to meet future customers and to market the Thokozani brand. Thokozani, as a wine brand, sees its main differentiator being the quality of its wine, and do not want people to buy it due to its BEE status, but due to the quality. In a South African context, being a BEE brand does not contribute to increased sales but rather creates more challenges for producers to overcome.

As stated, Thokozani offers a wide variety of wine tourism activities, which include a tasting room, conference facilities, art gallery, accommodation and festivals.

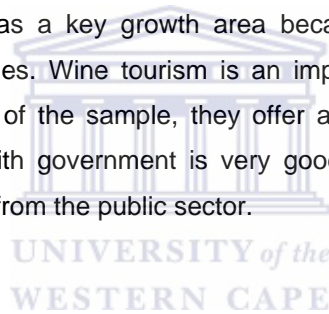
Their most effective channel is their direct sales to end consumers at their tasting room on the estate. This is ideal because there are no intermediaries, which only add to the costs and lower the profits for Thokozani. Through Diemersfontein, the Corked Club was also formed. This is a wine club for the estate and gives another platform for Thokozani to grow and develop their brand.

Thokozani also owns vacant land in the Diemersfontein Wine and Country Estate, which is a residential estate where they could expand their tourism activities by building more guest cottages. They could also sell the vacant land and re-invest in their business.

4.3.6 Conclusion

The ownership structure of Thokozani is a good balance between the workers, the JV partner and an external investor. David Sonnenberg, the owner of Diemersfontein, is directly involved and shares the risks and profits with the other shareholders. Through Diemersfontein, Thokozani has access to the infrastructure, facilities, personnel and distribution networks. These would have been very difficult for them to access on their own. The good relationship between Diemersfontein and Shoprite Checkers opened the door for Thokozani.

Thokozani identified the export of wine as a key growth area because they are very dependent on wine tourism and local sales. Wine tourism is an important part of their business model, because unlike the rest of the sample, they offer accommodation and conference facilities. Their relationship with government is very good and they receive various grants and business opportunities from the public sector.



4.4 M'HUDI

4.4.1 Introduction

The M'Hudi farm is situated on the R101 Old Paarl Road, Koelenhof, in the Stellenbosch Wine District. It was started by the Rangaka family and is a boutique winery run by the whole family. All the members of the family work together, in order to advance the brand. M'Hudi is a true family business and sells the concept of family and togetherness. They had a dream and they followed it by becoming the first 100% black-owned wine estate in South Africa. It was founded in 2003 and consists of 35 hectares. They produce high-quality wines and created a boutique venue for wine tasting, intimate parties and small seminars. As the first black land owners in the South African wine industry, and being a differentiator, they have much to offer. They are a proud BEE organisation, who operates ethically and responsibly.

The M'Hudi range caters for customers in the Reserve and Premium range. Their retail prices per bottle vary between R40 and R70. Their main target market is the LSM 7 – LSM 10.

In the beginning of M'Hudi, there was a strong need for skills relating to farming and management practices. This was provided by neighbours and mentors, which enabled the family to learn the trade.

4.4.2 Ownership structure

M'Hudi are 100% owned by the Rangaka family and all the family members are playing an important role in the organisation. The leadership and guidance of Malmsey Rangaka as the CEO and president, together with her husband Diale, is critical to the operations as they are the visionaries who started the business. Being new to the wine industry the M'Hudi made use of various mentors to assist them.

a) Mentorship

Mentorship was critical to the success of M'Hudi and partnerships were formed with their neighbours, specifically the Grier family from the Villiera Wine Farm. Simon and Jeff Grier played a critical role by attending the production process and visiting the farmland. In 2005, the Griers agreed to allocate a portion of Villiera's production capabilities to the processing of grapes and bottling of wine from the Rangaka family. This was then sold under the M'Hudi brand.

Another important mentor in the early years of M'Hudi was the Schonenberg family, who taught the Ranaka family the finer art of processing and blending, along with organic production techniques.

4.4.3 Domestic business model

Locally, their wines are available through Woolworths and some smaller retailers and restaurants. One of the challenges for M'Hudi is that consumers are not prepared to pay more for BEE wines. Therefore, M'Hudi is focusing on high-quality wines because this is the only differentiator between the brands. Trade shows and festivals are important to their revenue streams because they are useful for marketing/branding and provide a venue for interaction with prospective customers.

Local retailers have between 90 and 120 days to pay, while international retailers/distributors have 60 to 90 days. This influences their cash flow because they have to pay their creditors within 30 to 60 days. Luckily, M'Hudi has a 10-hectare guava orchard that is harvested in the winter months, a guest house and a thriving cellar door. These all help to ease the burden.

Being linked to a brand like Woolworths is important because an association with Woolworths gives them prestige and quality to their brand.

However, they are struggling in the South African market to list in major retailers such as, Shoprite Checkers, Pick n Pay and Spar. They have tried for many years but without much success. For the business of M'Hudi to grow, they need to improve their relationships with the above retailers. Relationships with distributors were also very challenging in the early years but have improved in the last few years. Distributors are very important players in the wine industry and are needed for 'route to market'.

A very small percentage is sold to smaller retail outlets and restaurants.

Government and government institutions such as, the Land Bank cannot be ignored because they provide various opportunities for the business.



4.4.4 Export business model

More than 80% of their total sales are from exports to Marks & Spencer in the United Kingdom and Heritage Links Brands in the USA. Through Heritage Links Brands, their brands are also available on various airlines. They are also exporting to Nigeria.

A key partner in their business is the British retailer Marks & Spencer, who afforded them the opportunity they needed to prove themselves. This led to the development of a local partnership with Woolworths.

Heritage Links Brands is the only US company which imports wine exclusively from the South African Black Vintners Alliance (SABVA). It was started by Selena Cuffe after she attended the Soweto Wine Festival in 2005. Selena Cuffe is also a Harvard Business School MBA alumni and is on their alumni committee. Various market research is done for M'Hudi by ivy league institutions like Harvard Business School, Northwestern University's Kellogg School of Management and Cornell University.

One of the most important activities of M'Hudi is the export of their wine since export sales account for 80% of their total sales. Their linkage to distributors such as, Heritage Links

Brands in the USA is very important to their business. The making and export of wine is by far their most important key activity.

4.4.5 Wine tourism

Wine tourism forms an important part of the value proposition of M'Hudi. They cater for both local and international tourists. They have also won a prestigious SA tourism award in 2010.

4.4.6 Conclusion

The whole Rangaka family is involved in the business and as a family, they want the business to succeed. Leadership and guidance are provided by Malmsey Rangaka, who acts as the CEO. The main component of their business is the export of wine to the United Kingdom and USA. Marks & Spencer created the ideal opportunity for them to export their wine to a well-known and respected retailer, and this created the opportunity with Woolworths locally. Brands sold at Marks & Spencer and Woolworths are associated with high-quality products for consumers. The linkage with Heritage Links Brands created the opportunity to export their wine to the USA.

Wine tourism is also important for M'Hudi and is a main part of their inherent business model.

The success of M'Hudi is also attributed to the involvement of mentors who provide guidance and support, especially in the early stages of the business when the family were unfamiliar with the wine industry. Mentorship at M'Hudi still continues today, with them investigating the possibility of organic wine farming.

4.5 SEVEN SISTERS

4.5.1 Introduction

The Seven Sisters Farm is situated on the Annandale Road, Welmoed, in the Stellenbosch Wine District. It was founded by the Brutus family and is a boutique winery run by Vivian Kleynhans, who represents the family. However, all the members of the family are working together to advance the brand. Seven Sisters is a true family business and sells the concept of family and togetherness. They had a dream for the whole family to become

independent by growing the Seven Sisters brand. It was started in 2003 and consists of 10 hectares. They produce high-quality wines and created a venue for wine tasting and wine and food pairings.

The wine of Seven Sisters is sold mainly through two channels namely, exports to Heritage Links Brands and Walmart, which account for 90% of their sales, and locally to Makro. On appointment, wine tastings can be arranged, as well as food and wine pairings. Seven Sisters is in process of establishing a restaurant and there are future plans of opening a guest house, in order to offer the full wine tourism experience to their visitors

Seven Sisters sell wines that appeal to a broad range of people, but especially women because their brand is owned by the seven Brutus sisters and is selling the idea of family, happiness and togetherness. They sell wine to those who enjoy wine and a wine experience. They also satisfy the needs of novice wine drinkers. The Seven Sisters range caters for customers in the LSM 7 to LSM 10 groups. Their retail prices per bottle vary between R40 and R70. The product range includes a Merlot, Cabernet Sauvignon, Pinotage, Sauvignon Blanc, Moscato, Rose and Buckettraube Sweet Wine and resembles the name of each of the seven sisters.

4.5.2 Ownership structure

Seven Sisters is 100% owned by the Brutus family and is managed by one of the sisters, Vivian Kleynhans, who is responsible for the management of the whole business. She is also the chairperson of the African Vintners Association in South Africa and is well known, having been working in the industry for a very long time. She developed her own wine brand, Mia Cara, before the Seven Sisters brand was established. She also works closely with government and industry to advance black wine producers.

4.5.3 Domestic business model

Government also played a critical role in their success. Through the DTI or Rural/Land Reform, the government provided funding for various initiatives such as, visiting trade shows and festivals.

In the last few years, the African Vintners Association became a strategic partner in the business. This is an association in which all black wine producers believe that as a collective, they can achieve more than as an individual. Seven Sisters also has a strong

relationship with industry bodies such as, South Africa Wine Industry Information & Systems and SAWIT.

The relationship between Seven Sisters and the African Vintners Association is very good. Vivian Kleynhans is the chairperson of the African Vintners Association. For Seven Sisters and other black producers, they can achieve more as a collective than as an individual business, especially regarding funding from the government for trade shows and festivals

A substantial challenge for them is how to reach the end consumer. In the early years, distribution channels and 'route to market' were very challenging, and still today, retailers are not making it easy for small producers to stock shelves with their brands. Seven Sisters have struggled for years to get their products onto the shelves of Shoprite Checkers, Pick n Pay and SPAR.

A large challenge for Seven Sisters is that customers are not prepared to pay more for a BEE wine. The fact that the brand is BEE is not having any impact. On the contrary, BEE wine is not well received by the public, retailers and consumers because they see it as inferior in quality. Customers are prepared to pay for good quality wine and it must be affordable and easy to drink.

Seven Sisters is paid between 60 and 90 days, which makes it important for them to manage their finances carefully. Currently, they are not experiencing cash flow problems, but this is carefully managed. One of their brands is a development brand with payment in 30 days. This is through the deal with Cool Wines and Makro, as part of their development programme.

4.5.4 Export business model

Seven Sisters has developed various key partners such as Walmart in the USA. This has also led to the development of a relationship with Makro in South Africa, after Walmart acquired shares in Massmart. Another important partner is Heritage Links Brands from the United States, who is their distributor in the USA. More than 90% of the total volume of Seven Sisters is exported to the US market. Heritage Links Brands is described in 4.4.4.

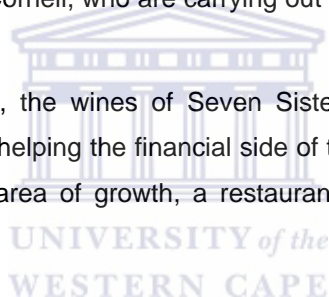
4.5.5 Wine tourism

Seven Sisters has a very small local presence and does not have a cellar door, which visitors or tourists can visit regularly and in so doing, buy their wine directly. Their estate is relatively new and a restaurant is currently being established, which should open to the public in the near future.

4.5.6 Conclusion

Vivian Kleynhans is key to the success of Seven Sisters because she has a wealth of experience within the industry. She is also the chairperson of the African Vintners Association, which as a collective, aims to grow and market the businesses of black wine producers in South Africa. The majority of their wine is exported to the USA through Heritage Links Brands and is available at Walmart stores throughout the USA. More than 90% of their business is exported to the USA. Seven Sisters is assisted by Ivy League institutions including Harvard, Kellogg and Cornell, who are carrying out market research on their behalf.

Through the development fund of Makro, the wines of Seven Sisters are also locally available with preferential payment terms, helping the financial side of the business. Since they have identified wine tourism as an area of growth, a restaurant and tasting room facility are currently under construction.



4.6 KEY SUCCESS FACTORS: ANALYSIS

The cases were analysed according to the key success factors as in the literature **review**. The results are summarised in Table 14.

Distribution, marketing, skills and capability and other key success factors have been identified and analysed. The whole sample is selling both locally and internationally whilst some focus more on certain areas than others, the whole sample make use of distributors to distribute their wine. Wine tourism is also playing a very important part in the business of the whole sample therefore the Key Success Factors have been analysed looking at the local, international and wine tourism market for the whole sample. See Table 14.

Comment [a13]: This table requires some analysis

Table 14: Key Success Factors: Analysis

Key Success Factors	Domestic Model	Export Model	Wine Tourism
Distribution KSFs	<p>a) Access to retailers: Solms-Delta (Pick n Pay, SPAR, Midmar, Ultra Liquors); Thokozani (Checkers); M'Hudi (Woolworths, Makro), Seven Sisters (Makro)</p> <p>b) Direct sales: Solms-Delta sells to various smaller retailers and restaurants</p> <p>c) Shelf space: The whole sample where it is listed</p>	<p>a) Exports directly to retailers: M'Hudi exports directly to Marks & Spencer in UK, this give them credibility and access to Woolworths locally</p> <p>b) Exports through distributors/agents: Seven Sisters and M'Hudi exports through Heritage Links Brands to the USA. More specifically, Walmart. This gives them credibility and access to Makro locally</p>	<p>a) On-site facilities: Solms-Delta: Tasting room, restaurant, picnic area and museum ; Thokozani: Tasting room, restaurant, and art gallery</p> <p>b) Festivals: Solms-Delta has various festivals throughout the year Thokozani: Pinotage on tap wine festival</p>
Marketing KSFs	<p>a) Well-known and respected brand: Solms-Delta and their link to Prof Mark Solms; M'Hudi listed with Woolworths gives the brand credibility and sense of quality</p> <p>b) Unique brand names: Seven Sisters wines are named after each of the seven sisters; Solms-Delta use names such as "Vastrap" and "Cape Jazz" to differentiate themselves from the mainstream</p> <p>c) Breadth of product line:</p>	<p>a) Differentiation: Seven Sisters and M'Hudi differentiate themselves in the USA as being truly African wine producers</p>	<p>a) Thokozani: Accommodation and conference facilities</p> <p>b) Solms-Delta: various festivals throughout the year</p>

Comment [a14]: ensure headings for eac

Comment [a15]: h page

	Solms-Delta has a wide variety of product ranges available		
Skills and capability related KSFs	<p>a)Mentorship: M'Hudi receives mentorship from neighbouring farmers at Villiera</p> <p>b) Winemakers: The entire sample has experienced winemakers; Seven Sisters wine is made by Swartland Wine Cellars</p>	<p>a)Research: Marketing research is conducted for Seven Sisters and M'Hudi by Ivy League institutions such as, Harvard, Cornell and Kellog</p> <p>b) Local and global distribution capabilities: The entire sample has local and global distribution capabilities all over the world</p>	<p>a)Wine and food pairings: the entire sample carries out wine and food pairings</p>
Other types of KSFs	<p>a)Tasting room experience: Solms-Delta and Thokozani have vibrant tasting rooms</p> <p>b) A strong balance sheet and access to financial capital: The entire sample has access to financial capital and has a strong balance sheet</p>	<p>a) Export of wine: The entire sample is exporting wine to either the United Kingdom, USA or Europe</p>	<p>a) Online sales: Various visitors to Solms-Delta, Thokozani and M'Hudi tasting rooms will order wine online for delivery to their homes</p>

CHAPTER 5

DISCUSSION OF THE RESULTS

5.1 INTRODUCTION

The whole sample consists of wine producers. Their main activity is the making and selling of wine. It is evident that most wine producers have also focused on other activities to supplement and support their wine activities. The key activities include:

- Distribution of wine both internationally and domestically
- Management of customer relationships with specific reference to grape farmers and South African retailers
- Cellar door experience
- Wine tourism
- Festivals
- Functions, conferences and weddings

With the exception of Seven Sisters the wine ventures offer a true South African wine experience to their visitors. They all target the middle-income group or more specifically, LSM 7 – LSM 10. All of them have a strong focus on the quality of their wine and believe this should be the main differentiator and attraction for potential customers. This is very important because major quality attributes, such as taste and flavour can only be experienced when consumed. Therefore, the information on the front and back labels, and the brand name, play a vital role as quality indicators (Boatto, Defrancesco & Trestini, 2011). Three of the four cases in the sample have a wide variety of ranges and varieties of wine, while Thokozani decided to focus only on three different varieties.

All the interviewees agree that promoting the producer's BEE status does not contribute to the success of the brand and does not help increase sales; it actually creates more challenges for them to overcome. One of the participants decided not to promote their brand as a BEE brand, and is focusing on quality and developing their brand traditionally. Similarly Blouville Wines decided not to have any BEE explanations on their wine labels. They do not send out the message of a black brand, but rather want people to buy their wine because of its quality, not because the owners are black (www.wine.co.za)

Three of the four wineries are offering the complete wine tourism experience to their visitors, with on-site tasting room facilities, restaurants, accommodation and conference facilities, while the fourth is in the process of introducing these features. The advantage of

the tasting room experience is that it leave a long-lasting memory with the visitors, which leads to repeat purchases. They also create other sources of income for the business, which is therefore, not solely dependent on the wine sales. Research conducted by Carmichael (2005) found that 70% of wine tourism visitors will purchase wine at the wine estate. The expenditure of wine tourists in South Africa can be assigned to wine purchases (53.1%), food and restaurants (26.1%), gifts and curios (about 8.3%) (Tassiopoulos, Nuntsu & Haydam, 2004). Wine tourism creates an excellent opportunity for wine estates to educate their visitors about their brand and it generates an ideal chance to foster good relationships with their visitors (Hall & Mitchell, 2000).

5.2 DOMESTIC BUSINESS MODEL

Domestically, most wine is sold through the retailers and liquor stores.

5.2.1 SOUTH AFRICAN WINE MARKET

Outside of the Western Cape South Africa is not a wine-drinking country and does not have a strong wine culture. This is one of the main challenges for the wine industry. South African consumption of wine per capita makes it one of the lowest wine-consumers among wine-producing countries (Green, -2008).

There is a definite shift towards wine by black consumers, although they remain predominantly beer consumers (Green, 2008). Various challenges exist for penetrating the emerging black market, such as education on wine, because black consumers currently have a limited knowledge of wine and its associated lifestyle (Green, 2008). Black consumers perceive wine as low-quality bulk wine, (mainly due to their association of wine with the “dop system”. In addition, they perceive wine as a beverage for white consumers (Green, 2008).

Three of the participants identified the government as a key partner because it provided funding for their visits to trade shows, festivals and exhibitions (expos). The whole sample agree that the government should play a more important role in supporting the industry and contributing to its success and growth. Research conducted in the Thandi project by Japhta and Coetzee (2007) found that government has limited manpower available to assist BEE projects, with specific reference to information, innovation and training. Japhta and Coetzee (2007) also found that government support is a future shortcoming for BEE

and land reform projects. Eventually, agribusinesses will also not be able to provide support.

5.2.2 SOUTH AFRICAN RETAILERS

According to Gettler (2003), 60% to 80% of global wine sales take place in supermarkets. In the United States, in 2000, supermarkets accounted for 41% of retail wine sales (Wickham et al. 2001). With wine turnover being very slow, wholesalers prefer to distribute only top selling brands instead of small or new labels, and distributors avoid products that may not sell (Cholette, Castaldi & Frederick, 2008).

The distribution of wine and the channels through which they sell in South Africa remains a challenge for the four firms studied. All struggle to obtain shelf space at the major retailers. The largest challenge is listing with the Shoprite Checkers Group, one of the three largest retailers to the LSM7 – LSM10 group. Only one of the sample currently supplies to them, and this was only made possible through their joint venture partner. The main challenge for the entire liquor industry is the increase in the number of outlets of the three large retailers, SPAR, Pick n Pay and Shoprite Checkers, who are dominating the market. In 2006, the three retailers combined, had 1 391 outlets. This increased to 1 959 outlets by 2012 (Wineland, 2013). SPAR, Pick n Pay and Shoprite Checkers are responsible for 40% of the total premium and super-premium wine sales in South Africa. The top ten retailers in South Africa account for 61% of the total premium and super-premium wine sales in South Africa (Wineland, 2013).

The management of cost is very important for the whole sample because their payment terms are between 60 and 120 days. Most retailers only pay the estate between 90 and 120 days, and therefore, the management of cost and cash flow becomes very important for all the firms studied.

The 100% black-owned participants found it very difficult to create good relationships with the retailers, while the joint-venture participants found it much easier to gain access to the local retailers. This is attributed to the role of the lead firm. M'Hudi found it very difficult to find a local presence in the retail sector. They have approached retailers, such as Shoprite Checkers, but without much success. The traditional route to market is through agents and distributors, who deliver to customers and retailers. This is supported by the research done by Mabiletsa (2008), who states that consumers are buying more of their wine at large retailers or supermarkets

5.3 EXPORT/INTERNATIONAL BUSINESS MODEL

The export of wine creates various opportunities for the South African wine industry. The challenges in some markets and shifting demands and production patterns present clear opportunities for South African wine exporters. The higher global demand and the global wine shortage in other wine producing countries have led to record high export levels in 2013 (SAWIS, 2013).

The two 100% black owned ventures are highly dependent on the export of wine because the majority of their sales are from international markets. Both parties are using distributors/agents to export their wine and sell their products to well-known retailers. Marks & Spencer has given credibility and opened many doors for M'Hudi, as did Walmart for Seven Sisters. Heritage Links Brands was important to the success of Seven Sisters and M'Hudi in the US. The export of wine also forms a very important part of the business models of Solms-Delta and Thokozani, although they are not as dependent on it as Seven Sisters and M'Hudi. Both Solms-Delta and Thokozani have highlighted that there will be a stronger focus on the export of wine in the future. This is supported by the research conducted by Vinintell (2013), which states that South African wineries need to grow and diversify their exports, due to the various challenges that the South African economy faces such as, poverty, low economic growth and inequality.

5.4 WINE TOURISM

Wine tourism as a channel is very important to three out of the four cases in the sample. This channel is indispensable, not only for sales but also for brand awareness and the development and future growth of the brand. Bruwer (2008) found that the South African wine industry has an active wine tourism market, which offers on-site tours and the opportunity to meet the winemakers. He describes wine tourists as people who love wine and are the most likely buyers of wine from estates they visit. According to Green (2008), once customers have visited the cellar at Cabrière Wine Estate in Franschhoek and experienced the tasting and wine tour, they become lifelong supporters of Cabrière wines. Through this experience, they also become important Cabrière ambassadors.

5.4.1 TASTING ROOM

Today, tasting rooms are a major source of wine sales and profits for a small winery (McCleary & Lee, 2007). They do not simply act as a tasting location for wine brands and a place to secure customers (Thach & Olsen, 2006), but rather, play a dual role. They also serve as an attractive complex for multiple tourist demands because most winery visits are included in tour packages. Research conducted by Macionis (1996) defines wine tourism as visitations to wineries, wine shows, festivals and vineyards. Travelling to a winery is often the visitor's first experience of a winery, and therefore, the winery, wine product and the visitor are important elements that form the wine tourism mix (O'Neil & Charters, 2000).

The cellar door, or tasting room, remains one of the most important activities of the sample. Three of the participants have a vibrant tasting room from which they derive substantial incomes. A tasting room aids in building their brands, which leads to repeat visits and purchases. The atmosphere of the tasting room affects the visitor's emotional state and loyalty commitment (Sui & Baloglu, 2003; Shoemaker & Bowen, 2003), which consequently, shapes visitors attitudes and behaviours (Turley & Milliman, 2000). The two joint ventures are selling much of their wine through their cellar door and have a strong local presence in the retail outlets. There are restaurants and well-established gardens for picnics at their estates, which is part of the entire wine tourism experience. Zekulich (1999) highlights that most wine estates offer food services and art and crafts to help sell their wine. There is much evidence of wineries having on-site restaurants, accommodation facilities and merchandise on sale, in order to attract visitors.

Comment [a17]: check for repetition

Relationships with the end consumer are very important for the joint ventures in the sample because most of their sales take place at the cellar door. The main advantages of the cellar door are the marginal costs involved, the chance to add value and the development of the brand (O'Neil & Charters, 2000). Research conducted by Zekulich (1999) found that producers who struggle to get into the retail market should seek greater reliance on the cellar door and direct marketing.

5.4.2 FESTIVALS

Festivals have become very important to the whole sample. All of them visit various wine festivals and trade shows, both locally and abroad. Festivals and trade shows are not only an ideal location to sell their wine, but also, a place to meet new distributors, agents and

customers. Saayman, Marais and Krugell (2010) found that visitors attend wine festivals to socialise and meet new people. Both joint-venture participants make use of on-site festivals at their wine estate to increase their income and build their brand image. Over the years, their festivals have developed into some of the most important wine festivals in South Africa, attracting thousands of people. This is supported by Saayman et al. (2010), who found that the Wacky Wine Festival in Robertson, which started in 2004 with just 2 500 visitors, increased to 16 049 visitors in 2008.

The two joint ventures differentiate themselves from the rest of the sample by hosting on-site festivals, which attract thousands of visitors annually. This is ideal, not only for extra revenue, but also for the development and growth of their brand. Festivals often lead to repurchases, either in retail, online or in revisits to the estate. Sparks (2007) states that wine festivals are an important component of wine tourism. They also play a pivotal role in positioning a wine region (Bramble et al. 2007)



5.5 ROLE OF OWNERSHIP – JV VS BEE

5.5.1 JOINT VENTURES

Unlike pure BEE ventures, most joint ventures benefit from ongoing management and industry expertise, as well as resources, support and guidance provided by the partner. As an example, the Thandi project demonstrated the importance of mentorship and guidance by an established organisation. Capespan and Paul Cluver played essential roles in providing leadership and guidance (Japtha & Coetzee, 2007). Similarly, Ses'fikile obtained listings with South African retailers such as, Makro, Pick n Pay and Picardi Rebel, due to their involvement with famous winemaker, Bruce Jack from Flagstone wine cellar (www.wine.co.za). The joint ventures in this study would not have been a success without the contribution of their key partners, who are shareholders with the workers in the new venture.

The JV partner provides support and guidance, but more importantly, his expertise and resources. As an example, the Thandi project demonstrated the importance of mentorship and guidance by an established organisation. Capespan and Paul Cluver played essential roles in providing leadership and guidance (Japtha & Coetzee, 2007). The joint ventures in this study would not have been a success without the JV partner as a key partner.

Below is a SWOT analysis for joint ventures and 100% black-owned ventures studied, based on the data collected.

Table 15: SWOT Analysis

Comment [a18]: fix layout of table

SWOT Elements	Joint Venture	100% Black Owned
Strengths	<p>Strong local presence – Retailers</p> <p>On-site sales: 20% - 30% of total sales</p> <p>On-site wine festivals</p> <p>Wine tourism – restaurants and accommodation</p> <p>Various revenue streams</p> <p>Good customer relationships</p> <p>Lead firm involvement</p> <p>Involvement of JV partner</p> <p>Sharing of costs</p> <p>Economies of scale</p>	<p>100% total control of the business</p> <p>Family involvement</p> <p>Easier to obtain funding from government</p> <p>Development opportunities – Makro</p> <p>Boutique winery</p>
Weaknesses	<p>Low exports</p> <p>High-input costs</p> <p>Loans</p> <p>Transfer of knowledge not taking place</p>	<p>No history – established in late 1990s or early 2000</p> <p>No lead firm</p> <p>No well-established distribution network</p> <p>Small local presence</p> <p>Struggle to list with large retailers</p> <p>Customer relationships remain a challenge locally</p>
Opportunities	<p>International sales</p> <p>Product innovation</p> <p>Transfer of skill and knowledge</p> <p>Development of wine tourism</p>	<p>Expand their local footprint</p> <p>Wine tourism opportunities</p> <p>New export markets – Africa</p> <p>On-site festivals</p>
Threats	<p>Too dependent on local sales</p> <p>Growth opportunities in relation to festivals are limited</p> <p>Cellar door sales growth cannot be sustained over a long period</p> <p>Export market must be expanded</p> <p>Debt levels</p> <p>Role of the JV partner can change</p>	<p>Excessive dependence on exports</p> <p>Instability of the South African rand against the US dollar</p> <p>Cash flow – payment terms</p> <p>No local presence</p> <p>Grape and wine supply</p>

5.5.3 MENTORSHIP

Both the 100% black-owned wine estates in the sample made use of mentors at critical stages of their development. One estate was provided with a mentor from the government, while the other made use of their neighbour as their mentor. Mentors played an important role in the success of their ventures, especially in the case of the neighbour sharing his resources and skills. In the Thandi project, the original farm owners remained involved as mentors, and identified and groomed worker-shareholder talent (Japhta & Coetzee, 2007). In certain instances in which the original owners did not serve as mentors, farms often struggle and were occasionally declared bankrupt (Japhta & Coetzee, 2007). The value of mentorship was also shown to be critical at Papkuilsfontein where Nederburg farm played a key role in their farming operations and added value with its experience and expertise.

Another case study that supports the need for adequate and relevant mentorship is the Kweekvlei project near Worcester, where limited formal mentoring resulted in the venture incurring a loss of R150 000 in their first month of operation. In contrast, in the Bouwland project, the world renowned winemaker Beyers Truter from Beyerskloof played a critical role by mentoring and guiding the project (Golen et al. 2005).



5.6 KEY COMMON ELEMENTS

5.6.1 Key resources

The key resources are similar for the whole sample because the main function of all the cases is to make and sell wine. The key resources include:

- Wine grapes – the most important cost, inherent in their business model
- Costs related to the packaging of the wine (bottles, labels, cartons and other consumables)
- Labour and its challenges

Not one case from the sample is self-sufficient regarding grape supply. All of the wineries are buying in grapes from neighbouring farms or cooperatives to make their wine. None of them is selling wine that is made exclusively from grapes harvested on their own farms. Therefore, the acquisition of grapes and wine is a key activity. This is similar to other major international brands like Yellow tail wine, which are one of the largest wine brands in the world and are made from grapes that are readily available, rather than grapes that were

specifically grown for the winery. Most of Australia's wineries produce wine from grapes purchased from various geographic locations and a variety of vineyards (Cox & Bridwell, 2007).

Research by PricewaterhouseCoopers(www.moneyweb.co.za) states that the escalation of labour costs, due to the increase of the minimum wage in the wake of the strikes in 2013, is the largest risk to the South African wine industry.

5.6.2 Cost structure

The largest inherent cost in the business model for the whole sample is the wine grapes and the making of the wine. Research conducted by Blok (2007) states that grape production, bulk wine-making and secondary production, which includes viniculture activities, packaging and bottling activities in the cellar, are key resources

Various suppliers form key partners to the whole sample, specifically, the wine and packaging (bottles, labels, corks and cartons) suppliers because these are core components needed to make the wine. According to Boothman (2005), the packaging materials, or dry goods, make up a significant component of the total cost of the wine. Similarly, Perin and Lockshin (2001) identified grape production, primary wine production, secondary wine production, marketing, sales, distribution and administrative costs, as the key cost drivers in the wine-value chain.

Marketing cost is also important to the cost structure of the whole sample. All would like to spend more money on marketing, in order to expand their footprint, but their business models do not allow it at this stage. This is supported by the organiser of the Soweto Wine Festival and owner of Morara Wines, Mnikelo Mangciphu, who highlights that the lack of funds prevents many black wine makers entering the market (Ngubane, 2009). During the 2009 Soweto Wine Festival, only eight black exhibitors attended, a decline of over 25%. This was due to the high costs involved and the difficulty in sustaining annual marketing plans (Ngubane, 2009). The marketing of wine is critical to the success of the brand. Because there are so many wine brands on offer, marketing is needed to differentiate one brand from another. In their book, *Successful Wine Marketing*, Lapsley and Moulton (2001) describe the importance of brand identity, the product's position, communication and price. Similarly, Coffey (2002) found that the success of the Australian wine, Yellow tail, which is

the largest volume wine to the USA, can be attributed to the large amount of marketing support given to the retailers, and to the fact that it was heavily marketed to the trade.

Three of the four in the sample offer online sales, in which all three have seen significant growth. Research conducted by Vizu (2007) found that the online wine market remains small because the majority of customers prefer to buy from more traditional points of sale. It was also found that shipping costs, state restrictions and time is impacting on online sales (Vizu, 2007).

5.7 CONCLUSION

The key success factors as identified in the literature review have been used to analyse the cases. See Table 16 below:

Table 16: Key Success Factors: Comparison

Key Success Factors	Solms-Delta	Thokozani	Seven Sisters	M'Hudi
Route to market	Yes	Yes	Yes	Yes
Strong network of agents/distributors	Yes	Yes	Yes	Yes
Access to local retailers	Yes	Yes	Yes	Yes
Shelf space	Yes	Yes	Yes	Yes
Quality products	Yes	Yes	Yes	Yes
Experienced wine makers	Yes	Yes	Yes	Yes
Product differentiation	Yes	No	Yes	No
Supply chain efficiency	Yes	Yes	Yes	Yes
Wine tourism	Yes	Yes	No	Yes

Comment [a19]: format!!!

Tasting room	Yes	Yes	No	Yes
Wine exports	Yes	Yes	Yes	Yes
Mentorship	No	No	Yes	Yes
Online sales	Yes	Yes	No	Yes

As identified in Table 16, the entire sample adheres to the key success factors identified for the industry.



Comment [a20]: discussion on competitive success???

CHAPTER 6

CONCLUSION

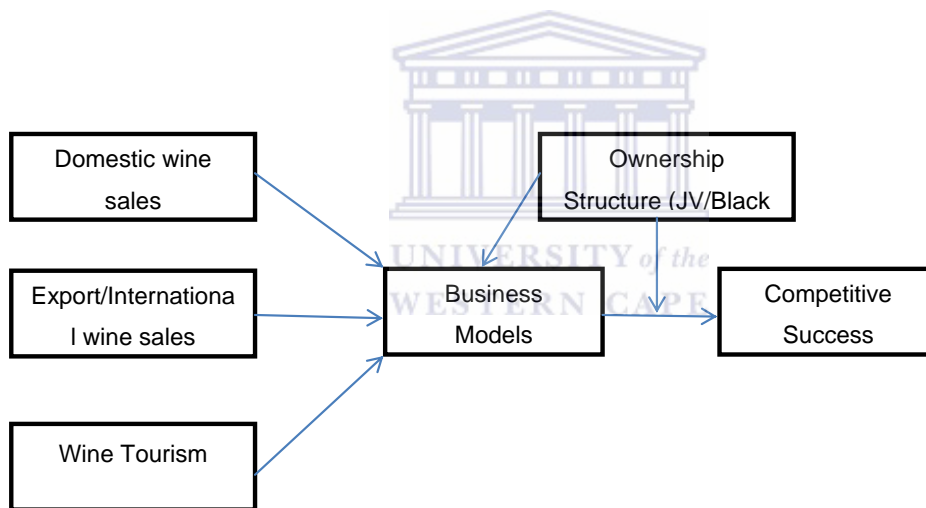
6.1 INTRODUCTION

This chapter concludes the study and reflects on the impact of business models on the research sample. The chapter also makes recommendations, concludes with the significance of the research and suggests future research.

6.2 FINDINGS

The study's main conclusions were based on the conceptual model below and how the research questions set out in Chapter 3 were answered.

Figure 1: CONCEPTUAL MODEL



6.2.1 THE COMPETITIVE SUCCESS OF THE SAMPLE

Although not expected originally, because two cases were selected because they were perceived as struggling ventures, all four cases have achieved success over the years. Signs of competitive success were evident in the whole sample since they have seen double-digit growth in the last few years, although from a very low base. This was despite very difficult market conditions. The whole sample is either expanding their product offerings or moving into new markets, including emerging markets such as China and Nigeria. The whole sample is also expanding their local footprint, either through retailers or through innovation on their estates where they have various product offerings for their

visitors. The business models and ownership structure, although very different within the sample, definitely contributed to the success of the four cases.

6.2.2 TYPE OF BUSINESS MODEL

There is no single preferred business model, because in most cases, there is more than one business model in play. Each wine estate has a South African business model, in which they sell locally to retailers, either directly or through distributors or agents. They each have an international business model, in which they export their wine to various countries all around the world. This business model has its own advantages and challenges. Three of the four cases also have a wine tourism model, with which they target visitors, both local and international, to visit their wine estates and have a true South African wine experience. The mix varies from estate to estate, with each one focusing more on one business model than the others. To be successful and sustainable over the long term, wine businesses, irrespective of their BEE status, should have a good balance between their combined local, international and wine tourism operations. The three different models complement each other very well, and minimise the risk exposure of the businesses because they are not dependent on one channel.

6.2.3 THE OWNERSHIP STRUCTURE OF THE ORGANISATION

Ownership structure is a large contributor to the success of a wine estate. There is sufficient evidence relating to the advantages of having the JV partner involved in the new venture. JV partners have years of experience in the industry, and access to distribution networks and established relationships with retailers/customers. In the case of the joint venture, the risks are shared by all, but this is not the case with the 100% black-ownership model. Despite many references on the advantages of the joint-venture structure, it does not mean that it is necessarily superior to the 100% black-ownership model. The 100% black-ownership structure can achieve the same success if the business model is well executed, and the function of the JV partner is fulfilled by a mentor. The joint-venture business model is recommended due to the involvement of various parties and the sharing of risks, costs and knowledge. However, there is a large risk with the JV partner's involvement, because his withdrawal from the joint venture would have a significant negative affect on the operations. The following risks have been identified for the different ownership structures:

Table 17: RISKS – OWNERSHIP STRUCTURE

RISKS – JOINT VENTURE	RISKS – BLACK OWNED
JV partner involvement	No local presence
Dividend – farm workers	Excessive dependence on export
Transfer of knowledge not taking place	Rand/dollar fluctuations
Debt levels	No lead firm
Cash flow	Cash flow
Grape supply	Grape supply
Limited international presence	Limited access to main decision makers

Comment [a21]: Heading?? What is the source of this analysis? - needs to be supplemented by text

6.2.4 THE COMPETITIVENESS OF THE WINE INDUSTRY

The wine industry is very competitive with various challenges, irrespective of the BEE status. In South Africa, there are numerous different wine brands across all spectrums, from entry-level wine to ultra-premium wine. Successful brands are built over a long period of time, with the most famous South African brands dating back to the early 1900's. The industry has high barriers for new entrants, with highly specialised distribution channels. Furthermore, the South African wine industry faces indirect competition from the broader alcoholic drinks sector such as beer, ciders, coolers and spirits. New entrants to the market must be innovative and different, with a unique business model.

6.2.5 VARIOUS CHANNELS THROUGH WHICH WINE IS AVAILABLE

There are many different channels through which wine can be sold. Channels are either domestic or international through exporting. The most common channel is the retail outlets, but there are numerous challenges for owners to list their brands with the specific retailers. Payment terms from retailers create additional challenges for owners, and the margins in this channel are not necessarily as high as other channels. Wine sales at the wine estate have increased, and this has developed into an important sales channel with

many advantages besides the physical sales. The last few years have also seen an increase in online sales. This channel is still in its infancy and has much potential for growth in the future. The export of wine will always remain an important channel for wine sales, but businesses must be careful not to become too dependent on exports. All business models should maintain a healthy balance between local and international sales.

6.2.6 THE ROLE OF THE RETAIL SECTOR IN SOUTH AFRICA

The majority of wine in South Africa gets sold in the retail sector. It is not easy for small and new entrants in the wine industry to secure their products onto the shelves of retailers. Listings with retailers require much capital for marketing campaigns, in order to differentiate the products from the rest on the shelves. In many instances, wine producers have to pay retailers for marketing displays, broadsheet advertising and give rebates. The majority of the wine producers in South Africa have to find innovative ways of selling their wine since retailers do not stock their products. The large wine companies and cooperatives mostly occupy the shelves of the retailers.

6.2.7 THE IMPACT OF TOURISM

Wine estates should try to offer the whole wine tourism experience to their visitors by having on-site tasting room facilities, restaurants, accommodation and conference facilities. The advantage of this is it leaves a long-lasting memory with the visitors and leads to repeat purchases. It also creates other sources of income for the business, which is therefore, not solely dependent on wine sales. In addition, wine tourism creates the ideal opportunity for wine estates to educate their visitors about their brand and foster good relationships with them. Wine tourism will continue to play an important role in the sector and therefore, all participants should be well equipped and prepare themselves

6.2.7.1 THE TASTING ROOM EXPERIENCE

Tasting rooms are a major source of wine sales and profits for a small winery, and today, have a dual role. They do not simply act as a tasting location for the brands by customers, they also serve as an attractive complex for multiple tourist demands. With the tasting room visit, which might be the first interaction a customer will have with the brand, it is important to have a lasting experience that will lead to repeat visits or repurchase intentions. All wine estates should have a vibrant tasting room

6.2.7.2 ON-SITE WINE FESTIVALS

On-site wine festivals are playing a more important role for wine estates. Not only do they create the opportunity for extra revenue, but sales are direct to the end consumer. Therefore, the profit margins are higher because there are no intermediaries involved. Large numbers of visitors attend each festival, experiencing a unique experience throughout. They also create a lasting experience for the visitors, which can lead to repeat visits or repeat purchases of their wine brands. Festivals are an effective marketing tool because contented visitors will act as brand ambassadors, and recommendation is one of the most powerful marketing tools. Although the number of wine festivals has grown tremendously over the last few years, it is recommended that all participants investigate the impact that on-site wine festivals can have on their operations.

6.2.8 MENTORSHIP AND GUIDANCE BY INDUSTRY EXPERTS OR TRADITIONAL OWNERS

The JV partner provided support and guidance but more importantly, his expertise and resources. Joint ventures would not have been a success without the JV partner as a key partner. Even 100 % black-owned wine estates made use of mentors at certain stages of their development, because they did not have all the skills and expertise needed for the wine industry. When the original owners did not serve as mentors, farms often struggled and were occasionally declared bankrupt. Mentorship will continue to form an important part of any wine business, irrelevant of their BEE status.

6.2.9 THE LINKAGE TO A LEAD FIRM

The linkage to an established organisation is critical for BEE ventures. Joint ventures have access to resources and information, which newly established businesses do not. They also have well-established relationships from which the BEE ventures can benefit. The main benefit of a lead firm is resources can be shared and both parties will profit, due to increased volumes. The BEE venture can also build on the reputation of the new firm, in order to expand their footprint and grow their business. It is recommended that there should be lead firm involvement for all new BEE ventures.

6.2.10 CONSUMERS WILL NOT PAY MORE FOR A BEE WINE BRAND

Wine consumers in South Africa base their decisions on their preferred wine and mainly on price and quality. The fact that a wine is BEE owned or is a BEE wine, does not significantly affect their decision. Therefore, all BEE-owned brands should provide wine of the highest quality within specific target-price ranges.

South African consumers are not prepared to pay a premium for Fair Trade accredited wine. In contrast, in the export market, countries such as, the United Kingdom will pay more for BEE or Fair Trade wine. BEE and Fair Trade has various advantages, but their main constraint is that the current South African market is not prepared to pay a premium for these brands.

6.2.11 GOVERNMENT SUPPORT AND INVOLVEMENT

Government provides limited resources and funding, and should play a more active role in the wine industry. It currently provides BEE wine estates with funding to visit trade shows and wine festivals. This creates the opportunity for BEE wine estates to meet new customers and build long-lasting relationships. BEE wine estates would not have been in a position to visit these various trade and wine shows without the assistance of the government, especially the international shows and festivals. However, government will perhaps play a more detrimental role in the industry in the near future, because they are in the process of considering new trading hours and the possible banning of alcohol advertising. This will make it even more difficult for wine producers, irrespective of their BEE status. It is recommended that dialogue should begin with the government to assist the wine industry, irrelevant of their BEE status. Government needs to support the industry and help it prosper and grow. It could also play a more important role in the retail sector, which does not have a BEE code to guide their preferential procurement practices.

6.3 SIGNIFICANCE OF THE RESEARCH

This research holds significant relevance for the implementation of BEE ventures within the South African wine sector. In addition, the study is valuable for parties in the process of BEE implementation in the South African wine industry because it provides insight that will help projects achieve their desired outcomes. The research provides further insight on the three business models being used and the inherent challenges in the wine industry. It also highlights the complexity, value chain and potential benefits of BEE ventures.

6.4 LIMITATIONS AND FUTURE RESEARCH

The findings of this qualitative study are limited to the sample. However, the recommendations and conclusions of this study could be considered by other agricultural businesses, including the wine industry, particularly if they intend to implement BEE. The business models used, identified various challenges that are impacting on the organisations, and which need further investigation. The challenges are as below:

- The impact of wine tourism on wine estates
- The tasting room experience and whether it leads to repurchase intentions and revisits
- The impact of South African retailers on the South African wine industry
- Whether the South African government should regulate shelf space with retailers
- The export, domestic and tourism model as an ideal mix for company success

These studies provide insight and guidance into the structuring and implementing of BEE transactions in the wine sector in a more effective and efficient manner.

Overall the researcher could not find enough evidence to establish the extent to which the BEE and JV wine ventures were successful as insufficient financial data was available. Success was primarily judged based on the qualitative progress reported by respondents. It is recommended that in future research a more quantitative approach is used for this study.

The four cases could all be deemed successful and no comparison could be made regarding unsuccessful BEE initiatives. It is recommended for future research that successful BEE ventures are compared with less successful or failed BEE ventures.



Reference List

- Afuah, A. & Tucci, C. (2003) *Internet business models and strategies*. Boston: McGraw Hill.
- Anderson, Kym, ed. [2004] *The world's wine markets: Globalization at work*, Cheltenham: Edward Elgar
- Applegate, L. M., ed., "E-Business Models: Making Sense of the Internet Business Landscape." In *Information Technology and the New Enterprise: Future Models for Managers*, edited by L. M. Applegate, Gary W. Dickson, and Gerardine DeSanctis. Upper Saddle River, NJ: Prentice Hall, 2000
- Balshaw, T and Goldberg, J(2005) *Cracking Broad Based BEE: Codes and Scorecard unpacked*, 1st edition. Human and Rousseau, Cape Town, South Africa
- Batra, A. (2008). An exploratory study on specific preferences and characteristics of wine tourists. *An International Journal of Tourism and Hospitality Research*, 19, (2), 271-286
- BEE definitions (Online) Available : www.intergrascorcs.co.za Accessed: 20 October 2012
- Blok, T. (2007) *The cost breakeven point of wine*. A Thesis Submitted in partial fulfilment of the Requirement of the Cape Wine Academy for the Cape Wine Master certification
- Boatto, V., Defrancesco, E. & Trestini, S. (2011) The price for wine quality signals: does retailers information provision matter. *British Food Journal*. 113(5):669-679
- Boothman, P. (2005) Dry Goods – The bad and the ugly. *Drinks Business*. October 39:22-24.
- Bramble, L., Cullen, C., Kushner, J., and Pickering, G.J. (2007). *The Development and Economic Impact of the Wine Industry in Ontario, Canada*. IN: *The Golden Grape – Wine, Society and Globalization. Multidisciplinary Perspectives on the Wine Industry*. Palgrave Macmillan, New York, 63-86
- Bruwer, J., 2008. South African wine routes: some perspectives on the wine tourism industry's structural dimensions and wine tourism producty visits in the Niagara, Region, Ontario, Canada. *Tourism Geographies*, 7, (2), 185-204
- Carmichael, B. (2005). Understanding the wine tourism experience for winery visits in the Niagara, Region, Ontario, Canada. *Tourism Geographies*, 7, (2), 185-204

Castaldi, R., Cholette, S. & Hussain, M. (2006) "A country level analysis of competitive advantage in the wine industry". *DEIAgra* working papers, 2006. Volume 2: Univesita di Bologna

Cholette,S, Castaldi,R & Frederick,A. (2008). "The globalization of the wine industry: Implications for old and new world procedures.

Coffey, B. (2002). "The kangaroo leaps", *Forbes*, Vol. 170 No.12,p.66

Cox, J. & Bridwell, L. (2007). " Australian companies using globalization to disrupt the ancient wine industry". *Competitiveness Review: An international business journal* vol.17. No.4,2007. pp.209-221

Cusmano, L, Morrison, A, & Rabellotti, R (2010). "Catching up Trajectories in the Wine Sector; A comparative study of Chile, Italy and South Africa". *World Development* Vol.38, No. 11,pp. 1588-1602

Department of Trade and Industry (DTI). 2003a. *Codes of good practice on Black Economic Empowerment*. Broad Based Black Economic Empowerment Act 52/2003. Pretoria: Government Printers.

Du Toit, A, Kruger, S & Ponte, S (2008). "Deracializing exploitation? Black Economic Empowerment in the South African wine industry", *Journal of Agrarian Change*, VOI.8, No.1, pp. 6-32

Ewert, J and Du Toit, A (2005). "A deepening divide in the country side: Restructuring and rural livelihoods in the South African wine industry," *Journal of Southern African Studies*, Vol.31, No.2, pp. 315-332

Ewert, J, Eva, G, Hamman, J (2006). *The inclusion and empowerment of farm workers through partnerships: the case of Thandi fruit and wine*. London: International Institute for Environment and Development

Getter, L. (2003). "Giants tipped to dominate industry," 23 May 2003. <http://theage.com.au/articles/2003/05/22/1053585644354.html>, Accessed 18 October 2013.

Golen, F, Heitz, S, O'Neil,M, Tomback,D (2005). *Social responsibility in the South African wine industry: Including a case study of Bouwland wines*. GIM South Africa. Kellogg School of Managemen

Green, K. (2008) "*Marketing a wine lifestyle in South Africa*". A Thesis Submitted in partial fulfilment of the Requirement of the Cape Wine Academy for the Cape Wine Master certification

- Hall, C.M. & Mitchell, R. (2000). Wine tourism in the Mediterranean: A tool for restructuring and development. *Thunderbird International Business Review*, 42, (4), 445-465
- Hamel, G. (2000). *Leading the revolution*. Boston: Harvard Business School Press
- Hedman, J & Kalling, T (2003). The business model concept: theoretical underpinnings and empirical illustrations. *European Journal of Information Systems*
- Japhta, R. 2007. Thandi agricultural linkages project: Lessons from a case study in land reform: University of Stellenbosch
- Japhta, R. & Coetzee. S. 2007. *Linkages that Yield a harvest*: University of Stellenbosch: Leaders Lab
- Krippendorff, K. 1980. *Content analysis: an introduction to its methodology*. Beverly Hills, California: Sage.
- Kruger, S (2008). A case study of Fairtrade labelling and worker empowerment on two wine and fruit farms in the Western Cape, "M.Phil thesis, PLAAS, University of the Western Cape.
- Kumar, S. & Seth, A. (1998) "The design of coordination and control mechanisms for managing joint venture parent relationships. *Strategic Management Journal*. Vol19: 579-599.
- Lapsey, J & Moulton, K. "Successful Wine Marketing", (Edition, Spring 2001)
- Mabiletsa, P, 2008. "Republic of South Africa Wine", Global Agriculture Information Network, USDA Foreign Agricultural Service.(5-6)
- Macionis, N. (1996) Wine tourism in Australia. In G.Kearsly (Eds). *Proceedings of tourism down under II: A tourism research conference*. Dunedin, Centre for Tourism: University of Otago.
- Messenheimer, J, Karaan, ASM & Vink, N (2001). Sources of transaction costs in the South African Wine Supply Chain: Implications for enhancing chain competitiveness. Department of Agriculture Economics, University of Stellenbosch
- Mora, P (2006) Key factors for success in today's wine sector. *International Journal of Case Method Research & Application*, Bordeaux Business School
- Morris, M Schindehutte, M & Allen, J (2005). The entrepreneur's business model: toward a unified perspective. *Journal of Business Research*, Jun 2005, Volume: 58 Issue: 6 pp.726-735

- Ndanga, L.Z.B., Louw, A. & Van Rooyen, J. (2009) "Increasing domestic consumption of South African wines: identifying the key market segments of the Black Diamonds", Working Paper, No.41, AAWE, July, New York, NY.
- Neven, D., Reardon, T. & Hopkins, R. 2005a. Case studies of farmer organisations linking to dynamic markets in South Africa: Bouwland Landgoed Ltd., South Africa. PFID-F&V Report, Institute of International Agriculture, Michigan State University.
- Neven, D., Reardon, T. & Hopkins, R. 2005b. Case studies of farmer organisations linking to dynamic markets in South Africa: Lutouw Estate Ltd., South Africa. PFID-F&V Report, Institute of International Agriculture, Michigan State University
- Ngubane, S. 2009. South Africa's black winemakers facing big hurdles[Online] Available: <http://www.reuters.com>, Accessed: 30 September 2012.
- Nsibande, C & Pienaar, A. 2010, "Black Economic Empowerment in South Africa: An update" University of Witwatersrand, South Africa
- O'Mahony, B., Hall, J., Lockshin, L., Jago, L. & Brown, G. (2006), " Understanding the impact of wine tourism on post-tour purchasing behaviour", In Carlsen, J. & Charters, S. (Eds.), *Global Wine Tourism: research, management and marketing*, Wallingford, Oxon, UK, CAB International, pp. 123-137.
- O'Neil, M. and Charters, S. (2000), Service quality at the cellar door: Implications for Western Australia's developing wine tourism industry. *Managing Service Quality* 10(2) pp.112-123.
- Osterwalder, A. (2004). The business model ontology – a proposition in a design science approach. Dissertation, University of Lausanne, Switzerland: 173.
- Osterwalder, A & Pigneur, Y. (2003). "Towards strategy and information systems alignment through a business model ontology. "Proceedings of the annual conference of the strategic management society.
- Osterwalder, A., Pigneur, Y and Tucci, C.L. (2005) Clarifying business models: Origins, Present and Future of the concept . *Communications of AIS*, Volume 15,
- Perin, F. & Lockshin, L. (2001) "Australian wine segmentation and distribution costs". *Australian and New Zealand Wine Industry Journal*. 16(5):147-150.
- Republic of South Africa. 2007a. *Broad-based Black Economic Empowerment Act: The Codes of Good Practice. Interpretive Guide*. Pretoria: Department of Trade and Industry

Saayman, M., Marais, M., Krugell, W. (2010) "Measuring success of a wine festival: Is it really that simple?" *South African journal for research in sport, physical education and recreation*, 2010, 32(2): 95-107.

Sato, C (2013), *Black Economic Empowerment in the South African Agricultural Sector: A case study of the wine industry*, IDE discussion paper no. 384

SAWIC (South African Wine Industry Council), 2007. *The Wine Industry Transformation Charter*, Stellenbosch: SAWIC

SAWIS (2012). *Statistics of the South African wine industry*. [Online] Available: <http://www.sawis.co.za> Accessed: 11 April 2013

SAWIS (2013). *Statistics of the South African wine industry*. [Online] Available: <http://www.sawis.co.za> Accessed: 11 September 2013

Schamel, G. (2006) "*Geography versus brands in global wine market*", *Agribusiness*. 22(3):357-369

Shoemaker, S & Bowen, J (2003) "Antecedents and consequences of customer loyalty: an update" *Cornell Hotel and restaurant administration quarterly*. 6(#4):31-52

Solms-Delta "Bumper harvest for equity plan" [Online] Available: <http://www.solmsdelta.co.za> [Accessed: 14 October 2013]

Sui, J.J. & Baloglu, S (2003) "The role of emotional commitment in relationship marketing: an empirical investigation of a loyalty model for casino". *Journal of Hospitality & Tourism Research*. 27(4):470-489

Sparks, B(2007). *Holidays and wine region survey*. Australia: CRC for Sustainable Tourism Pty.Ltd.

Taplin, I.M., (2006) "Competitive pressures and strategic repositioning in the California premium wine industry", *International Journal of Wine Marketing*, Vol. 18 Iss: 1, pp.61 - 70

Tassiopoulos, D., Nuntsu, N., & Haydam, N. (2004). *Wine tourists in South Africa: A demographic and psychographic study*. *Journal of Wine Research*, 15, (1), 51-63

Thach, L. & Olsen, J. (2006). "**Putting the "Family" Back into Family Wineries -- To Be a Kid-Friendly Tasting Room -- Or Not?**" *Vineyard & Winery Management*. January/February

The South African wine industry Insights survey 2012 (Online) Available: <http://www.pwc.co.za> Accessed: 23 October 2012

Thach, L., Mason, B. & Amspacher, W. (2007), "Perceptions of cellar door hospitality: Lessons for improving customer service & sales", Bacchus at Brock Conference, St Catharines, Ontario, Canada.

Thompson, A, Strickland, A & Gamble, J (2003) Crafting and executing strategy

Turley, L.W. & Milliman, R.E. (2000) "Atmospheric effects on shopping behaviour: A review of the experimental evidence". *Journal of Business Research*. 49:193-211. Elsevier Science Inc.

Van Rooyen, J. Esterhuizen, D. & Stroebel, L. (2011). "Analyzing the competitive performance of the South African wine industry". *International Food and Agribusiness Management Review*, Vol.14, Issue 4.

Vinintel (2013). Global demands shifts open wine export opportunities, November 2013, Issue 18

Vinpro and Nedcor foundation (2004) Land reform in the wine industry: The wine producer programme, www.sawit.co.za

Vizu, L(2007). "Online wine consumer survey – market research support", Vizu corporations. Available: www.vizanswers.com . Accessed 10 October 2013

Voelpel, S, Leibold, M, Tekie, E, Von Krogh, G (2005) Escaping the red queen effect in competitive strategy: Sense-testing business models

Walters, D (2004). A business model for the new economy

Wine exports 2012 (Online) Available : www.sawdis.co.za Accessed: 21 October 2012

Wine Transformation Charter(2007). Available:[www.wosa.co.za/.../Wine Industry Transformation Charter.doc](http://www.wosa.co.za/.../Wine%20Industry%20Transformation%20Charter.doc). Accessed: 18 October 2013

Wickham, C, Wakely, J, Gowen, A and Bellenda, S.(2001). *Global Wine Report: Acquiring a Taste for the Consumer*, London: Lehman Brothers.

Wines of South Africa, January 2013, SAWIS, 2013

WOSA (2013). Statistics of the South African wine industry. [Online] Available: <http://www.wosa.co.za> Accessed: 19 September 2013

WOSA (Wines of South Africa), 2009 Ithemba: 15 years of democracy, 350 years of winemaking, Stellenbosch: WOSA.

Williams, G. (2005) "Black Economic Empowerment in the South African wine industry,"
Journal of Agrarian Change, Vol.5, No. 4, pp. 476-504

Woolley, R. (2005) Everyone's guide to BEE and how to implement it, 1st Edition Zebra
Press, Cape Town, South Africa

Yin, R (1994) Case study research: Design and methods (2nd) edition. Beverly Hills, CA:
Sage publishing

M. Zekulich, "Growing Wineries Seek Customers," *The West Australian Newspaper*,
February 24, 1999



Appendix A

Research Questionnaire

1. Value Proposition

What value do you deliver to the customer?

Which one of your customer's problems are you helping to solve?

What bundles of products and services are you offering to each Customer Segment?

Which customer needs are you satisfying?

2. Key Partners

Who are your Key Partners?

Who are your key suppliers?

Which Key Resources are you acquiring from partners?

Which Key Activities do partners perform?



3. Key Activities

What Key Activities do your Value Propositions require?

Your Distribution Channels?

Customer Relationships?

Revenue streams?

4. Key Resources

What Key Resources do your Value Propositions require?

Your Distribution Channels? Customer Relationships?

Revenue Streams?

5. Cost Structure

What are the most important costs inherent in your business model?

Which Key Resources are most expensive?

Which Key Activities are most expensive?

6. Revenue Streams

For what value are your customers really willing to pay?

For what do they currently pay?

How are they currently paying?

How would they prefer to pay?

How much does each Revenue Stream contribute to overall revenues?

7. Customer Relationship

What type of relationship does each of your Customer

Segments expect us to establish and maintain with them?

Which ones have we established?

How are they integrated with the rest of your business model?

How costly are they?

8. Channels

Through which Channels do your Customer Segments want to be reached?

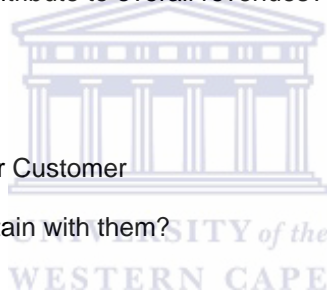
How are you reaching them now?

How are your Channels integrated?

Which ones work best?

Which ones are most cost-efficient?

How are you integrating them with customer routines?



9. Customer Segments

For whom are you creating value?

Who are your most important customers?





