

SWOT ANALYSIS OF A GENERAL STORE

Presented to the
Faculty of the Agribusiness Department
California Polytechnic State University

In Partial Fulfillment
Of the Requirements for the Degree
Bachelor of Science

By
Brooke Chandler
January 2010

APPROVAL PAGE

TITLE: A SWOT Analysis of a general store

AUTHOR: Brooke Chandler

DATE SUBMITTED: January 2010

Senior Project Advisor

Signature

TABLE OF CONTENTS

| Chapter | Page |
|---|------|
| I. INTRODUCTION | 1 |
| Statement of the Problem | 3 |
| Hypothesis | 3 |
| Objectives of the Study | 3 |
| Significance of the Study | 3 |
| II. REVIEW OF THE LITERATURE | 5 |
| Wine Tourism | 5 |
| Wine Consumers | 7 |
| SWOT Analysis | 9 |
| III. METHODOLOGY | 13 |
| Procedures for Data Collection | 13 |
| Procedures for Data Analysis | 21 |
| Assumptions and Limitations | 25 |
| IV. DEVELOPMENT OF THE STUDY | 26 |
| Data Collections | 26 |
| Analysis | 27 |
| V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS | 31 |
| Summary | 31 |
| Conclusions | 31 |
| Recommendations | 32 |
| References Cited | 33 |
| APPENDIX | |
| A: Interview Questions for Winery Professionals | 35 |
| B: Interview Questions for Oakville Grocery Company Manager | 36 |
| C: Interview Questions for Jim APP | 37 |
| D: Categorizing a Strength, Weakness, Opportunity, and Threat | 37 |

| | |
|--------------------------|----|
| E: SWOT Analysis Example | 38 |
| F: SWOT Matrix | 39 |
| G: SWOT Analysis | 40 |
| H: Financial Analysis | |

LIST OF FIGURES

| Figure | Page |
|------------------------|-------------|
| 1. SWOT Analysis Model | 22 |

Chapter 1

INTRODUCTION

The wine industry in the United States has continually evolved into a major agriculture market. This industry currently contributes \$121.8 billion to the U.S. economy (The Wine Institute 2008). Additionally, there are over 820,000 wine related jobs in the U.S. (The Wine Institute 2008). The consumption of wine increased during the 1970's and 1980's, decreased in the 1990's, and then has been progressively increasing again since 1996 (Geisler 2008). Although from 1989 to 1995 the U.S. wine consumption per capita fell from 2.3 gallons to 1.7 gallons, in 2007 it increased to 2.5 gallons (Geisler 2008). Even though there is currently an economic downturn, the wine industry is strong due to consumers purchasing low cost brands instead of lowering their consumption (Geisler 2008). As a result of increased demand for wine, there has also been a noticeable increase in producers. The number of wineries has grown 81 percent since 1999 from 2,688 wineries to 4,867 wineries (Hodgen 2008). California has been the America's top wine producer and has generated the highest revenues for wine amongst all states.

California currently produces 90 percent of all wine in the U.S. and produces \$58 billion in economic value (The Wine Institute 2008). Internationally, California is the fourth largest wine producer following France, Italy, and Spain (The Wine Institute 2008). Today, there are 2,843 bonded wineries in California drawing in 20.7 million wine tourists who visit the California wine regions annually (The Wine Institute 2008). One specific wine region in California that has had an evident increase in growth and popularity is Paso Robles. According to www.prcity.com, Paso Robles has grown from 35 wineries, with 13,000 acres of vineyards in the

1990's, to more than 200 wineries with over 26,000 acres of vineyards today. The wine region, as explained by www.pasowine.com, grows over 40 types of wine grape varieties, including the region's "heritage" variety of Zinfandel. Paso Robles' wine tourism revenue is approximately \$112.8 million each year. Around 1.2 million tourists come each year to visit these wineries. Total winery sales in 2006 were \$372 million and retail revenue was 338.4 million dollars, according to www.pasowine.com. As Paso Robles continues to grow into a major wine region, wine tasters are discovering that some of their hospitality needs are not being met.

Paso Robles has two major areas within its wine region which is divided between a west side and an east side. Both areas include countless wineries which are substantially far from downtown Paso Robles, where a majority of the city's local businesses are located. There are very few establishments on these wine routes, other than wineries, that cater to a wine taster's needs. Specifically, there is a need for more stores selling food. Although a few select wineries have restaurants, they tend to sell very selective and costly meals. The creation of a general store on the west side of Paso Robles, located at the crossroads of Vineyard Drive and Adelaida Road, will provide wine tasters with the option of buying varying quality foods at an affordable price in a more convenient location. Ultimately, the store aims to help this wine region become a more hospitable, well-rounded wine region. The store will be themed after Paso Robles' wineries and will include a deli, other small food items, wine-related items like picnic supplies, and Paso Robles wines.

Statement of the Problem

Does a general store at the crossroads of Vineyard Drive and Adelaida Road in Paso Robles have enough positive factors to merit the risk of starting this business? Will a SWOT

Analysis prove if a general store is a worthy business venture? In addition, will financial analysis schedules prove if the business will be profitable?

Hypothesis

A general store would be a viable start-up business in the growing region of Paso Robles because it possesses more positive factors than negative factors. Through formulation, the percentage of weighted scores for strengths will be greater than the percentage of weighted scores for weaknesses. In addition, the percentage of weighted scores for opportunities will outweigh the percentage of weighted scores for threats. A SWOT analysis will be an effective way to assess the internal and external factors of the business. Financial analysis is another method to assess if this is a viable business depending upon how much revenue it could create.

Objectives

- 1) Find and define strengths, weaknesses, opportunities, and threats of this possible business and perform a SWOT analysis and formulation.
- 2) Work with wine industry professionals to evaluate the pros and cons of the store.
- 3) Accumulate research on SWOT analysis and issues in the wine industry that directly affect the business of the general store.
- 4) Create and calculate a forecasted income statement, balance sheet, and financial ratios for the general store

Significance of the Study

The study that will be conducted is significant because Paso Robles has quickly transformed into one of the most important wine regions in California. With more and more wine tasters and wine tourists visiting the region, there is a growing need for food services in the vicinity of wineries that cater specifically to this group. This study will benefit future wine business proprietors by assessing the positive and negative aspects to starting a wine and food related business in Paso Robles. The general store is a possible future establishment that could help generate more business for wineries while creating a fully hospitable experience. By researching wine consumer trends, wine tourism, and conducting a SWOT analysis, the researcher will be more aware of the background issues to this potential business. The SWOT analysis is the main focus of the study, however; by creating a financial budget, it will be a clear indicator if this potential business will be a good business venture.

Chapter 2

REVIEW OF THE LITERATURE

As the wine region of Paso Robles continues to expand, it is crucial to investigate aspects of the wine industry if more businesses are to locate in the area. The region of Paso Robles is the fastest growing AVA (American Viticultural Area) in California after Napa, Sonoma, and Monterey counties (“Geography” 2006). One of the reasons behind the proposed creation of a general store on the west side of Paso Robles is to take advantage of an undeveloped gap in “industry cooperation” between the wine and food industries. The wine consumers of this region are vital to understand because the general store would share the same customers as the wineries.

Wine Tourism

With over two hundred wineries in the Paso Robles area, there is a vast market for wine tourism. Hall (2003) defined wine tourism as, “Visitation to vineyards, wineries, wine festivals, and wine shows for which grape wine tasting and/ or experiencing the attributes of a grape wine region are the prime motivating factors for visitors.” The general store would aim to make a profit from the existence of so many wineries and their customers, which is a fairly new strategy. Wine and tourism go hand in hand, but very few wine, hospitality, and food professionals have tried to create economic leverage from the other (Hall 2003). Hall (2003) alluded to the fact that in many wine regions in varying countries like the U.S. and Australia, local businesses are not partnering with the wine industry and supporting each other in order to increase profits and build reputations. Hall (2003) described what is called an “allied industry,” where local businesses and wineries work together to cater to the needs of growing wine tourists by marketing more to

tourists as main customers. Additionally, if wineries and local businesses form business alliances they will be more likely to be recognized by regional, state, and even national tourism organizations (Hall 2003).

Wine tourism has seen continued success and popularity because of its relation to culinary and agri-tourism in many major wine producing countries like France, Spain, Australia, and New Zealand (Thach 2007). One country that is experiencing an enlargement in wine tourism is the United States, predominantly in small or rather unknown areas of the country. In particular, California has experienced an increase from 14.8 million wine tourists in 2002 to 19.7 million tourists in 2005 (Thach 2007). Thach (2007) explained that wine tourists' main needs and desires include: wine tasting, educational wine opportunities, visiting a rural place, the presence of culinary tourism specifically pairing food with wine, the chance to enjoy themselves, enjoying culture and the arts, gaining the positive health aspects from wine, and learning about environmentally-conscious viticulture and winemaking techniques. In addition, Thach (2007) explained that the U.S. is becoming a "café society," where there is a growing trend toward Americans enjoying life through culinary experiences, with wine playing a primary role. Furthermore, Thach (2007) agreed that a strong partnership and cooperation must be present between wineries, local restaurants, and hotels to maximize the potential for profits. One country that now understands the importance of this partnership and cooperation is Australia. Australia has had major success exporting wine worldwide, but has not experienced wine tourism popularity because of a lack of inter-industry cooperation, emphasized Beames (2003). On the other hand, in New Zealand, Hall (2003) stated that west Auckland had experienced success with inter-industry cooperation between restaurants and wineries because the restaurants only sold locally produced wine. If countries with unmet potential increase cooperation, they

will likely benefit from new developments and bridge information gaps. Ultimately, cooperation will lead to financial gains and better reputations by targeting tourists together (Hall 2003). In order for financial success, overall popularity with wine tourists, and successful inter-industry related networks, financial support of the government, educating wineries on research analysis of wine tourism, and steps to overlap and link the bridges between wine and tourism industries should be taken, advised Hall (2003). In order to create a successful business, it is imperative to understand the demands of the target consumer.

Wine Consumers

The target consumers for the general store are wine consumers because the store would be located adjacent to countless tasting rooms and wineries, with few direct competitors. Each year, Paso Robles wineries attract at least half a million visiting wine tasters, contributing to approximately \$130 million in wine sales, assessed Barclay (2002). In addition, Barclay (2002) explained that these wine tourists are visiting related tourist industries like hotels and restaurants, where \$25 million dollars is collected on an annual basis. A key component to capturing wine consumers is by starting with a wine region that focuses on “quality performance” explained Schamel (2002). The pricing of wine is directly related to the quality of the wine and the reputation of the winery. Not only will wine sell based upon its taste, smell, and the appearance of the bottle, but also the reputation of the area in which the wine was made. A perfect example is Napa Valley because many consumers buy wine from the area based solely upon its reputation (Schamel 2002). Schamel (2002) additionally suggested that “Medal winnings for producers and / or regions is an effective way for consumers to learn about reputation.” This research

addressed wine consumers as a whole, but wine consumers are complex and can be analyzed into further detail.

Based upon studies conducted by Copernicus Marketing Consulting & Research Inc. and according to the article by Tinney (2008), it was concluded that there are six varying types of wine consumers, including: the Enthusiast, Image Seeker, Savvy Shopper, Traditionalist, Satisfied Sipper, and lastly, the largest group called Overwhelmed. Wine consumers who are up to date with the latest wines and have a great love for wine are Enthusiasts, while the consumers who are trendy and label driven are Image Seekers. Consumers who focus on buying good valued wines are Savvy Shoppers, whereas Traditionalists buy only what they know, making them loyal consumers to a few brands. Lastly, Satisfied Sippers look for the easy and comfortable wines to buy, while the Overwhelmed have difficulty picking out wine and are confused by too many choices. For example, in order for the general store to accommodate the Overwhelmed, the store will pair food with Paso Robles wines, with an emphasis on educating the consumer regarding pairing and the local wines. In addition to the six types of wine consumers mentioned above, understanding how to effectively market to certain age groups is vital for wine industry related businesses.

The wine industry has been focused on marketing and selling to two main consumer groups, explained Wolf (2005). Generation Y is one of the two main wine consumers, who are also known as Millennials. Millennials look to purchase wine for relatively inexpensive prices. In addition, Wolf (2005) presented further insight by stating that not all Millennials have turned twenty-one yet, signifying that this age group will grow even more. Millennials prefer reasonably priced wine and the sensory qualities of New World wines, explained Wolf (2005).

The other main consumer group is Generation X, or the Baby Boomers, who are willing to buy more expensive, higher quality wines and pays more attention to "brand names" (Wolf 2005). Additionally, Wolf (2005) explained that the importance of Generation X is because this group is the largest wine consuming group in the nation. While wine consumers are important to understand in this study, a SWOT analysis is also an important tool that will be the basis for the project.

SWOT Analysis

The SWOT analysis is one portion of a business plan. According to Tennent and Friend (2005), there are seven aspects of a business plan, including: a vision, mission, strategic plan, corporate goals, planning unit goals, tactics, and budgets. A SWOT analysis is a tool for strategic planning by helping a company strategize and define its current business situation. Strategizing is a proactive way to plan ahead, understand, and prepare a business for success. A SWOT analysis is an in-depth tool used to assess and present insight into the possible or existing internal and external factors of a business. This tool can help educate and lessen the risks that a potential financier may take if one invests in a new business (Johnson 1990). Internal factors are directly related to the strengths and weaknesses that the company or firm possesses from within, such as the performance of the management, marketing, the company's finances, operations, technology, resources, and innovations (Hitt 2009). On the other hand, external analysis investigates the opportunities and threats of the outside environment surrounding a business, which include the company's competition, markets, demographics, environment, politics, regulations, and economy (Hitt 2009).

Any person starting a business needs to perform a SWOT analysis to prove to possible investors that the potential business is viable (Johnson 1990). The SWOT analysis is created by a grid containing four boxes. Each box will represent a strength, weakness, opportunity, and threat. According to Berry (2004), “The primary purpose of the SWOT analysis is to identify and assign each significant factor, positive and negative, to one of the four categories, allowing you to take an objective look at your business. The SWOT analysis will be a useful tool in developing and confirming your goals and your marketing strategy.” In the SWOT analysis, one would list the researched strengths, weakness, opportunities, and threats of the actual or proposed business in a bullet point form. Strengths include internal factors that can be either concrete or intangible to the business, according to Berry (2004). A strength is a valuable factor to the business and can bring a competitive edge in a market. For instance, a concrete factor could be that a start-up business will be given a building, while an intangible strength factor could be superior employee work ethic. Berry (2004) noted that strengths could be assessed by listing the positive attributes, such as resources, and what the company performs well at. On the other hand a weakness would include any aspects that exist only within the business that are harmful to success. Weaknesses include aspects ranging from low experience, poor or little resources or technology, or poor equipment are weaknesses, giving the business a disadvantage against competitors (Berry 2004).

External factors of a SWOT analysis include opportunities and threats. Opportunities are positive facets of a business that are influenced and created by the surrounding environment of a business. Berry (2004) stated that the main external factors include the economy, the market or niche that the business is in, current events, trends, demand, lifestyles, and market perceptions. Threats are the opposite of opportunities because they consist of the harmful external

components that are out of a business's control. Threats can range from competition, government laws, recessions, increased prices of supplies, negative reputations, or a change in consumer behavior, suggested Berry (2004).

The next step is to individually weight the factors using percentages. An example would be to assign Threat A as 10 percent, Threat B as 70 percent, and Threat C as 20 percent totaling 100 percent (Marketing Teacher). Once the factors have been weighted, the researcher will rank the factors. All strengths, weaknesses, opportunities and threats will be ranked, which essentially is the selection of the factors that are most influential to the business (Marketing Teacher). Rank from highest (a number 4) to lowest (a number 1) and organize the list of factors with the highest rank. Using the example above, Threat B should be ranked highest while Threat A should be ranked lowest (Marketing Teacher).

After, a SWOT Matrix will be created to gain a clear understanding as to the most influential and significant SWOT components (Hazelbaker 2006). A SWOT Matrix consists of four parts that the researcher must pinpoint, including: matching strengths to take the most advantage of opportunities, assessing what strengths will neutralize threats, deciding how opportunities can boost weaknesses, and how to diminish weaknesses to evade threats (Hazelbaker 2006). This method will tell the researcher if the strategies answered from the SWOT Matrix complement the positive factors and reduce negative factors of the business (Maxi-Pedia).

Before conducting the experiments, it is vital to have a foundation of knowledge about wine tourism and wine consumers because they are directly related to potential general store.

Additionally, the researcher needs background knowledge as to what a SWOT analysis is before performing one.

Chapter 3

METHODOLOGY

Procedures for Data Collection

The concept of the general store, a business not in existence, is to sell specialty foods and Paso Robles wines that pair together. Ideally, the store would be located at Vineyard Drive and Adeliada Road, on the west side of Paso Robles, due to the high number of wineries and minimal existing retail food stores in close proximity to these wineries. The vision of this business is to fulfill the demand of Paso Robles wine tasters by selling them quality foods at an affordable price while they are touring the wine routes.

The strengths, weaknesses, opportunities, and threats of the general store must be collected and then analyzed. The strengths and weaknesses are internal factors while the opportunities and threats are external factors. In order to perform a SWOT analysis the researcher must understand the factors' (strengths, weaknesses, opportunities, and threats) definitions. Strengths and opportunities are factors that a company possesses, or could be directly affiliated or surrounded by, that result in the success of a business. Mainly, major successes include acquiring a profit, gaining competitive advantage over competition, and retaining a good reputation. Weaknesses and threats are characteristics that can lead to potential failure of a business, usually relating to finances. Primary and secondary sources will be retrieved in order to obtain a full spectrum of factors regarding the potential business. Primarily interviews and research data will enable the researcher to ascertain the factors needed to then perform a SWOT analysis.

A wide range of professional interviews will be performed to collect this necessary data. To begin with, the researcher would conduct interviews with Paso Robles wine industry professionals. It is imperative to talk with wine industry professionals because the general store will be located next to several local wineries on the west side of Paso Robles. Wineries and the general store not only share a common location, but also would have the same client base: wine tasters. The wineries would have the best understanding of the possible customers of the general store and would be able to relay their food and wine related needs. The general store aims to network and build cooperation with the wineries in order to exist. Receiving wineries' support will be crucial to the success of the business.

The three wineries that will be interviewed include: Halter Ranch, Jada Vineyards, and Greywolf Vineyards. An interview will be conducted with a staff member from each of the wineries. Cathy Lafayette, the tasting room manager at Halter Ranch, will be interviewed because of her daily interactions, experience, and understanding of wine tasters on the west side of Paso Robles. Next, Pam Wilson, "Hospitality and Culinary Genius" from Jada Vineyards will be interviewed to provide insight about the typical wine taster's food demands. In addition, Allie Haskins—a recent Cal Poly Wine and Viticulture graduate, assistant winemaker, and tasting room attendant at Greywolf Vineyards—will be interviewed. Ms. Haskins would be categorized as a Millennial wine drinker. As a Millennial, she could provide a unique perspective, especially as one of the general store's main groups of targeted customers.

These three wine industry professionals will help generate a list of internal factors by specifically addressing marketing, operations, and the location of the general store. In order to gain insight into the strengths and weaknesses of wine-related marketing, the researcher will discuss and review the marketing plan of each winery. It is imperative to discuss this topic

because the wineries have years of experience marketing to wine tasters. The researcher's questions should focus on what methods are most and least successful, like promotions or ads. The general store will have to find a marketing strategy similar to the wineries. However, one must keep in mind that the general store would have a smaller budget and most likely will not be able to afford all of the wineries' marketing methods. Specifically looking at the cost of marketing and each plan's effectiveness will generate strengths and weaknesses that the store will possess. Although the general store will not produce wine, it would operate to sell wine and food, just as many wineries aim to do. Both the potential general store and the wineries are operating businesses in close proximity. It will be beneficial to discuss how the tasting rooms operate in terms of requirements and duties of both the employees and management. Strategies to keep the tasting room running smoothly will provide strengths for the general store. Another major internal component of a business is its location. In order to understand the pros and cons of the possible location of the general store, it is instinctively beneficial to talk to other businesses which are located in the same general location, which are wineries on the west side of the region. It is critical to ask about the challenges and / or the benefits that wineries have faced by being in their specific location. Issues that need to be discussed on this topic include: the price of the land / building, traffic patterns, employees' willingness to work far from downtown Paso Robles, etc. The price of land / building and the traffic patterns are deal makers or breakers for the proposed business because they will greatly determine whether the project is even feasible. On the other hand, topics such as marketing strategies and employee issues are important on a daily basis to ensure long term success. See Appendix A for interview questions.

Interviewing these three professionals will also provide the researcher with opportunities and threats of the potential business. The external topics that the researcher must discuss with

these professionals include: competitors, the market demographics, the environment, and regulations. It is necessary to talk to these wineries regarding competitors because they may know about possible future business plans for any wineries planning to expand by perhaps adding a restaurant. Some wineries may have already networked with restaurants or markets in the downtown portion of the city, and might be hesitant to network and build business relationships with the general store. The general store would like to act as an additional marketing tool for wineries in the area by selling and marketing their wines. Do wineries want to be represented by another business? Do they want to put their reputation in other businesses' hands? A main question that needs to be asked is whether wine tasters are looking for the service that the general store wants to create? What are wineries 'wine tasting customers saying about the need or lack of food retail stores in the area around the wineries? The demographics of wine tasters and wine tourists are important to discuss because understanding the consumer base is crucial to the business' success. The researcher will look at the wineries' price points and ask why their prices are set the way they are. Asking the wineries who their main customers are, where they come from, what they like and dislike, and what they are willing to buy, will give insight into the opportunities or threats regarding consumer demographics. The environment will be discussed because being environmentally sensitive is a growing trend that wineries have started to embrace. This is an opportunity for the general store to take advantage of. The researcher will ask what environmental issues wineries face, how they are overcoming them, and whether or not the general store is financially capable of taking on this perhaps added challenge. Asking wineries about regulations is an intelligent strategy because wineries have to go through many government regulations to become a legal establishment. The researcher will discuss the topic of liquor licenses with wineries because all wineries must have one. The

researcher will ask how long it takes to get a liquor license, how much it costs, and how difficult it is to get. See Appendix A for interview questions. The researcher will also conduct interviews with two additional individuals to receive well-rounded opinions regarding the SWOT analysis.

The Oakville Grocery Company, located in Napa Valley, is a business model that will be used because of its overwhelming similarities with the potential general store. The store's website, www.oakvillegrocery.com, describes the business as a "little country store in the heart of the Napa Valley, attracting visitors from near and far with its special Oakville charm. Our selection focuses on wonderful, handmade local products from our neighbors here in Napa and Sonoma. Along with delicious made-to-order sandwiches, gourmet cheeses and charcuterie, we offer a wide array of prepared foods for your party or picnic needs." The Oakville Grocery Company and the general store are both small markets located in the heart of popular wine regions, which cater specifically to the needs of wine tourists, wine tasters, and food enthusiasts. Both stores sell similar items and have similar themes.

First, the researcher will interview the Oakville Grocery Company manager Cyndi Keller. Information on the different internal factors that will be collected includes: management, marketing, finance, operations, and innovation. The main management question to be asked is: what are the management strategies that have led to success or failure for the Oakville grocery store? Next, the researcher will compare the Oakville Grocery Company marketing plan to the conceptual ideas for the general store. Ultimately, the researcher would like to determine how big of a role marketing plays in the business and whether or not their marketing yields positive or negative results. Next, the balance sheet and income statement of the Oakville Grocery store will be discussed. Is the company increasing or losing revenues? Has the Oakville Grocery Company experienced any financial hardships, and if so why? These financial related questions

will be factored into the financial analysis that the researcher conducts. Additionally, the researcher will look at the costs of the Oakville Grocery Company, which will help show what the likely operating costs for the general store will be. Questions about the external factors of the SWOT analysis will be next. The researcher will ask who the Oakville Grocery Company's main competitors are and how they compete with them. Markets, economics, demographics, and regulations will be the issues for the external factor questions. See appendix B for interview questions.

Businesses will not be the only sources interviewed; in fact an advisory board member from the city of Paso Robles will also need to be interviewed to discuss external factors. Jim App, City Manager and head of the Travel Paso Robles Alliance Advisory Committee will be able to provide details as to the external factors that the general store will face. Questions will focus on wine tourism relating to demographics and how it will help or hurt the general store. Will there be consistently enough tourism to start and keep a business running in today's economy? Mr. App will be able to elaborate about the wine tourism of Paso Robles and explain what wine tourists are looking for. See Appendix C for interview questions. Although interviews are a major source for data collection, accumulating other research will help discover as many strengths, weaknesses, opportunities, and threats of the general store.

Paso Robles as a wine region and as a city directly will influence the general store's business. The website, www.epodunk.com, offers census and demographic information about the city. By researching demographics of Paso Robles, the researcher could find out whether the general store complements the residents and tourists. Another website that supplies information on starting a new business in Paso Robles is www.prcity.com, Paso Robles' main website. Additionally, a resource that provides the latest information pertaining to this wine region,

wineries, festivals, wine related news, and tourist information is located at www.pasowine.com. Financial issues can be addressed through interviews, but further data collection on this subject is vital. *Dun and Bradstreet Industry Norms and Key Business Ratios* will provide financial ratios and financial standards of varying markets in business. SIC numbers (Standard Industrial Classification) are codes that the U.S. government issues to classify industries, which are imperative to obtain in order to find the correct data within *Dun and Bradstreet Industry Norms and Key Business Ratios* book. The general store can be categorized under two SIC codes including 5499 which is for miscellaneous food stores and 5411 which is for grocery stores. *The Economic Impact of California Wine MKF report 2006* is comprised of revenues, wages, and employment figures. Financial issues for small businesses can also be found at www.wellsfargo.com under the small business tab. This site gives information about the possibilities of receiving a loan or line of credit to start the general store. Researching the finances of a start-up business is crucial to success, but a business cannot succeed without first understanding laws and regulations of selling wine and food. These sources will give the researcher several internal and external factors that the general store would possess.

Laws and regulations can be deal makers or breakers for a business; therefore both must be considered before beginning the business. It is crucial to understand how difficult the legal process of starting a business will be, especially when selling alcohol. The Alcohol and Tobacco Tax and Trade Bureau, www.ttb.gov is an excellent resource for the laws of alcohol. *The Little Red Book of Wine Law: A Case of Legal Issues* by Carol Robertson will also provide the extent of legal barriers that must be crossed in order to serve and sell alcohol. For standard laws and regulations regarding food, the California Department of Food and Agriculture, www.cdffa.ca.gov is also a resource that will be used. The CDFA contains additional information

regarding business highlights and drawbacks for starting a business in the food and agriculture sector. Strengths, weaknesses, opportunities, and threats will also be collected through the research of the wine industry.

The following information will be acquired through the California Polytechnic State University San Luis Obispo Library at the reference desk. *The Adams Wine Handbook* contains vital research on wine consumption by categories, future consumption projects, leading brands, and the market in detail. Industry revenues, market trends, pricing, market dynamics, and wineries performance are all subjects that will affect the success or failure of the general store. This information can be found in the *Wine Trends Annual Report 2005*. The general store's customers need to be analyzed in order to understand if the store is adequately able to meet their needs. Research on this subject is located in the *Wine Demographics Report 2000*. This report will break down consumers into specific groups, relaying information on their demands and trends. Furthermore, *The U.S. Wine Market: Impact Databank and Forecast* from the Wine Spectator explains retail sales expenditures, price volumes and industry projections for the wine industry.

All of these resources will provide the researcher with numerous aspects to include in a SWOT analysis. Data collection must be collected in a timely manner, in order to complete the SWOT analysis. Collection of research and data should take the researcher no more than one month. Interview lengths should vary from a half an hour to an hour. Follow-up interviews may also be needed, which will be decided upon after initial interviews have been conducted. After all of the data has been collected, the SWOT analysis and formulation will be completed.

Procedures for Data Analysis

The data analysis of the collected information is crucial to understanding and answering the hypothesis. The SWOT analysis is used in business plans because it provides an in-depth and strategic look into a business that is either existing or new. After conducting interviews and accumulating data, the researcher will be able to begin a SWOT analysis. Both primary and secondary data should be carefully reviewed, and strengths, weaknesses, opportunities, and threats that exist for the general store should be listed. The main goal is to see if the general store possesses more strengths and opportunities than weaknesses and threats. In addition, a projected income statement, projected balance sheet, and corresponding financial ratios will be prepared in order to have quantitative analysis to the possible financial success or failure of the general store.

To begin, strengths, weaknesses, opportunities, and threats must be classified. After accumulating data, the researcher will classify each factor of the general store. In order to organize factors into the correct category, the researcher must answer the following questions and place answers as a strength, weakness, opportunity, or threat. See Appendix D in order to help classify.

Place the strengths, weaknesses, opportunities, and threats into a SWOT grid as shown below.

| | |
|---|--|
| <u>Strengths</u> Strength #1 Strength #2 etc. | <u>Weaknesses</u> Weakness #1 Weakness #2 etc. |
| <u>Opportunities</u> opportunity #1 opportunity #2 etc. | <u>Threats</u> Threat#1 Threat#2 etc. |

Figure 1. SWOT analysis model

Source: Berry, Tim J. 2004. How to Perform a SWOT Analysis.
Eugene: Palo Alto Software, Inc.

Next, the researcher will rate each of the strengths from a 1-4 scale. A rating measures how well the business responds to a factor or how well it will deal with a factor. For instance, the possible location of the general store would fully utilize and take advantage of the location, so it will be given a rating of 4, keeping in mind that the location would be considered a major strength.

Another example of a rating may be that a strength of the general store is its' Paso Robles store theme, therefore, a rating is given based on the researcher's discretion as to how well the store takes advantage of that theme. Perhaps the last example may be given a rating of 3. A rating of 1 means that the response is below average and a 4 is that the response is superior. A rating will be done exactly in the same manner for weaknesses, opportunities, and threats. The rating of the factors is up to the discretion of the entrepreneur as they see best fit due to their clear

understanding of the potential business. Therefore, that individual will be able to make the best choices for the rating.

After ratings have been given, combine strengths and weakness together in one grid and combine opportunities and threats into another grid. Assign a weight for the strengths and weaknesses and then for the opportunities and threats. The weight scale ranges from 0% to 100%. All weights for one grid must add up to 1.00 or 100%. This weight should be given based on the researcher's understanding of how important each factor holds to the success or failure of the business. A weight of 0% is unimportant while a weight of 100% is extremely important. The SWOT analysis is qualitative and a "sort of" brainstorming method within the business plan. Therefore, the SWOT analysis is presented in the beginning of a business plan. A SWOT analysis helps investors understand what risks or rewards they might encounter. Since the general store does not exist yet, the SWOT analysis merely provides a more generalized view of pros and cons (partly the entrepreneur needs to decide for themselves).

Once the factors are assigned, weighted, and rated, a weighted score will be calculated. This number is calculated by taking each strength and weakness and multiplying its weight number by its rank number. Once all numbers have been calculated and added together, a total average weighted score is given. This score is significant because it clearly emphasizes how the weight and rating work together to produce a more accurate measure of the factors. Do the same for opportunities and threats. Next, each of the weighted scores will be divided by two and that number will be multiplied by the average total weighted score. The average total weighted score is the sum of the weighted scores. The percentage of weighted scores is calculated to ultimately assess how important a strength or weakness actually is for a business. This is because the researcher compares each factor's individual weighted score to the average total weighted score,

giving an even more accurate account of how each factor truly weighs (percentage wise) to the overall success or downfall of a business. Make sure to do the same for opportunities and threats. See appendix E for example.

The SWOT analysis also contains a SWOT Matrix, which can help a business create strategies to help the business progress more successfully. A SWOT Matrix is a grid containing nine boxes. See Appendix F for example. Four of the boxes are created for the researcher to list strategies that a business could practice in order to become a better business. The first of these four boxes is where the researcher lists their personal ideas of strategies that can be used for the business to match its strengths to take advantage of opportunities. The next box is a list of the researcher's own thoughts on strategies that will use strengths of the business to counterbalance its threats. The third box is a list of strategies that the researcher will create that explains how the business could use opportunities to strengthen its weaknesses. The fourth box is a list of strategies that answer how to reduce weaknesses to avoid its threats. The SWOT Matrix is created at the very end of the SWOT analysis and is a helpful tool for possible business owners and managers. All of the strategies are opinions of the individual performing the SWOT Matrix, and therefore will not affect the outcome of the hypothesis.

After completing the SWOT analysis, not only will the strengths, weaknesses, opportunities, and threats be established, but now formulation analysis has been completed. This clarifies what the strongest and weakest factors are. In order to prove the hypothesis true, there must be more strengths than weaknesses and more opportunities than threats. In addition, the percentage of weighted scores for the strengths must be larger than the percentage of weighted scores for weaknesses. Furthermore, the percentage of weighted scores for the opportunities must be larger than the percentage of weighted scores for weaknesses.

Once the SWOT analysis is completed, the researcher will then conduct a financial analysis, which is quantitative. A forecasted income statement, balance sheet, and key ratios will include the necessary data to understand if this business venture is a financially viable option. The financial forecasting will focus from January 2010 to December 2011. The income statement is a indicator of the profitability for the time period measured. The balance sheet is a snap shot of net equity at a certain point in time. The key financial ratios that will be used focus on liquidity, asset management, debt management, and profitability. The current ratio, quick ratio, inventory turnover ratio, total debt to total assets ratio, profit margin on sales ratio, return on total assets ratio, and return on common equity ratio will all be calculated. The researcher will be guided by the financial data collected from the interview with The Oakville Grocery Company. This interview should be used as a guide to help create the financial analysis for the general store. The researcher will assume that there is a line of credit of \$50,000.00 that will be used to help finance the operations of the business.

Assumptions

It will be assumed that interviewees answered questions truthfully. The overview of the business of the general store is accurate and true. The general store will have some financing in order to start this business and a building already exists that will be leased. Readers must also assume that the Paso Robles wine industry will continue to prosper and not weaken.

Limitations

A full business plan will not be constructed. In addition, the SWOT Matrix will not be used to prove or disprove the hypothesis.

Chapter 4

DEVELOPMENT OF THE STUDY

Data Collection Problems

For this project it is imperative that the researcher conduct interviews and research data to get the best results for the SWOT analysis. The researcher has made changes to the Procedure for Data Collection and Procedures to Data Analysis since it was first submitted due to condensing the length of time to conduct the research and analysis portion of the study. The researcher modified some of the interviews that were to take place due to these circumstances. Shelby Wilson is the wine club manager and a tasting room attendant at Jada winery, as well as the daughter of Pam Wilson. She was interviewed instead of Pam Wilson due to the fact that Ms. Wilson was out of town for an extended period of time. Jim App was also not interviewed because the researcher deemed it more important to interview County Planning located in San Luis Obispo. The researcher wanted to discuss the legal permits and parameters of a retail store at the specific location mentioned previously.

A new portion of the project is that the researcher now needs to conduct financial analysis on the general store. Later, it was deemed necessary to conduct a financial analysis, which will affect the Procedures for Data Analysis and the conclusion of the project. The SWOT analysis will give the reader a clear indication as to whether the general store could be a viable business. The financial analysis will either solidify that the potential business is feasible or too risky. A statement of income, balance sheets, and financial ratios are forecasted through additional research.

Analysis

The SWOT analysis, which consisted of an initial grid that categorized all strengths, weakness, opportunities, and threats, was collected from research. Afterwards, each factor was ranked and weighted. The rank was given based on how well the general store can or would respond to a factor. Next, each of the strengths, weaknesses, opportunities, and threats were given a weight, which is a given percentage based off of how important the researcher feels the factor is to the business. Each weight was divided in half to get a new weight, which is necessary in order to calculate the weighted score. The weighted score is the result of the rank multiplied by the new weight. The weighted score is then used in the internal and external formulation of the SWOT analysis.

The formulation of the internal and external factors was created by choosing the five highest weighted scores of each of the factors. By choosing the top five weighted scores of each factor, the researcher could focus on what is most influential to the general store. The formulation grouped strengths with weaknesses and opportunities with threats. The percentage of weighted scores was calculated by dividing each weighted score by the sum of all the weighted scores. The percentage of weighted scores relayed overall how influential the factor was to the general store. For the internal factor analysis, the weakness held a higher percentage than the strengths, while opportunities outweighed the threats for the external analysis.

The last portion of the SWOT analysis is the SWOT Matrix, where the researcher decided to only choose two factors for each of the strengths, weaknesses, opportunities, and threats. After forming the matrix, it is clear that the general store needs to work closely and network with wineries in the near vicinity. With the wineries support, legal matters may be less

of an issue for the business. The other main strategies that the business needs to focus on are a business plan and strategic advertising. For entire SWOT analysis, refer to Appendix G.

For the financial analysis portion of the study, first the researcher created a statement of income calculation page. Human traffic assumptions were made in order to calculate monthly revenue for the business. The human traffic assumptions for the general store were based off of the number of customers that local wineries near the strategic location receive on a daily basis. The researcher calculated monthly revenue by assuming that the general store customers would buy a certain amount of wine and food for each purchase. Next, the wine and food daily sales were multiplied by the average number of weeks in a month. The researcher concluded that the monthly sales were \$39,141. In addition, the cost of sales was calculated at 37% based on research from similar business models. Furthermore, the average customer was assumed to purchase \$2.12 of wine because the researcher was conservative with this estimate. It was assumed that customers might purchase wine directly from local wineries. Additionally, customers would buy more often wine by the glass rather than by the bottle.

The statement of income that the researcher calculated was for the month of June in 2010. It was projected that cost of sales equals 1/3 of food revenues and 2/3 of wine revenues. Additionally, operating expenses included salaries for employees, which were based upon numbers by Cass winery. Rent expense will be \$2,500.00 for a barn located on the property at Halter Ranch, which was decided after interviewing Cathy Lafayette. She expressed the wineries' partial interest in the business idea of the general store. Depreciation and amortization were calculated based upon the useful life of assets purchased with operating capital. A line of credit of \$50,000.00 with an interest rate of 7.5% was included in the section other income and

expenses. For the tax portion, it was assumed that the general store is a California S Corporation, which is currently at 1.5% tax rate.

The researcher performed a forecasted analysis of the statement of income for 2010 and 2011. The statement of income for 2010 was broken down month by month, while year two (2011) was analyzed as a collective year. The financial analysis shows that during 2010 the business did not make a profit every month. Therefore, the month by month calculations were more realistic by multiplying a conservative percentage to the statement of income for June 31, 2010. For instance, in January of 2010, the researcher was conservative by projecting that the business would only make 60% of the business' goal of revenue. This was the first month of business and the business is expected to get above average revenue from a grand opening. For the following months, February was given 48%, March was 51%, April was 58%, May was 62%, June reached 100%, July, August, and September reached over 100%, while October, November and December were 77%, 59%, and 59% respectively. February was given 48% because it is one of the slowest months for local wineries. March and April gained some percentage due to the fact that the weather improves and wineries are experiencing a little more business. The main season for wineries is from May to November, so the percentages increased for the summer and fall months that are notoriously busy. October, November, and December were smaller percentages due to the fact that harvest is slowing down and winter is approaching.

May 2010 was the first month that the general store will make a positive net income of \$633.00. The highest month for net income for the first year was September. In 2011, the general store makes a forecasted Net Income of \$44,797.00. It was assumed that revenue grew by 5% from June 31, 2010. The general store is a viable business because forecasted projections for both years have a positive number for net income. A balance Sheet was also created for 2010

and 2011. The balance sheet shows the financial position of the general store at the end of each operating cycle.

Financial ratios were calculated to help the researcher form a better understanding of the business. The first is the current ratio, which showed that the company can pay off its debts that are short term. The quick ratio proved that the general store's assets could meet the short term obligations that the business faces. Inventory turnover was high, revealing that the store had strong sales. The total debt to total assets ratio was not very high, relaying that the business is not too risky. Next, the times interest earned ratio was low in 2010 because the general store is a start-up, meaning that there is some risk involved with a new business. However, by year 2011, the risk has been reduced by a significant amount. The profit margin on sales increased, meaning that the business is profitable. The return on total assets is above average, meaning that the business is effectively using its assets to make earnings prior to the obligations that must be paid off. Lastly, the return on common equity relayed that the business is profitable with the use of the money invested into the business. See Appendix H for entire financial analysis.

Chapter 5

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

At this point in the project, the author has accomplished background research surrounding wine related issues. Necessary data has been collected in order to test the hypothesis. A complete SWOT analysis is completed, including SWOT grids, ranks and weights, formulation, and a SWOT Matrix. In addition, balance sheets, a statement of income, and financial ratios were also prepared. The hypothesis has been tested and the results are concluded.

Conclusions

After collecting the required data to test the hypothesis, the results have been completed. The SWOT analysis revealed that for internal formulation, there is a greater percentage of weaknesses to strengths by 52% to 48% respectively. For external formulation, opportunities had a higher percentage than threats. Opportunities outweighed threats 56% to 44% respectively. Overall, there is a higher sum percentage of positive factors than negative factors. However, the internal analysis did not result favorably for the general store because of a greater number of weaknesses to strengths. The researcher can conclude from this that the general store is a viable business venture, but many internal changes to the business must be acted upon to ensure a successful business. It is not a completely favorable result for the SWOT analysis.

On the other hand, the financial analysis proved to have positive results. After careful research and calculation, it has been concluded that the general store would make a profit based off of forecasting. The statement of income, balance sheet, and financial ratios all support this conclusion. This gives the general store validation as a great potential business because it has the capacity to make a profit.

Recommendation

After completing the study, the author would like to make recommendations related to the problem studied and for any possible extended research regarding this project. The author advises any researcher of this project to use less library sources that were collected from Kennedy Library. Many sources were repetitive and did not give the researcher many internal factors regarding the SWOT analysis. It is recommended that the researcher have more than one month to collect and test the hypothesis. Due to a tight and circumstantial schedule, most but not all items concerning the project were completed, such as an additional interview. If another researcher would like to extend the research of this project, it is recommended that an entire business plan be created to form a better understanding of how the business could succeed. This would give the potential researcher a better understanding of how to create positive internal factors for the business.

References Cited

- “A Signature California Industry: California Wine Brochure.” The Wine Institute.
<http://www.wineinstitute.org/resources/statistics/article80> (accessed August 8, 2009).
- “An Exploding Wine Industry.” City of Paso Robles. <http://www.prcity.com/visit/index.asp>.
(accessed July 25, 2009).
- Barclay, Veronica. “Don’t Pass by Paso Robles.” *Wine Business Monthly*. November.
<http://www.winebusiness.com/wbm/?go=getArticle&dataId=20741>
(accessed July 28, 2009).
- Beames, Geoffrey. 2003. “The Rock, the Reef and the Grape: the Challenges of Developing Wine Tourism in Regional Australia.” *Journal of Vacationing Marketing*. 9:205-212
- Berry, Tim J. 2004. *How to Perform SWOT Analysis*. Eugene: Palo Alto Software, Inc.
- Geisler, Malinda. 2008. “Wine Industry Profile.” Agricultural Marketing Resource Center.
http://www.agmrc.org/commodities_products/fruits/wine/wine_industry_profile.cfm
(accessed July 31, 2009).
- “Geography.” Paso Robles Wine Country Alliance.
<http://www.pasowine.com/pasorobles/geography.php> (accessed August 14, 2009).
- Hall, Michael C., *et al.* 2003. *Food Tourism Around the World*. Oxford: Butterworth-Heinemann.
- Hazelbaker, Chadron B. "The SWOT Analysis: Simple yet Effective." *Athletic Therapy Today* 11, no. 6 (November 2006): p. 53-55.
- Hitt, Michael A., R. Duane Ireland, and Robert E. Hoskisson. 2009. *Strategic Management*. 8th ed. Mason: South-Western Cengage Learning.
- Hodgen, Donald A. 2008. “U.S. Wine Industry – 2008.” U.S. Department of Commerce. June.
<http://trade.gov/td/ocg/wine2008.pdf> (accessed July 31, 2009).
- Johnson, Joyce E. 1990. "Developing an Effective Business Plan." *Nursing Economics* 8, no. 3 (June): 152-54.
- “Quantitative Strategic Planning Matrix (QSPM).” Maxi-Pedia.
<http://www.maxi-pedia.com/quantitative+strategic+planning+matrix+QPSM>
(accessed August 8, 2009).
- Schamel, Gunter. 2002. “California Wine Winners: A Hedonic Analysis of Regional and Winery Reputation Indicators.” *American Agricultural Economics Association*. (May):1-13

Slezak, Steven. 2009. Lecturer. Agribusiness Department. College of Agriculture, Food and Environmental Sciences. Cal Poly, San Luis Obispo. Class: AGB 450 Agribusiness Strategy and Formulation. Spring Quarter 2009.

“SWOT Analysis – Power SWOT.” Marketing Teacher.
http://www.marketingteacher.com/Lessons/lesson_power_swot.htm
(accessed August 13, 2009).

Tennent, John and Graham Friend. 2005. *Guide to Business Modeling*. 2nd ed. London: Profile Books Ltd. 12-13

Thach, Dr. Liz. “Trends in Wine Tourism.” *Wine Business Monthly*. August.
<http://www.winebusiness.com/wbm/?go=getArticle&dataId=50125>
(accessed July 28, 2009)

Tinney, Mary-Colleen. “Addressing the Consumer’s Desire.” *Wine Business Monthly*. November. <http://www.winebusiness.com/wbm/?go=getArticle&dataId=59833>
(accessed July 17, 2009).

Wolf, Marianne McGarry, Scott Carpenter, and Eivis Qenani-Petrela. 2005. "A Comparison of X, Y, and Boomer Generation Wine Consumers in California." *Journal of Food Distribution Research*. Volume 36, Number 1.

Appendix

A) Interview Questions with winery professionals:

1. What are the pros and cons of having a business in Paso Robles?
2. What are the pros and cons about wine tasters?
3. What are the marketing strategies of this winery? What is the budget for marketing? What are the best and least effective strategies?
4. How does the daily tasting room operate, relating to management and employees?
5. What is the winery's budget?
6. What are the wine tasters needs, and do you think they are looking for more food and retail shops, specifically on the west side of Paso Robles?
7. What was the price of land and the building for this winery?
8. What traffic patterns does the winery experience?
9. What do you think the deal makers and breakers are for the general store?
10. What is the price point of the winery's wines? How much are wine tasters willing to pay for wine and food?
11. What are the specific demographics of your customers?
12. Who are the wineries' main competitors? Who would be the general store's main competitor(s)?
13. Are there any future competitors or restaurant plans that the winery has?
14. Would wineries want to network with the general store? Would the winery like to be represented by the general store?

15. Is there a market for a general store on the west side of Paso Robles, and if not, then where?
16. What environmental issues must the winery address today? Is it costly and / or imperative to act upon these issues?
17. How much does a liquor license cost? How long did it take the winery to receive it? How complicated is it to get a liquor license?

B) Interview questions with Oakville Grocery Company manager:

1. What is the Oakville Grocery Company's business model?
2. How effective is it to have this business in a wine region?
3. What are the needs and trends of your customers? Are they mostly wine consumers and wine tasters?
4. What are management strategies that have improved or hurt the store?
5. What are your thoughts on the proposed general store?
6. What is the marketing plan of the Oakville Grocery Company? How much time and money has been put into it?
7. What does last year's Balance Sheet and Income Statement say? Is the store losing or gaining revenue? If it is losing revenue, why?
8. What financial hardships has the store faced?
9. What are the opportunity costs and expenses of the store?
10. Is there a need for more retail food stores in wine regions?
11. What wineries do you network with and how?
12. Has the economic downturn hurt business of the store?

13. What are the pros and cons of your customers? What are their demographics?
14. Have you had any problems with government regulations like liquor licenses?

C) Interview Questions for Jim App:

1. How important is wine tourism in Paso Robles?
2. What are the demographics of all tourists in Paso Robles? What are the demographics of wine tourists in Paso Robles?
3. Is there enough tourism in the future to invest in a new business in the area?
4. How has the economy affected wine tourism?
5. What are wine tourists looking for? Is there a greater need for retail food and wine shops on the wine routes?

D) Categorizing a Strength, Weakness, Opportunity, and Threat

Strengths:

- 1) What positive aspects of finances, operations, innovations, technology, and marketing does the general store possess?
- 2) What is the general stores greatest strength over competitors?
- 3) What positive assets / resources does the general store have?
- 4) What did interviewees agree with or like most about the store?

Weaknesses:

- 1) What are the weak aspects of the general store's finances, operations, innovations, technology, and marketing factors?

2) What do competitors do better?

3) What do interviewees relay as the general store's weaknesses?

Opportunities:

1) What positive opportunities does the general store possess externally?

2) What are the positive aspects about the market, competition, economy, technology, demographics, environment, and regulations?

Threats:

1) What threats does the general store face in the market, with competitors, the economy, technology, demographics, the environment, and regulations?

2) What external factors are most likely to make the business fail?

E)

SWOT Analysis Example

ABC Food Co. Internal Factor Ranking

| Key internal factors | Weight | Rating | Weighted Score | % of Weighted Score |
|---------------------------------|--------|--------|----------------|---------------------|
| Strengths: Large U.S Producer | .17 | 4 | .68 | 28% |
| Strengths: Brand Recognition | .13 | 4 | .52 | 21% |
| Strengths: National Marketing | .11 | 3 | .33 | 13% |
| And distribution | | | | |
| Strengths: Product line | .07 | 3 | .31 | 9% |
| Weakness: No Global | .19 | 1 | .19 | 8% |
| Ambitions | | | | |
| Strengths: Plants in U.S. | .07 | 2 | .14 | 6% |
| And Oversees | | | | |
| Weakness: Carry large inventory | .07 | 2 | .14 | 6% |
| Strengths: Strong R&D | .05 | 2 | .10 | 4% |

| | | | | |
|---|------|---|------|----|
| Weaknesses: large Long-term debt | .09 | 1 | .09 | 4% |
| Weaknesses: Ineffective organizational design | .05 | 1 | .05 | 2% |
| Total | 1.00 | | 2.45 | |

Total Average Weighted Score=2.5

Example given by:

Steven Slezak, Lecturer. Agribusiness Department. College of Agriculture, Food and Environmental Sciences. Cal Poly, San Luis Obispo. Class: AGB 450 Agribusiness Strategy and Formulation

F)

SWOT Matrix

| | | |
|---------------------------------------|--|--|
| | Strengths: list all strengths | Weaknesses: list all weaknesses |
| Opportunities: list all opportunities | List strategies that from strengths exploiting opportunities | List strategies where opportunities can strengthen weak aspects |
| Threats: list all threats | List strategies where strengths counteract threats | List strategies that will minimize weaknesses and avoid threats. |

G)

| Strengths | Weaknesses |
|---|---|
| · Paso Robles wines (the general store's merchandise) has received a large amount of awards and accolades | ·Proprietor is new to business |
| ·High quality products for reasonable prices/ competitive prices | ·Competition (Farm Stand on 46 West) |
| ·Selective and quality choice of food and wine | ·Dependent on business of local wineries |
| ·Local small business | ·Availability of financing |
| ·Skilled employees / good service | ·the store needs to focus more on sustainable and organic foods to fulfill the wants of wine tasters. |
| ·Competitive wine prices | ·Far from East side of Paso Robles (where there is more traffic) |
| ·Aesthetically appealing look to the store | · |
| · Business will have strong marketing plan | · |
| ·General store will have high business standards | · |
| ·Theme of general store is Paso Robles wine country | · |
| ·only need 3-4 employees | · |
| ·the store fulfills the wine tasters desire for more food retail stores in this specific location | · |
| ·upscale décor, food, and wine | · |
| · strategic location | · |
| · | · |
| Opportunities | Threats |
| ·Paso Robles holds many fairs like Ca Mid state fair | ·Small population in Paso Robles (24,297) |
| ·Paso Robles has safe reputation (Low crime) | ·Poor economic downturn/ recession in California and U.S. |
| ·In 2008 P.R.'s economy strongest in San Luis Obispo economy (gross product of \$2,000,000,000. | ·Liquor licenses can be hard to obtain |
| ·Paso Robles has rural charm which coincides with the general store theme | ·Municipal approvals |
| · Paso Robles's has a reputation as a premier wine region in California | ·Competitors |
| ·Paso Robles AVA is estimated at \$1.5 billion | ·Ca produces 90% of wine in the U.S. but only consumes 20% of it. |

| | |
|--|--|
| ·Paso Robles has a Economic Development Strategy that focuses on tourism and retail sales | ·wine industry related employment increased 37% from 2002 to 2006 |
| ·Lots of bed and breakfasts in area relating to tourism | ·Ca produced 2.7 billion 750 ml of wine bottles in 2005 compared with 3.12 billion in 2002 |
| ·Continual wine events and wine festivals taking place in Paso Robles | · Paso Robles has a small population that local business cannot solely rely on |
| ·More wine drinkers esp millennial wine drinkers | ·Millennials not buying much wine (like to just taste wine) |
| ·About 40 wineries near the location of the general store | ·Farm Stand on 46 W is the main competitor |
| ·Poor economy drives consumers to less expensive eateries like the general store | ·Wineries have noticed drop in wine clubs since downturn of economy. |
| · Paso Robles has gained tourism popularity like Napa and Sonoma | ·Many wineries not open Tuesday and Wednesday (meaning less business for the general store). |
| ·California wine industry is worth \$51.8 billion | ·difficult to get legal permit to have restaurant/ food retail store. |
| ·full time jobs in 2006 was 309,000 in Ca | ·wine tasters can be intoxicated and hard to deal with (dangerous). |
| · total 2005 Ca Wine Tourism employment was 35,000 | |
| · wine tourists increased from 14.8 million to 19.7 million from 2002 to 2005 | · |
| ·more wine being consumed between the \$8-\$15 range but also \$30 wine are being bought more | · |
| ·The wine industry draw lots of wine tourists to Paso Robles | · |
| ·wine tasters are easy to market to | · |
| ·large busy season (May to November) | · |
| ·middle aged couples are main customers (willing to spend most money) | · |
| ·wineries say that they would support and network with general store | · |
| ·mixed reviews about Farm stand (only have limited seating (only outside seating) and do not have a bar and lounge feel). Customers not completely fulfilled with store. | · |

| Strengths of general store | Rank | Weight | New weight | Weighted score |
|---|------|--------|------------|----------------|
| · Paso Robles wines (the general store's merchandise) has received a large amount of awards and accolades | 3 | 5% | 0.025 | 0.075 |
| ·High quality products for reasonable prices/ competitive prices | 3 | 9% | 0.045 | 0.135 |
| ·Selective and quality choice of food and wine | 4 | 10% | 0.05 | 0.2 |
| ·Local small business | 3 | 5% | 0.025 | 0.075 |
| ·Skilled employees / good service | 4 | 8% | 0.04 | 0.16 |
| ·Competitive wine prices | 3 | 5% | 0.025 | 0.075 |
| ·Aesthetically appealing look to the store | 4 | 9% | 0.045 | 0.18 |
| · Business will have strong marketing plan | 2 | 2% | 0.01 | 0.02 |
| ·General store will have high business standards | 4 | 11% | 0.055 | 0.22 |
| ·Theme of general store is Paso Robles wine country | 3 | 7% | 0.035 | 0.105 |
| ·only need 3-4 employees | 2 | 1% | 0.005 | 0.01 |
| ·the store fulfills the wine tasters desire for more food retail stores in this specific location | 4 | 16% | 0.08 | 0.32 |
| ·upscale décor, food, and wine | 4 | 12% | 0.06 | 0.24 |
| sum | | 100% | 0.5 | 1.82 |

| Weaknesses of general store | Rank | Weight | New weight | Weighted score |
|--|------|--------|------------|----------------|
| ·Proprietor is new to business | 4 | 12% | 0.06 | 0.24 |
| ·Farm Stand on 46 West highest competiton | 3 | 18% | 0.09 | 0.27 |
| ·Dependent on business of local wineries | 3 | 21% | 0.105 | 0.315 |
| ·Avaliability of financing | 3 | 19% | 0.095 | 0.285 |
| ·the store needs to focus more on sustainable and organic foods to fupill the wants of wine tasters. | 2 | 8% | 0.04 | 0.08 |
| ·Far from East side of Paso Robles (where there is more traffic) | 3 | 2% | 0.01 | 0.03 |
| ·competition from wineries with restaruants or who sell small snacks | 4 | 7% | 0.035 | 0.14 |
| ·busy season for 7 months of year | 2 | 13% | 0.065 | 0.13 |
| sum | | 100% | 0.5 | 1.49 |

| Opportunities of general store | Rank | Weight | New weight | Weighted score |
|---|------|--------|------------|----------------|
| ·Paso Robles holds many fairs like Ca Mid state fair | 2 | 2% | 0.01 | 0.02 |
| ·Paso Robles has safe reputation (Low crime) | 2 | 1% | 0.005 | 0.01 |
| ·In 2008 P.R.'s economy strongest in San Luis Obispo economy (gross product of \$2,000,000,000. | 3 | 4% | 0.02 | 0.06 |

| | | | | |
|---|---|-----|-------|-------|
| ·Paso Robles has rural charm which coincides with the general store theme | 4 | 5% | 0.025 | 0.1 |
| · Paso Robles's has a reputation as a premier wine region in California | 4 | 5% | 0.025 | 0.1 |
| ·Paso Robles AVA is estimated at \$1.5 billion | 3 | 2% | 0.01 | 0.03 |
| ·Paso Robles has a Economic Development Strategy that focuses on tourism and retail sales | 4 | 5% | 0.025 | 0.1 |
| ·Lots of bed and breakfasts in area relating to tourism | 2 | 2% | 0.01 | 0.02 |
| · Continual wine events and wine festivals taking place in Paso Robles | 4 | 7% | 0.035 | 0.14 |
| ·More wine drinkers esp millennial wine drinkers | 3 | 2% | 0.01 | 0.03 |
| · About 40 wineries near the location of the general store | 4 | 10% | 0.05 | 0.2 |
| · Poor economy drives consumers to less expensive eateries like the general store | 4 | 7% | 0.035 | 0.14 |
| · Paso Robles has gained tourism popularity like Napa and Sonoma | 2 | 5% | 0.025 | 0.05 |
| ·California wine industry is worth \$51.8 billion | 2 | 2% | 0.01 | 0.02 |
| ·full time wine related jobs in 2006 was 309,000 in Ca | 1 | 1% | 0.005 | 0.005 |
| · total 2005 Ca Wine Tourism employment was 35,000 | 3 | 3% | 0.015 | 0.045 |
| · wine tourists increased from 14.8 million to 19.7 million from 2002 to 2005 | 3 | 4% | 0.02 | 0.06 |
| ·more wine being consumed between the \$8-\$15 range but also \$30 wine are being bought more | 3 | 2% | 0.01 | 0.03 |

| | | | | |
|---|------|-----|-------|-------|
| <p>·The wine industry draw lots of wine tourists to Paso Robles</p> <p>·wine tasters are easy to market to</p> <p>·middle aged couples are main customers (willing to spend most money)</p> <p>·wineries say that they would support and network with general store</p> <p>·mixed reviews about Farm stand (only have limited seating (only outside seating) and do not have a bar and lounge feel). Customers not completely fulfilled with store.</p> | 4 | 7% | 0.035 | 0.14 |
| | 3 | 2% | 0.01 | 0.03 |
| | 3 | 5% | 0.025 | 0.075 |
| | 4 | 12% | 0.06 | 0.24 |
| | 2 | 5% | 0.025 | 0.05 |
| sum | 100% | 0.5 | 1.695 | |

| Threats of general store | Rank | Weight | New weight | Weighted score |
|--|------|--------|------------|----------------|
| ·Small population in Paso Robles (24,297) | 3 | 9% | 0.045 | 0.135 |
| ·Poor economic downturn/ recession in California and U.S. | 2 | 12% | 0.06 | 0.12 |
| ·Liquor licenses can be hard to obtain | 2 | 13% | 0.065 | 0.13 |
| ·Municipal approvals | 2 | 14% | 0.07 | 0.14 |
| ·Competitors | 3 | 8% | 0.04 | 0.12 |
| ·Ca produces 90% of wine in the U.S. but only consumes 20% of it. | 2 | 3% | 0.015 | 0.03 |
| ·Ca produced 2.7 billion 750 ml of wine bottles in 2005 compared with 3.12 billion in 2002 | 3 | 5% | 0.025 | 0.075 |

| | | | | |
|---|---|------|-------|-------|
| · Paso Robles has a small population that local business cannot solely rely on | 3 | 6% | 0.03 | 0.09 |
| ·Millennials not buying much wine (like to just taste wine) | 2 | 3% | 0.015 | 0.03 |
| ·Farm Stand on 46 W is the main competitor | 3 | 6% | 0.03 | 0.09 |
| ·Wineries have noticed drop in wine clubs since downturn of economy. | 1 | 5% | 0.025 | 0.025 |
| ·Many wineries not open Tuesday and Wednesday (meaning less business for the general store). | 2 | 12% | 0.06 | 0.12 |
| ·wine tasters can be intoxicated and hard to deal with (dangerous). | 3 | 5% | 0.025 | 0.075 |
| sum | | 101% | 0.505 | 1.18 |

| Internal Factor Analysis Formulation | | | |
|--------------------------------------|---|----------------|------------------------------|
| S or W | Key Internal Factors | Weighted score | Percentage of Weighted Score |
| strength | ·Selective and quality choice of food and wine | 0.2 | 8% |
| strength | ·Aesthetically appealing look to the store | 0.18 | 8% |
| strength | ·General store will have high business standards | 0.22 | 9% |
| strength | ·the store fulfills the wine tasters desire for more food retail stores in this specific location | 0.32 | 13% |
| strength | ·upscale décor, food, and wine | 0.24 | 10% |
| weakness | ·Proprietor is new to business | 0.24 | 10% |
| weakness | ·Farm Stand on 46 West highest competitor | 0.27 | 11% |
| weakness | ·Dependent on business of local wineries | 0.315 | 13% |

| | | | |
|----------|---|-------|------------|
| weakness | ·Availability of financing ·competition from wineries with restaruants or who sell small | 0.285 | 12% |
| weakness | snacks | 0.14 | 6% |
| Sum | | 2.41 | 100% |

| External Factor Analysis | | | |
|---------------------------------|--|----------------|------------------------------|
| Formulation | | | |
| O or T | Key External Factors | Weighted score | Percentage of Weighted Score |
| opportunity | ·Continual wine events and wine festivals taking place in Paso Robles | 0.14 | 9% |
| opportunity | ·About 40 wineries near the location of the general store | 0.2 | 13% |
| opportunity | ·Poor economy drives consumers to less expensive eateries like the general store | 0.14 | 9% |
| opportunity | ·The wine industry draw lots of wine tourists to Paso Robles | 0.14 | 9% |
| opportunity | ·wineries say that they would support and network with general store | 0.24 | 16% |
| threat | ·Small population in Paso Robles (24,297) | 0.135 | 9% |
| threat | ·Poor economic downturn/ recession in California and U.S. | 0.12 | 8% |
| threat | ·Liquor licenses can be hard to obtain | 0.13 | 9% |
| threat | ·Municipal approvals | 0.14 | 9% |
| threat | ·Many wineries not open Tuesday and Wednesday (meaning less business for the general store). | 0.12 | 8% |
| sum | | 1.505 | 100% |

SWOT MATRIX

| | | |
|--|---|--|
| | <p>Strengths: the store fulfills the wine tasters desire for more food retail stores in this specific location. upscale décor, food, and wine</p> | <p>Weaknesses: Dependent on business of local wineries. Availability of financing</p> |
| <p>Opportunities: wineries say that they would support and network with general store. About 40 wineries near the location of the general store</p> | <p>Many wineries have said that they would support the general store. Marketing should convey that the general store is upscale so that wineries will want to sell their wine at the store.</p> | <p>Partner with winery like Halter Ranch (use barn) to help alleviate some costs.</p> |
| <p>Threats: Liquor licenses can be hard to obtain. Municipal approvals</p> | <p>create great business plan so that government officials will be impressed by the business.</p> | <p>Create tight relationships with wineries so that they can help support with legal issues like liquor licenses and any additional permits.</p> |

H) FINANCIAL ANALYSIS