Feasibility Test of San Vicente Cellar's Expansion

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ABSTRACT

San Vicente Cellars is a small tasting room and production facility in Ventura County. As of now, the winery's revenue just barely covers the cost of production and other expenses. It is believed that due to their poor location the tasting room is not receiving maximum customers in reflection to the quality of the wines. San Vicente's owner has a vision of opening an additional tasting room in a higher trafficking location. This project is based on this vision and tests whether or not this new location is financially feasible. After all costs are factored in, the breakeven point of the addition will then be calculated. The project will be determined feasible if the tasting room will breakeven and begin turning a profit after five years of operations.

A SWOT analysis was performed based on the new location to determine the possibilities of entering the market. Following the SWOT analysis a profit loss statement was put together to organize all debt and desired equity of the project. A budget forecast was then based on the statement and was used to determine the breakeven year.

After all tests were done it was concluded that the project was not financially feasible in that the new location's costs did not breakeven before the five year mark but in fact would take an estimated seven years to begin turning a profit.

CHAPTER 1

INTRODUCTION

After officially opening the doors to their tasting room in 2010, San Vicente Cellars has had much success in providing unique wines to the residents of Ventura County from their Camarillo location. Sourcing all the grapes from the central coast, mainly Paso Robles and Santa Barbara Counties, San Vicente offers a broad spectrum of wines. Along with delicious wines comes a crowd of fans that hope to taste and purchase the product. Currently, San Vicente Cellars owns a 1500 sq. ft. warehouse filled with steel tanks, oaks barrels and aging wines. Their current facility leaves little room for a tasting room at their location. After two years in their Camarillo location, San Vicente has created quite a buzz amongst local residents and averages anywhere between 30-50 guests frequenting the tasting room in a given weekend. There is an oak bar in a small tasting area which works great for small groups of one to two couples at a time, however the space does get overcrowded quite easily. There is no feasible way to increase the space for the tasting room in the current location and thus leaves one choice; expand the tasting room to another location.

With a new location for the tasting room, San Vicente Cellars hopes to accommodate larger groups and increase revenue by exposing the wines to a similar, yet new market, in Thousand Oaks, California. Thousand Oaks is 15 miles south of Camarillo and has the potential to increase profits if the tasting room is directed to the most common wine consumers in

California which is the 21-60 year age bracket. The U.S. Census Bureau states that roughly 55% of the population in Thousand Oaks is between this age bracket. For such a small business to take on such a large endeavor and open another location there are various other components that must be carefully examined. Entry into a new market is a major aspect concerning San Vicente. The wine industry has been steadily growing in the most recent years and has projected to continue its growth for many more to come. Other small tasting rooms around the Ventura County area have developed a strong brand for themselves and most that are currently operating have started within the past five years and have been doing well since.

By opening the new location for the tasting room in Thousand Oaks, there are opportunities to enter the market into a welcoming environment and target demographic for the product the cellar has to provide.

Problem statement

Will San Vicente Cellars be able to profit, or at least breakeven, after the added cost of opening a larger tasting room in a new location within five years?

Hypothesis

With a larger and more centralized location for a tasting room, customers of San Vicente Cellars will be more willing to come in for tastings and in turn increase revenue for the boutique winery. Along with being beneficial to the winery, the addition of the new location will breakeven and turn profit within the first five years of opening by comparing the debt versus the equity.

Objectives

1. To create a strategic analysis weighing internal benefits against disadvantages to determine the feasibility to enter the market.

2. To quantify the costs of opening a new location in a budget forecast.

3. To conduct a financial analysis of San Vicente's added tasting room's costs and determine the break-even and the feasibility of the project.

Significance of the Study

The demand for wine is continually growing and forecasts project this trend to continue for upcoming years. Redding (2012) states the US winery industry includes about 1,800 companies with combined annual revenue of $14 billion. The overall revenue of beer, wine and spirits in the U.S. equates to $40 billion dollars making wine 35% of sales in the alcohol industry. Sales are expected to increase along with quantity of wineries as much as 11% by 2016. There is little doubt that entering the market with a new location would turn to out to be a regret for San Vicente as long as the location is prime with little competition surrounding or a welcoming market. Restaurants and hotels are the main purchasers of wine with over 20% of wines sold through these distributers. (Redding, 2012.) The inclusion of comparing wine sales not only in the county but also in nearby hotels and restaurants is an important point to examine. As stated before, the wine industry is not only stable but continually growing and there are many opportunities in opening a new location to continue to develop this industry.

As for the precise location of the tasting room, Vince Pantess, owner and winemaker of San Vicente Cellars, and I have decided on a location in Thousand Oaks, California. Just five off ramps from the current location in Camarillo, the new location is conveniently right off the 101 freeway and highway 23. Thousand Oaks has the background to be very welcoming into the wine market as it is an affluent area with an average household income of $99,000, in comparison to California’s average of $61,000 as stated in the 2011 U.S. Census. The Census also includes the estimated population of Thousand Oaks to be roughly 128,000 where as Camarillo’s population is 66,000 as of 2011. With a larger population and a steady income per household, Thousand Oaks illustrates the ideal entry into the wine market.

One other factor to keep in mind is that Thousand Oaks has a significant amount of tasting rooms more than Camarillo. Including wine retail stores that offer tastings, Thousand Oaks has 7 tasting rooms with the majority of them being on Thousand Oaks Boulevard, a high traffic street in the area. Camarillo only has 3 tasting rooms with two of which are located in industrial areas hidden from unaware consumers.

With a solid location and a welcoming market there is a strong possibility that opening a tasting room for San Vicente Cellars would both be beneficial financially for San Vicente Cellars as well as increase public awareness with the brand.

Chapter 2

REVIEW OF THE LITERATURE

Financial Analysis

In order to run a successful financial analysis on the feasibility of a new project, there are numerous steps prior to the analysis that must be taken in order to lay the foundation for the rest of the project. To start, a SWOT analysis must be done in order to identify the internal and external strengths in the industry and within the company. Zhao (2008) conducted a study on the affect that wine characteristics and classifications have on their market price. He finds that there were differences in the affect that wine attributes have on their market price within the industry. Testing different categories of wines he was able to find, "…that under distinct classification systems, similar categories and wine attributes have different significances and affect wine price differently." This study emphasizes the importance of running a SWOT analysis and the benefits of knowing your market both to manage prices and also what the consumer wants and purchases according to. By running a SWOT analysis the benefits of the tasting room can be found and help in the decision of whether or not this is the best business venture to invest in.

The wine industry is based on consumer preference. Knowing what the consumer is looking for can bring much success to a company. In an article written by Wolff, Carpenter and

Quenani-Petrela (2005), the three found that the X, Y and boomer generations are very different in their taste for wine marketing. Their article “A comparison of X, Y, Boomer Generation Wine Consumers in California” shows that Generation X was found to have the tendency to look for quality over quantity and is more willing to pay for higher priced wines. Unlike generation X, generation Y is looking for more wines from the New World, mainly Australia and New Zealand and is looking for a much lower price point. This study is important in determining market entrance along with strategizing where a tasting room will be more successful based on the type of wines they are producing. With a focus on more traditional wines such as Syrah and Sangiovese, San Vicente should target more towards Generation X consumers and focus strategies towards the ages of fifty and above. Another study done determining the preferences of different age groups was done by Hastings (2005) he explained that younger age groups were more susceptible to the marketing strategies that the study focused on like the look of the label and others over the other factors such as price and varietals. With this knowledge it also helps in finding a location for a new tasting room and how the marketing of it should appear to consumers.

Just as Hastings (2005) researched consumer preference, so did Neeley (2010) in his article, “Contingent consumer decision making in the wine industry: The role of hedonic orientation.” He found that consumers, very similar to Wolff, Carpenter and Qenani-Petrela (2005) article, prefer new world wines when the consumer is younger in age and Old world wines entice older consumers. Consumer preference is the main topic in Kaltcheva and Weitz (2006) article as well. They found that consumers are more likely to purchase products when in a recreational mood rather than that of a task oriented mood. The authors continue their article by displaying ways to go about creating an environment that will entice customers to increase their spending. The choice of environment is important when choosing the location of the tasting room. Something to consider while executing the SWOT analysis is to include the desirability of a low stress environment where customers can get away from their busy lives. Consumer preference is vital when evaluating the market.

When creating a SWOT analysis it’s vital to determine any competitive advantages and know how to maintain them. Barney (1995) stated that creating a product that is valuable and not easily replaced will gain a company a competitive advantage. Hussain (2008) also captured this topic emphasizing running a SWOT analyses in order to find a competitive advantage that may not be in the product but rather in location or financial strategies.

Zhao (2011) recently found that consumers in the wine market look for appellation affiliation and where the grapes are grown significantly more than any other part of a wine label which results in higher priced wines for certain appellations. This can easily be taken advantage of since there are few growing regions in Ventura County and most of San Vicente’s grapes are sourced from the well known Paso Robles region. This study relates closely to the new tasting room in that it was proven that consumers are looking for more than just the environment in the tasting room and that the region from where the grapes are sourced can be used to a greater advantage in the tasting room.

Although there are various studies supporting the opening of a tasting room based on consumer preferences there is also the threatening downside to the idea. First Research (2012) addresses the competition of tasting room as it states, “Superstores can offer tens of thousands of products, while warehouse clubs (like Costco) may offer less than a hundred. Liquor superstores can provide a superior variety of products for customers looking for a wide selection.” With a superstore located very closely to the existing wineries in Thousand Oaks this can very well have an effect on the wine sales at the tasting room.

When it comes to conducting a budget forecast, Colander (2004) pinpointed the issue of liabilities in focusing on fixed costs being looked upon as sunk cost as one in the same. When planning for the future it’s important to view the sunk costs as the liability that must be paid off before profit can be made. Mitchell (1969) also touches on the importance of knowing the financial standings of the company. She emphasized that knowing the breakeven point is important for managers to know in determining how much leeway those have when making decisions that are based on the company’s financials.

Narayanan (1995) addresses that, although many companies use the payback method to determine affordability of future projects, the method is not looked well upon by many others. This article addresses a model that incorporates economic stability with other information that will determine the payback period. The model is based on ceteris paribus, all else remaining the same. Narayanan’s method could be more beneficial in the study however with little support to this method, there is little reason to continue with his method as well as the controversial usage of the payback method.

Another method that relates more closely to San Vicente Cellar’s project is using the net present value as a way to determine the feasibility of the project. Sun (2002) stated that the use of net present value is the most common formulation for companies to use in their financial decisions. He also includes in his article that since the net present value accounts for the time value of money it is more valuable in decision making than other methods that do not account for the change in the dollar’s value from today to the future.

Chapter 3

METHODOLGY

Procedures for Data Collection

The project will begin with a SWOT analysis in order to determine the location of the new tasting room. After researching and gathering the opportunities and threats of the desired location, as well as analyzing the current strengths and weaknesses of San Vicente Cellars the factors will be combined into a SWOT matrix. A better understanding can then be derived of the effectiveness of each factor on the tasting room. By dividing the internal and external factors affecting the tasting room, this will give a better image of what to base the decision of choosing the location on. At this point, if the weaknesses outweigh the strengths or the threats outweigh the opportunities then it would be safe to say that the location would not be ideal and research for a new location should be considered.

Following the SWOT analysis, assuming the location is desirable; the project can proceed to determine the projected costs of opening the tasting room, including all fixed and variable costs. In order to differentiate the costs of the project one must know that variable costs are those that are changing from year to year, such as cost of goods sold (COGS). Fixed costs are those that are "fixed" from year to year such as rent and licensing. The cost of the project, in general, is one of the larger variables that must be figured and can later be adjusted. For this project, the fixed costs come in the form of property taxes and rent which will be consistent throughout the time that the tasting room is open. In order to find the cost of rent without an exact location, the average of the available commercial buildings with a desired square footage will be used to estimate the cost of rent. Another fixed variable is the liquor licensing to serve wine at the location.

Some variable costs that will be necessary to track when budgeting the project is the cost of labor and utilities for the five years that the cellar plans to be paying off the new space. The utilities will include everything from electricity to gas bills. Similar to the rental cost some of the information that is needed for the variable costs will be determined by which items the owner chooses. A major variable cost for the tasting room will be the loan and interest rate needed to start the new site. This variable cost can be found based on the combination of the fixed and variable costs for the initial start of the tasting room. Separate from the fixed and variable costs are the sunk costs which must be incorporated as the start up costs. These will consist of the wine bar, refrigerator and other necessities to jump start the new location.

In order to determine the break-even, the fixed and variable costs will create the debt and expenses for the tasting room but the equity is also a major factor that must be calculated. The current tasting room sales, the current assets and equity and the perceived increase in revenue will create the overall equity of the tasting room. These factors will then be charted to show at what time the equity will overcome the debt and begin turning a profit.

Procedures for Data Analysis

After collecting all the data stated above, the data analysis will begin with evaluating the SWOT matrix with the owner of the company. Based on his desires and outlook on the situation a location can then be determined and the pending costs can then be accounted for.

Following the SWOT analysis the development of a cash flow forecast will include yearly revenue and costs and be the start of the data analysis. A calculation of the monthly loan payments will be needed, which will then be factored into the costs of the cash flow budget forecast. In order to balance the costs with the revenue for each year the profit from sales of the bottles will be calculated after the production costs are factored in by each case. For the most part, the fixed costs will remain the same for the five years. As for the variable costs, these will change each year. Basic supplies may vary and larger purchases of the barrels and production costs will slowly reduce over time along with the inclusion of the loan payments which will alter the variable costs drastically once they are paid off.

Total costs of opening and operating the new tasting room will then be compared to the desired profit from sales of wine bottles. Evaluating the total cost of the lease and tasting room expenses will give the amount needed from the loan. After determining the amount needed for the loan, the interest rate on the loan will then need to be factored into variable costs from year to year.

After the budgeted cash flows in a comparable state with the projected revenues, the project can then be determined as feasible or not as it will show in which year the new location will turn a profit.

Assumptions

Throughout this project there are variables that must be assumed in order to create the closest hypothetical project to the real world. To begin with, this project does not take into account any extreme changes in the market. Assuming all growing sales in the industry will remain consistent to the most recent years, the location and financials can remain as projected. Similar to the market assumptions the loan amount and interest rates will be based on 2013 data. Also the projected revenue will be a large assumption for the project since the desired revenue is double the current revenue. This project will assume that the maximum amount of production will be available eliminating returns and corked bottles. Along with all these assumptions there is a large assumption that trends in the new location will continue as they have based on research data.

Limitations

The limitations in the methodology section are the inability to calculate precise projected revenue. The revenue will vary from year to year and even with a welcoming target market, there is no certainty that the project will continue to grow each year. One other limitation to this project is the inability to keep all things consistent with the research that has been done prior to this project, of which most everything is based upon.

CHAPTER 4

DEVELOPMENT OF THE STUDY

SWOT Analysis

After background research was done on the new location of the tasting room, a SWOT analysis could be arranged based on the comparison of the original site with the new site. The importance of running an analysis based on the internal and external factors affecting the tasting room is that it will give the basic idea of whether or not the location is the idea of a welcoming market. Looking at internal strengths and weaknesses is a simple way of looking at the foundation of the business and how to exemplify and improve on what the company has already built. Comparing the external factors in the forms of opportunities and threats is vital in weighing the benefit of moving the tasting room to what is believed to be a promising location.

The evaluation of San Vicente Cellars starts with its strengths. The cellar is focused on red varietals and old world wines such as syrah and sangiovese. This focus on old world wines is the ideal variety for Generation X which consists of the age group of fifty and above which is more than 40% of the population in the area. (Census, 2012) Also the small production that the winery produces allows for a more intimate, exclusive product that gives wine consumers the limited and rare experience that they thrive on. A huge feat for San Vicente is their two year anniversary which is February 2013. The majority of small businesses fail within the first year of operation and San Vicente is therefore above average and has a decent following.

For as much as San Vicente has going for them, there are a few setbacks that may hinder the new plan. There is a lack of experience in a more competitive environment. Currently being in a very small market with little competition it’s easy to blame the lack of traffic on the lack of tasting rooms. However the more tasting rooms that Thousand Oaks brings with it could have a negative effect on the cellar and draw the consumers away from a smaller cellar. Another weakness lies in the production. While only producing 500 cases annually may seem fitting for a tasting room that has very limited buyers, by moving locations and increasing sales, the limited production may cause an issue of running out of the product. With sales the way they are currently the cellar is barely breaking even. This has the potential to turn against the cellar as a weakness in that the new location may require a loan and interest payments that may take the financial feasibility to a different level which may or may not be obtainable.

The opportunities in the analysis lie in the new location. Thousand Oaks, Ca has a larger general population than Camarillo, along with higher household income and more tasting rooms. The idea of having more tasting rooms may appear as more competition however in this case the more the merrier. The more tasting rooms in a given space simply increase tourism and the activity of wine tasting. For instance, places like Temecula, Paso Robles or Napa Valley all in California are the most successful “wine countries” due to their overabundance of tasting rooms.

The threats to opening the tasting room in Thousand Oaks are that the city has more wine superstores than Camarillo. Wine superstores allow consumers a greater variety of wine options than a simple tasting room can offer. It also serves wine coolers, beer and other alcoholic beverages which can overall negatively affect the wine industry in general.

Overall the SWOT analysis does portray a location that has the opportunity to develop and create a successful addition to San Vicente Cellars and is laid out in Table 1.1.

Table 1.1

Strengths	Opportunities
• Focus on red varietals, appeals to Gen X • San Vicente Cellars has reached their two year anniversary	• Larger Population in Thousand Oaks • Higher Household income in Thousand Oaks • Growing industry • More tasting rooms in Thousand Oaks than in Camarillo • Generation X looks for Old World Wines (San Vicente's focus)
Weaknesses	**Threats**
• Lack of experience in more competitive environment • Limited production • Barely breaking even, potential loan	• More wine superstores that offer wider variety • More tasting rooms in Thousand Oaks than in Camarillo

Following the SWOT analysis comes careful research based on the expenses of the new location. By distinguishing between the fixed costs and variable costs of the operation the budget forecast in Table 1.2 illustrates the net income from year to year for the new location.

Table 1.2

Budget Forecast for New Tasting Room Years One Through Five

Year	1	2	3	4	5
Total Revenue	$144,000	$144,000	$144,000	$144,000	$144,000
Sunk Costs	(24,500)	---	---	---	---
Fixed Costs	(36,500)	(36,500)	(36,500)	(36,500)	(36,500)
Variable Costs	(59,700)	(59,700)	(94,200)	(94,200)	(94,200)
Net Income	(106,200)	(58,400)	(45,100)	(31,800)	(18,500)

Year 1

The first year of the budget forecast differs quite severely from the following years in that it includes a lot of the sunk costs that are going into the project. By breaking up the analysis year by year it is simpler to see what money is going where. Assuming the first year will generate the, hopeful, double revenue from the Camarillo location; it is assumed the total revenue is $144,000. This total revenue will stay constant throughout the five year plan although this number will most likely alter from year to year greatly. This factor is one to take into consideration since the revenue will most likely increase every year that the operation is running.

Following total revenue are the sunk costs. These sunk costs, as stated before are only vital to the first year. These costs include the original licensing of the venue as well as creating the new location from a custom bar, refrigerator costs, and signs/promotions. The original licensing of the venue will be in sunk costs, but there will be another form of licensing renewal which will occur in fixed costs as well at a later time. The sunk costs for the first year will total an estimated $24,500.

Preceding the sunk costs will be the fixed costs for the first year. The fixed costs will include monthly rent, estimated utilities and as well as renewing the liquor license for each year. The fixed costs for this project will amount to roughly $36,500. The variable costs for this endeavor will include the costs of goods sold, which in the first year will remain the same to the current amount of $45,200. This cost covers the purchase of grapes, chemicals, and barrels for the standard production that exists. One major expense for variable costs that must be factored in as well would be the wine pours at the tasting room. The current tasting room pours roughly, 60 cases a year just for tastings. This is a rather large expense for the project and is vital to be factored into the variable costs. This expected cost will be $14,500, bringing the total variable costs to $59,700. After adding up the sunk, fixed and variable costs for the project and removing the total revenue, projected for the project, the total cost for year one will equate to -$106,200.

Year 2

Year two for the new location will be similar to that of year one with slight changes. The sunk costs formulated in year one will be removed. Aside from the sunk costs, the fixed and variable costs will be the same. The variable costs are not changing yet since the increase in production has yet to take place. Currently the tasting room has enough left over production to double sales and have enough products to sell. The total cost for year two is still negative however since the total cost from year one carries over and increases debt for year two.

Year 3

The major difference for year three from all the other years in the budget forecast us that this is the year San Vicente plans on tripling production. By tripling production, there will be a large influx of variable costs for the project. The total revenue will remain the same and the fixed costs will be roughly the same as well. The variable costs will increase with tripling grapes, chemicals as well as increasing barrel count both neutral and new oak. Since the new oak barrels are not purchased every year, their overall costs were divided and only 3-4 barrels were added into the new variable cost for each year. The current tanks for the facility are larger than the current production can fill; therefore larger tanks are not needed to triple production. The new triple production variable cost will be $94,200.

Year 4

Year four of the project will be similar to year three. With the same total revenue, fixed and variable costs, the only changing variable is the total cost which will factor in the debt from the previous year to the equity of the current year. The total cost at the end of year four will be roughly negative $31,800.

Year 5

Again, very similar to year three and four, the only changing variable will be the total cost which will amount to negative $18,500. This negative amount shows that the tasting room will not breakeven within five years time assuming the expected revenues and other assumptions will be accurate.

Below in the Profit Loss Statement the fixed and variable costs from Table 1.2 are separated to give a better understanding of where these financials are coming from.

Profit Loss Statement of New Tasting Room for Year Three

Income	
Total Revenue	$144,000
Cost of Goods Sold	
Grapes	$73,000
Barrels, chemicals, etc	$7,200
Total COGS	$80,200
Gross Profit	$63,800
Expenses	
Operating Expenses	
Rent, labor, utilities	$36,000
Licensing	$13,000
Tasting room wine pours	$14,500
Custom Bar	$10,000
Refrigerator	$500
Marketing (signs/promotions)	$1,000
Total Expenses	$75,000
Net Loss	$11,200

CHAPTER 5

SUMMARY, CONCLUSIONS, AND RECCOMENDATIONS

Summary

The current state of San Vicente Cellars is barely breaking even with the revenue that is coming in. It was previously believed that by opening a new tasting room, in addition to the current tasting room, it would create a profit for the company. This new location would be in addition to the existing room and would be built in a location with higher foot traffic to draw more consumers. The current location is struggling with bringing wine consumers through the doors due to what is believed to be its poor location. With the hope of doubling revenue with the new location it is believed that this will payoff the start up costs of the new location and begin to turn a profit within the first five years of operations.

Before the feasibility and budget forecast for the addition of the new location began the project started with the SWOT analysis. This part of the project oversaw the factors that had direct affect on the project, both internally and externally. The SWOT analysis compared everything from the internal strengths of the company such as their initial success in entering the Camarillo wine market to the external threats of the amount of tasting rooms that exist in Thousand Oaks. The analysis was helpful in determining the possibility of entering the existing market of the new location. It is vital to see both the pros and cons when entering a new endeavor and the SWOT is a basic way of comparing the internal and external factors without creating so much “what if” situations. This does tend to exclude assumptions and limitations; however in a hypothetical situation it is the best simulation of the market for the given information.

The second part of the project is the budget analysis. This budget analysis forecasted the different costs of the project both variable and fixed costs. The budget forecast showed the first five years of operation for the new location and incorporated the financials from the existing tasting room and altered the varying factors that change with location. The startup costs for the new location were incorporated into the first year of operations and were calculated as sunk costs which would not cross over to the other years as a debt or equity. Year one was significantly different from the other years due to the inclusion of the sunk costs of starting up the new location.

The only other year that was significantly different from the other years in the forecast was the third year. Since San Vicente has left over production from previous years, increasing production would not be a problem for the first two years of operation. At the third year the winery would need to factor in financials of tripling production in order to meet the goals of increasing the total revenue. The third year variable costs would then include adding more barrels, increasing grape purchases as well as the chemicals and yeast needed to create the wines.

After creating the budget forecast the total costs were then compared to the total revenue and the final profit/debt was calculated after five years. After five years San Vicente would not turn a profit on the new location and would still be in debt from startup costs and tripling production.

Conclusion

After conducting the final analysis of the financial standing of San Vicente in relation to the affordability of opening the new location for the tasting room, the calculations prove that the new location will not breakeven within the first five years as hoped for. After further calculations were conducted it was proven that the new location would breakeven after seven years time. This is not too far off from the five year expectation; however this still in fact proves the feasibility of the project as unlikely and not financially reasonable to invest in based on the original proposed question.

Recommendation

Since the cost of the project did not breakeven within the desired years it is important to evaluate the alternatives that may be more feasible for the winery. There are a few recommendations that come to mind as to how San Vicente could more efficiently spend their revenue and still take on an additional project. There is the possibility that the lack of revenue may not be due to just location of the winery but possibly the lack of getting the name out to the public. The money that would initially start up the new location could be used for marketing for the Camarillo location and build revenue by building the brand and marketing of San Vicente. By spending such a large sum of money on marketing, this can eliminate the major weakness of the winery which is public awareness. The new project may consist of expanding distribution to local stores and restaurants which will in turn bring in additional revenue and expand the brand of San Vicente. Another addition to the marketing of the brand would be to increase signage and promotions. For a poorly located facility it is vital that the consumers know where the location is to increase the awareness of the product. This would come in the form of sandwich boards and other advertisements within local magazines and newspapers. By spending a small sum on advertisements this may bring in consumers in larger quantities.

Another alternative to the original project would be to close the Camarillo location all together and start production as well as a tasting room in Thousand Oaks. This would be a much larger project and would create a significant amount of debt in the beginning but if the change in location is truly what the winery needs then this may be the only alternative that can move San Vicente into a busier location. This alternative is much more unlikely and should only follow if the marketing recommendation does not affect business.

These recommendations assume there is a market for the wines and does not limit the project to a select budget.

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