



Grape Growers Who Live Poor, Die Rich

Deborah Steinthal

Founding Partner, Scion Advisors

“Building stronger businesses for future generations”

Scion’s team of **trusted advisors works alongside** winery owners to **navigate critical transitions.**

Our approach produces:

- More professional leadership
- Disciplined business & financial practices
- Innovative go-to-market strategies

- The Odds
- How to build a family business that beats the odds?
- What does success look like?

- 90% of US businesses are family owned or controlled.
 - Generate half of Gross National Product and half of total wages.
- Only 5% survive (after 12 years)
- 75% do not transition to the 2nd generation
 - Less than 10% make it to 3rd generation
 - Thereafter, there is a 1% survival rate

California Wine Industry

- Translating national statistics
 - 125 out of 500 1st generation wineries *may* make it **to the 2nd generation**
 - 12.5 out of 500 wineries *may* make it to the 3rd generation
- Scion research
 - 335 out of 500 1st generation *may* make it
 - 33% are at risk of failure or sale
 - 31% have not actually started planning

Factors contributing to demise

- The business simply is not viable
- A lack of planning or adherence to a plan
- The owner lacks desire or commitment to transfer the firm
- The offspring are reluctant to join the firm

Practices contributing to success

Exit strategy	Business performance	Professional Advisors	Outside Boards	Written plans
<ul style="list-style-type: none"> • Estate plan • Tax plan • Clear family roles 	<ul style="list-style-type: none"> • Very satisfied • Business results aligned with family goals 	<ul style="list-style-type: none"> • Reach out to a variety of advisors • G2s have a higher degree of satisfaction with these advisors <i>typically</i> than G1s 	<ul style="list-style-type: none"> • 90% have outside board members • Happy with board impact 	<ul style="list-style-type: none"> • Strategic • Financial • Family Continuity



How to build a family business that beats the odds?

BE PREPARED



Sustainable Framework

4 major initiatives

1. Estate Planning
2. Family Continuity Plan
3. ***Strategic*** Business Plan
4. Roadmap for ***Succession***

Strategic Business Plan

- The Next 10 years
- Owners' philosophy
- Components:
 - Executive Summary
 - Company Overview
 - Risks
 - Market Strategy (*Wholesale, retail*)
 - Product Strategy (*Wholesale, retail*)
 - Marketing Plan (*Wholesale, retail*)
 - Sales Plan (*Wholesale, retail*)
 - Production Plan (*Wholesale, retail*)
 - Organizational Plan
 - Financial Plan
 - Appendix

Why do farmers need to think strategically?

- Strategy is about making choices
- Huge asset base; lots of \$\$ tied up
- Returns
- Long term

Polarized industry landscape

- Large wine companies (> \$500 million)
 - Economic profit driven by more efficiencies in supply chain management
 - Global brands independent of regional source
- Small wine companies (< \$60 million)
 - Economic profit driven by higher prices; more profitable channels
 - Brands dependent on regional source

Win at the margins





What does success look like?

More than ever before ... choices are important

- Choose to play where it makes sense for your family and its business
- Consider your options

Roadmap for *succession*

- Agree on family business objectives & vision of the future
- **Establish** clear roles
 - G1s: Designing an exit from the business
 - G2s: Building management readiness
- **Create** a timeline



It all comes down to execution

- Manage change
 - People practices
 - Business & financial practices
 - Market practices
- Manage emotions

Beat the odds thru preparedness

Visit **Scion Reports** at ScionAdvisors.com:

- “Best Practices: California wine businesses and succession”
- Scion’s *Wine Business Monthly* article: “Transitioning Your Wine Business to the Next Generation”
- Whitepaper: “Setting up a Board of Directors”



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Ensuring Family Wine Businesses Beat the Odds

**For family-owned businesses, survival rates are low.
The key to creating a family legacy: *preparation.***

Our team of advisors works alongside winery leaders, sharing our extensive management experience to navigate critical transitions in your business.

We are passionate about finding creative solutions to your toughest problems and implementing **solid** practices supporting family goals, values and vision.

Our integrated team addresses all areas of your business to develop:

- Disciplined financial and business infrastructure producing stronger revenues, cost management and asset utilization
- Professional management teams sustained by the right people and operating principles
- Innovative go-to market strategies driving focused portfolio, brand and channel positioning

Building stronger wine businesses for future generations



Scion Advisors' Circle

Deborah Steintal (*repositioning businesses & brands*) has worked as an executive across a variety of industries globally and helped companies transition from startup through high growth; restructure due to poor performance; and integrate new acquisitions. She helps wine business leaders navigate important transitions in their businesses and families by working with them on reality-based strategic planning and execution practices.

Vicky Farrow (*leadership development*) has explored the field of leadership for over 20 years and is dedicated to helping CEOs and their executive teams build the skills necessary to advance business performance. As a senior executive she has worked across a variety of industries and helped companies achieve monumental change: from startups, to spin offs and even through Chapter 11.

Hank Salvo's (*CFO*) skills and expertise in finance, accounting, planning and business development supported his rise to senior financial management as vice president finance and vice president controller at the consumer goods giant Clorox Company. Salvo transferred these skills to the wine industry joining Robert Mondavi Corporation as its CFO in 2000.

Dave Trebilcock (*Go-to-Market*) has been a wine industry sales & marketing executive for 17 years across a variety of companies. He has sold wine regionally; developed national distribution and sales practices; built new brands, repositioned old brands; developed direct channels & sales strategies; and led brand marketing. Trebilcock works alongside business leaders to improve market performance and build brand equity.



Client quotes and references

“**The Scion team** has helped us refine a long term family business strategy. With their ongoing professional support, we have been able to tie decision making and a substantive planning process back to our founding values. Together, we have developed an effective approach for aligning family and business goals, and communicating these to our stakeholders.”

Jeff Bundschu, *Sixth generation Family Business Leader*
Gundlach Bundschu Winery

Napa, CA (July 15, 2005) — “The founders of Patz & Hall Wine Company today announced the appointment of Russell Joy as the first General Manager for the 17-year-old producer of luxury Chardonnay and Pinot Noir. The appointment is the first step of many that are part of a sustainable business model developed over the past year by **Patz & Hall** founders in collaboration with **Scion Advisors**.”