

## <sup>1</sup> Avondale Sky Winery – Teaching Note

Conor Vibert developed this teaching note to guide the use of the multimedia case entitled Avondale Sky Winery for instructional purposes. It is not the purpose of this material to serve as an illustration of how to effectively or ineffectively address a managerial situation.

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### SUMMARY

In this case, Ben Swetnam, winemaker at Avondale Sky Winery needs to figure out what to do with a batch of wine that has not turned out as planned. Advice is being sought as to how to proceed in resolving this real life issue. Students are offered access to a set of transcribed video clips that outline the issue and its cause along with providing context for the issue. In order to arrive at alternative solutions and justify their choice of a solution, students are expected to use sources of information not found in the case.

### KEYWORDS

- Product Defect
- Wine
- Financial Impact

### CASENET VIDEOS

Each video in this multimedia case features a segment of an interview with one of the organization's key decision makers. The videos describe:

1. the *Issue* facing the individual or organization
2. the *Cause* of the issue
3. *Background* information for the individual, organization and industry
4. *Alternatives* for addressing the issue
5. A suggested *Solution* and justification

Transcriptions for each video are also available. Students may not access the *Alternatives* and *Solution* videos or transcripts.

### OBJECTIVES FOR TEACHING

There are a number of instructional objectives for this case.

- To enhance the decision making skills of students by having them address a real life issue faced by managers of Canadian or international companies.
- To provide students with a brief introduction to the social entrepreneurship industry.
- To offer students an opportunity to analyze a situation using concepts that illustrate <THEORY>.

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<sup>1</sup> The Author wishes to thank XXX for his support of this project. At Acadia University, thanks are in order for Dave Sheehan.

## POSSIBLE TEACHING STRATEGY

This case is ideal for in-class case analysis or as an assignment. Assuming an 80 minute class, here is an approximate class schedule:

Time (minutes)	Task
5	Introduce case and divide students into groups.
15	Students view <i>Background</i> case videos and make notes.
5	Instructor plays the <i>Issue</i> and <i>Cause</i> clip(s).
25	Students identify alternatives, a solution and rationale.
20	Instructor guides a discussion around alternatives, solution and rationale.
10	Instructor plays the <i>Alternatives</i> and <i>Solution</i> clips.

If the case is used as an assignment, the instructor may want to focus assessment on:

- 1) **Decision-making process.** The instructor would evaluate writing style, appropriateness of information sources, alternatives, solution and rationale. This approach recognizes that the alternatives and solutions offered in the case are not necessarily optimal, and other choices may be equally effective. Students can be rewarded for their selection of decision making approaches, analytical frameworks and cited reference material.
- 2) **Outcomes.** The instructor would evaluate how closely student responses match those offered in the *Alternatives* and *Solution* video clips. Or, the instructor could use the insight of an existing research paper or analytical framework as the basis for judging outcomes.
- 3) **A combination of process and outcome.** The instructor may apportion the grade between process and outcomes.

## POSSIBLE QUESTIONS FOR ASSIGNMENTS

Students can be asked to identify a set of alternatives to address the issue outlined in the case, a solution and rationale. Other questions that will help students prepare for their case analysis include:

- Is it a normal occurrence for wineries to experience ‘bad batches’ of wine?
- Is it more difficult to make white wine or red wine?
- Are any specific grape varieties more difficult to work with when it comes to winemaking?

## CASE ANALYSIS

Issue: The *Issue* and *Cause* video clips outline the problem or challenge of the case.

- Hi my name is Ben Swetnam and I am the winemaker with Avondale Sky Winery. As wine is a living product in regards to production, things do not always turn out as planned. Things can go awry as one small batch did of the 2010 vintage. So we had to decide what to do with this portion of wine? It is important from a financial point of view. When you have a volume of wine, that translates into a certain amount of dollars or sales and for any business particularly a small start-up business, cash is king. If you have a business plan that is based on a certain volume that is going to sell for a certain amount and you

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suddenly lose some of that production or the value of that production goes down then it can have a very serious effect on the business.

Analysis:

To start their analysis of the case, students should view the *Background* video clips. These clips should help students grasp the following points or case facts.

- The winery grows primary Gisenheim grape on one of the older vineyards in the province
- The winery focuses on producing different varieties of small lots of wine
- The winery's sales goal is 5000 cases per year with a break-even point of 3000 cases
- Their intended primary point of sale for their wine is their on-site winery retail store.
- A claim to fame of winery is having moved a former church to serve as its retail store

Researching information sources other than the content of the cases should enable students to garner the following insights:

- Aside from other environmental and economic factors (such as drought, marketing, demand, etc.) other important factors also determine the value and quality of wine: oak, time, and terroir (Madeline Puckette, 2014).
- Nova Scotia is the "climatic limit for grape production" for wineries (John Lewis, n.d.)
- The Federal Government is supporting Canadian wine production by setting a 2% tax rate reduction for small business, and a 10 year ACCA rate of 50% (Canadian Vintners Association, 2015).
- Nova Scotia houses over 70 grape growers across the Province, utilizing over 720 acres of land for vine growth (Wines of Nova Scotia, 2015).
- "Cooler climates like Nova Scotia... naturally produce grapes with lower sugar content when completely ripe," and climates like that of Nova Scotia, produce some of the best wines (Steve Delaney, 2015).

With this information in hand students can be challenged to identify an analytic framework that will help them organize their thoughts.

- <FRAMEWORK>

Effort focused on research coupled with analysis should enable students to present a series of options. These can be compared to the options offered by the interviewee which are also summarized below and found in the *Alternatives* video clip.

- The options available are one, discard the product entirely. Two, do whatever is possible to ameliorate that wine and fix it as best you can and add a bunch of sugar to cover up the faults that are left and market that wine as is. The third option would be to blend in that portion of off wine with a larger portion of wine that is good and sell that. Another option would be to have that wine sent away to be made into another product, a distillate, vinegar or marketed as a cooking wine.

The *Solutions* video clip offers the interviewees' solution to the issue along with a rationale. Highlighted below, this can be compared to the student response and explanation.

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- In this particular case what we ultimately chose to do was to have this wine sent away to a distillery and distilled into a very strong 87% alcohol brandy which can then be used in the future to create a product very similar to port. This was the chosen route because it takes something that was essentially an inferior product and it makes something that can be superior with it. When you distill a wine, if there are some issues with it then those issues do not translate in to the distilled products, you end up making something good out of something that was not so much. It is a much better option in my opinion than just trying to cover up the faults by dumping a bunch of sugar in and selling it as is, or blending a faulted wine with good wine is just going to make the wine that is good a bit less good. The main thing that sort of clinched the decision for us was that your reputation is only as good as the last wine you made and if we were to release a product that we were not happy with, ultimately the customer would not be happy with. It affects your reputation and once you lost a customer it is practically impossible to gain them back. So it is more important to, even if it ends up costing a little bit more in the short term to make sure you are only producing the products that you are proud of and maintain a high standard.

### • SUGGESTED COURSES

We suggest that this case would be suitable for a number of courses. These courses include:

- Entrepreneurship
- Management

### ADDITIONAL RESEARCH

The case offers students opportunities to undertake interesting additional research.

Students may want to delve deeper into how managers make decisions. Classic approaches to decision making include works by Cyert and March (1963) and Tversky and Kahnemann (1974).

Students interested in learning more about the industry in general might make use of numerous online information sources some of which are noted below.

- Wines of Nova Scotia, <http://www.winesofnovascotia.ca> represents the interests of wine producers in the Province.
- Wine Folly, <http://www.winefolly.com> learn to easily navigate the wine world through unique articles, infographics, videos, and antics.
- Canadian Vintners Association, <http://www.canadianvintners.com> – The Canadian wine industry association with statistics about the industry
- Nova Scotia.com <http://www.novascotia.com/explore/top-25/nova-scotia-wine-tours> A visual portrait of Nova Scotia's wineries

### REFERENCES

A number of articles, referenced below, offer insight that might help instructors effectively explore this case with students.

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