



Kingston Family Vineyards: Stanford Graduate School of Business Case Study SM266-A

Nearly 20 years ago our family planted grapevines in the far hills of Chile's Casablanca Valley. Our goal was to try to ensure that "the farm" remains a valuable agricultural asset for generations to come. Today Kingston Family Vineyards is a successful international operation that produces and markets high-quality wines and grapes. We consider our Chilean-American family and our land to be our biggest assets. Today we find ourselves at a crossroads, one that feels as significant as that of my great-grandparents when they arrived in Chile a century ago.

— Courtney Kingston (MBA '97), Founder & CEO, Kingston Family Vineyards

It was early 2016, and Courtney Kingston of Kingston Family Vineyards ("Kingston"), was faced with critical strategic decisions for long term growth in her family business. As a premium grape grower, wine producer, and a 4th generation family business, Kingston remains committed to a purpose-driven, long term plan that promotes education, sustainability, and staying in touch with their roots. Their business is at a point where they must evaluate the optimal profit maximization strategy, while achieving their purpose. The case allows for the examination of financial as well as non market factors to inform the decision. The main goal of the case is to offer recommendations regarding whether Kingston Family should invest in expanding their vineyards, increasing the capacity of the winery or constructing a tasting room. The case also includes many nuances such as being a multigenerational family business, operating in the Chilean Wine Industry and in the global market, and a major focus on the mission and values of the company.

Key strategic questions considered are:

- Should the Kingston Family invest in their vineyards, winery or building out their wine tourism capabilities as a long-term strategy to maximize profitability and sustainability? Where should they concentrate their efforts to grow their purpose-driven business in the long term?
- What are the risks and advantages of maintaining a foothold in several parts of the value and supply chain?
- Should Kingston Family Vineyards keep the winery as is, increase production, or close once they have proven their reputation for high-quality grapes?



Kingston Family Vineyards: Stanford Graduate School of Business Case Study SM266-B

When you're in a multi-generational family business, there's a huge responsibility that I think often gets overlooked, and maybe you don't really feel it unless you're in it. Things are changing in Chile and in the Casablanca Valley, and we all feel a responsibility to be guiding and thoughtful in that change.

—Courtney Kingston (MBA '97), Founder, Kingston Family Vineyards

The (B) case, written two years after the original (A) case, focuses on Kingston Family's extension into the food & wine hospitality business as a source of growth and profitability. Instead of developing a boutique hotel, the family invested in a new tasting room with a fully equipped professional kitchen, private event center, and guest house to grow hospitality, the leading source of direct wine sales. They also made a significant investment in organic farming. Meanwhile the Chilean wine industry had made headway in its reputation as a premium New World wine country, and Chinese demand was set to outstrip the USA market. With completion of facilities slated for late 2018, the Kingstons faced a new challenge: how to continue to grow sales in the highest-margin direct-to-consumer business to profitably leverage their new investments.

Key strategic questions considered are:

- Should Kingston Family partner with a larger, multi-brand wine business to expand the brand in the U.S., or independently double down more heavily in food, wine + ecotourism?
- What would be the right balancing act of attracting, converting and retaining the right customers as direct-to-consumer buyers and ideally, wine club members ("subscribers") to generate the most profitable and sustainable business?
- Overarching any goals and objectives for its business, the Kingston family remained committed to their long term stewardship of the farm for the next 100 years. How would this purpose-driven orientation impact their decision making?



DRAFT

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Kingston Family's business model summarized in the (A) case has evolved in 2020 to a world-class, organically farmed vineyard selling and shipping wine to international guests visiting Chile's Casablanca Valley. As updated in the (B) case, Kingston Family completed and began welcoming visitors to their new tasting room, private event center and professional kitchen in early 2019. Their investment in hospitality allowed the Kingstons to offer their guests unique, personalized wine & culinary experiences (See Exhibit 1.) From private wine tastings overlooking the Andes to Chilean cooking classes and unique corporate team building events, the Kingston's ability to convert visits to repeat sales grew significantly. The new facilities also allowed Kingston Family to host larger groups and expand their education program.

The extension into hospitality was not without risks, however, and the family realized the relatively significant investment was made for the long term. No longer facing capacity constraints, Kingston Family Vineyards increased their Chilean-American staff for the 2019-2020 peak season. (Chile's tourism season in the southern hemisphere typically runs September thru April).

Meanwhile, the market for organic grapes was remarkably weak domestically, impacting the historical cross subsidization between the grape and wine businesses.

In October 2019, Chile erupted in widespread social protests over income inequality and demands to redraft the country's Constitution enacted during the Pinochet dictatorship. The turmoil flared just as the 2019/2020 tourism season began and heavily impacted international visits/guests during the peak December through March period. See Exhibit 2.


In March 2020, the arrival of COVID-19 to South America closed Kingston Family Vineyards' hospitality business for the foreseeable future with Chile's declaration of a "State of Catastrophe." International travel across the globe shut down. While many debated when leisure travel might resume, long-haul flights to far away destinations were a long way off.

Like many small businesses globally, Courtney Kingston and her family confronted multiple challenges as the tragedy of the pandemic ravaged the world. As the family gathered virtually to 1) ensure the safety of their team and 2) plot a strategy for survival: Courtney asked her team a question: what if we made a virtual pivot ourselves?



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CASABLANCA CHILE


(C) Case DRAFT: Exhibit 1



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Exclusive Experiences

Join us at our winery and tasting room located in Casablanca, Chile, on the farm that has been in our family for nearly a century. You'll experience and learn about our handmade, artisan wines through intimate wine and food tastings as well as tours.

EXPLORE OUR TOP RATED EXPERIENCES



Advance reservations are highly recommended due to the private nature of our tours, which have earned us the TripAdvisor Certificate of Excellence six years in a row.



WINE TASTING

Taste a selection of five of our wines each perfectly paired with handmade cheeses and artisan chocolates on our terraza overlooking the Casablanca Valley


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WINE PAIRING LUNCH

Experience our chef's locally-inspired four-course lunch, featuring a wine pairing specially designed with what's in season.

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PICNIC IN THE VINES

Enjoy a gourmet picnic lunch as you sip a bottle of Kingston Family wine at our family Quincho.

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COOKING CLASS

Learn how to make Chilean classics with our chef inside our new tasting room's professional kitchen, then sit down on the terraza to enjoy the products of your work paired with our wine.

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PRIVATE EVENTS

Book your next private event with Kingston Family Vineyards. From company offsites, group lunches and dinners to a spa day enjoying our guest house, let us provide the backdrop for your next event.

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(C) Case DRAFT: Exhibit 2

Chilean riots in October 2019 widely covered by international press

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Chile

Chile's Riots: Frustration at the Gate of the Promised Land

BY PATRICIO NAVIA | OCTOBER 21, 2019

It's about more than the economy.

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Chile Is About to Make a Huge Mistake



(C) Case DRAFT: Exhibit 2 (continued)

October 2020 plebiscite to draft new Chilean Constitution

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SITUATION REPORT

Chile: Opinion Poll Shows Referendum to Draft New Constitution Likely to Be Approved

1 MIN READ | Sep 30, 2020 | 21:13 GMT

83 percent of respondents in a new public opinion poll conducted in Chile said they would vote in favor of a motion to draft a new constitution in a referendum scheduled for Oct. 25, La Nacion reported Sept. 30. ...

What Happened: 83 percent of respondents in a new public opinion poll conducted in Chile said they would vote in favor of a motion to draft a new constitution in a referendum scheduled for Oct. 25, La Nacion reported Sept. 30.

Why It Matters: The motion to draft a new Chilean constitution is widely expected to pass. If the motion is approved, there will be a campaign to elect a Constitutional Convention in 2021. The referendum was originally scheduled for April, but was postponed due to COVID-19.

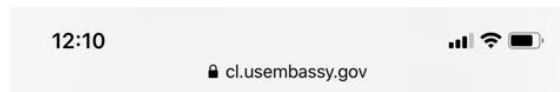
Background: The upcoming referendum is the result of a compromise reached following widespread protests in Chile in 2019. Revising or replacing the constitution has been a longstanding demand for members of the left in Chile.



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(C) Case DRAFT: Exhibit 3

March 17, 2020-present Chilean government restricts travel under a “State of Catastrophe”



Centers for Disease Control and Prevention to
mitigate health risks.

Entry and Exit Requirements:

- Are U.S. citizens permitted to enter? No
- Only Chilean citizens and residents of Chile are allowed entry into the country. American citizen in the U.S. seeking to travel to Chile for emergency reasons should contact the Chilean Embassy or the nearest Chilean consulate in the U.S.
- Is a negative COVID-19 test (PCR and/or serology) required for entry? No
- Are health screening procedures in place at airports and other ports of entry? Yes
- U.S. citizens should contact the Policia de Investigaciones (PDI) for information regarding the extension of tourist or resident visas.
- All Chileans and foreigners are subject to a mandatory 14-day quarantine upon arrival in Chile. Passengers arriving by air in Santiago whose final destination is another city in Chile must complete quarantine in Santiago before continuing onward to their final destination. There are no exceptions to the quarantine requirement

Movement Restrictions:

- Is a curfew in place? Yes. There is a daily curfew from 11:00 pm to 5:00 am, nationwide