Final report

Consultancy support to establish a Business Support Service Facility for SME Wineries in Georgia

June/ 2022

Contact Information

The document describes the methodology and work plan applied for conducting ***Consultancy support to Establish a Business Support Service Facility for SME Wineries in Georgia*** commissioned by ***SWISSCONTACT***. Please, direct any questions to PMO.

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Executive Summary

Market Overview

Georgia is known for the unique technology of winemaking. Qvevri is a clay vessel, where the wine is fermented and sometimes aged. Moreover, in 2013 it was awarded the status of UNESCO Intangible Cultural Heritage Monument. In addition to the unique technology, due to the unique climate, there are about 520 grape varieties (75%-white and 25% red) cultivated in the country.

The wine and spirits sector in Georgia is one of the most profitable industries registering a record high gross profit and operating profit margins in 2020 with 30.2% and 20.8% respectively. According to the National Wine Agency, Georgia exported 107 million bottles of wine to 62 countries, in 2021 the historic maximum recorded.

SMEs hold the largest share in terms of revenue, generating up to 60% of the total income of the sector. According to recent statistics, there are 625 wine companies registered in Georgia, of which only up to 40 are large enterprises. SMEs focus on the domestic market particularly on wine market chains, while exporting is often seen as a challenge.

Government is working towards the increase of export potential of Georgian wine - the Government of Georgia approved the "State Program for the Promotion of Georgian Wine" in 2021. The goal of the program is to increase the export potential, competitiveness, and awareness of Georgian wine in international markets, diversification of strategic and priority export markets.

War in Eastern Europe prioritized the search of alternative markets as dependency on the Russian market remains significant. According to the average indicator for 2016-2020 The dependence of the Russian market on exports was 57.5%. Other key markets for Georgian wine include Ukraine (average share in 2016-2020 - 12%), the European Union (9.2%), China (7.7%), Kazakhstan (4.3%), and Belarus (2.9%).[1]

Considering the consumer profile, premium Georgian wines have the opportunity and potential to enter the new export markets. Georgian wines mainly satisfy the affluent export market demands such as the US and the UK, as they work on quality rather than quantity. **As for mass-produced wines,** which are mainly factory-made wines, their production is relatively cheap and focused on customers with low purchasing power. Given the lowest per capita wine consumption and drink preferences, China can be an important player to replace the markets of Russia, Ukraine, and Belarus.

SME Wineries

The scarcity of workforce is one of the main challenge for viticulturists - Deficit of human resources during harvesting season, increases the costs as salary requirements are getting higher.

The bargaining power of winemakers are low for specific grape varieties having a negative influence on profit margin - Due to asymmetric information, there is an artificial increase in prices for different varieties by grape suppliers. For bio wine producers there is some difficulty to buy grapes from viticulturists. In order to produce bio wine, winemakers must notify the association in advance of the information about the grape supplier. Sometimes, due to unforeseen risks, the winemakers change grape suppliers, which hinders them to produce wine.

The technology of making wine in Georgia is inherited from previous generations with low adoption rate of sector-related new technologies and innovative approaches. Mostly, entrepreneurs make wine with their own

[1] Source: https://georgiatoday.ge/wine-production-sector-in-georgia/

experience and frequently winemakers have non-professional education and they do not see the need or find time to explore new technologies.

There is a scarcity of access and awareness for winemakers to financial instruments and other sources of funding. Due to their lack of experience and also lack of financial records it is difficult for them to write a business plan, or fill our grant applications. Also SMEs face difficulties while negotiating with banks and preparing required documentation.

Traditional wineries find it difficult to introduce international production standards. Nowadays there are few companies that have ISO or HACCP standards introduced in their wineries. Moreover, the state is planning to introduce HACCP standards for wine industry in 2023, which implies the standardization of production process.

Mostly small and medium entrepreneurs do marketing and financial management themselves or with help of family members in the company. Therefore, demand for services is different for small and medium-sized enterprises.

Winemakers struggle with consignation terms while interacting with local retailers. Due to large debts, entrepreneurs are no longer willing to offer their products to alcohol shops and restaurants.

Wine export is one of the main problems for small and medium entrepreneurs. Wine companies meet investors mainly at festivals and competitions, but due to financial constraints, entrepreneurs are often unable to participate.

According to research, the most essential problems for SME wineries are related to **Access to finance and financial management, operational management, marketing and branding, export and certification.** Support in listed services would give SME wineries the opportunity to scale-up their production and expand business.

Business Service Suppliers

Awareness of business services is low among small entrepreneurs. Hence, they do not know about the benefits of these services. In many cases, service providers do not have marketing campaigns that should increase the awareness of their services for small and medium enterprises.

SMEs mainly use marketing and branding services. In order to launch the product and place it in the market or participate in the competitions and exhibitions, wineries must have a label on the bottle. Therefore, branding and marketing services to create a concept and logo is crucial for all type of wineries.

There is a scarcity of specific training courses or availability of sector-related information. In Georgia, there is only one company that produces wine sector-related short training and educational courses.

Facility Operational Model

The ‘Business Support Service Facility’ will work with service providers as partners that can provide the key business support service required by rural-based SME wineries. The facility will reach out to SME wineries and offer a business consultation which will include a diagnostic assessment of the business strategic recommendations - including the most desired business support services. Facility-provided services will be delivered by partner service providers. Customers will be selected from the list of International Qvevri Wine and International Saperavi Wine competition current and previous winners.

The ‘Business Support Service Facility’ will be established under GWA structure. The Services for beneficiaries will be co-financed by the donor organization and private sector representatives.

In the first stage, entrepreneurs will fill out the business application form for free, and then they will be redirected to a suitable service provider. The beneficiaries will get business services, which will be co-financed (first-70%, second-50%, third and the next -30%) by the donor organization. Additionally, they will get free webinars and information letters quarterly.

Research Methodology

The study on Consultancy support to Establish a Business Support Service Facility for SME Wineries in Georgia was commissioned by Swisscontact Georgia, to support Georgian Wine Association in developing a BSS Facility. Study was implemented by PMO during the period of April – June 2022.

The aim of the study was to identify the business support packages that the facility should provide and indicate how they might be tailored for the needs of small and medium-sized wineries. This will involve an analysis of the major barriers to company expansion, the types of business support services required, and the effectiveness of services now provided to SME wineries in rural Georgia. The research contained three phases: 1) preliminary analysis and research methodology development, 2) field research with two stages, and 3) reporting and presentation of research results.

In the first stage of the research, we analyzed published reports, statistical data provided from public sources, and data requests made to various stakeholders, and data collection agencies. Also, market development overview and major trends focused on winery SMEs (Demand side). We analyzed national and donor programs working with target SMEs and activities focused on the development of business support services. Moreover, the involvement and the demand of small and medium-sized enterprises in various programs. In order to construct the organizational form of the future 'Hub' that will provide services for SMEs, we researched various international case studies.

During the field research phase, the analytical team studied the winery industry, developed a research methodology, and prepared the preliminary list of respondents and topics for discussion. Participants for the interviews were selected from the list of International Qvevri Wine and International Saperavi Wine competition current and previous winners. The interview questionnaire included topics such as a detailed overview of the winery with pre and post-production stages of the wine: business typology, business model and management approach, ownership, access and application of business support services, key constraints, and limitations for business development, market access-related issues, product development practice, innovation and technology in the production process, knowledge and skills development, and other relevant aspects. In particular, by applying qualitative research tools, we identified the challenges and barriers facing rural small and medium-sized wineries and analyzed how much they have access to the financial, legal, management, accounting, marketing, or other services they need. How do they run their business, and what problems do they have in terms of financial, technical, human resources, and exports. What are the advantages in this sector and identifying any legislation changes planned that will hinder their production process.

During the field research, we conducted face-to-face in-depth interviews and visited 13 small and medium-sized wineries in Kakheti and Mtskheta regions. The list of the interviewed wineries is presented in Deliverable 1.

In the second stage of the field research, we analyzed profiles of key players in the business support services, including their current offerings and communication practices. Also, public and private business support services, that are currently available for winemakers in Georgia. Summarizing this information, the research team prepared the preliminary list and interview guide for the service supply companies. The research team selected companies from the marketing, branding, exports, financial, management, legal, and international standards consulting sectors. The interview questionnaire included topics such as a detailed overview of the company, relations with the target sector (wine industry), existing partnerships and terms, cooperation terms with Hub, sector-specific experience, etc. We conducted 8 interviews with the key types of business support services available for rural SME wineries. The list of the interviewed business service providers is presented in Deliverable 2.

In the final stage of the study, researchers analyzed the information from desk and field research and based on several international case studies, created the best-bet operational model for delivering services to small and medium-sized wineries.

Introduction

Georgia is one of the ancient winemaking places with 8,000 years old wine vessels discovered by archaeologists in 2015. The country is also distinguished by unique wine-making technology not found anywhere else. This method involves aging the wine in a clay vessel called a Qvevri. Qvevri is an egg-shaped clay vessel that is usually stored in the ground and used for wine fermentation, maturation, and storage. The Georgian traditional method of making Qvevri wine was awarded the status of UNESCO Intangible Cultural Heritage Monuments in 2013.

In addition to the unique technology, the country is also distinguished by the number of varieties of grapes. Due to the unique climate, there are about 520 grape varieties cultivated in the country, most of which are indigenous, mostly 75% are white grape varieties and 25% are red. The main winemaking zone in the country is Kakheti, eastern Georgia, in which the most common grape varieties are Rkatsiteli and Saperavi. It should also be noted that Kakhetian traditional wine technology has no analogy in the world.

The country's historical heritage, unique technology, and grape varieties have sparked international interest and continue to delight customers around the world.

Saperavi

Saperavi is one of the most famous red grape varieties, which is found in almost all regions of Georgia but is mainly spread in Kakheti. Saperavi grape variety is distinguished by its pulp, grape with red flesh as well as red skin, while other red grapes have red skin and white flesh. Wine made from Saperavi grapes is usually dark and opaque in color, the aromas are characterized by the taste of berries, tobacco, chocolate, and licorice and moderate content of tannins. Saperavi wines have often been compared to Cabernet Sauvignon because they share many taste similarities. Generally, Qvevri is used for Saperavi wine production.

Qvevri Wine

Qvevri is among the world's earliest examples of winemaking technology, the uniqueness of this technology is reflected in the mineral and chemical composition of the Qvevri. Vessels from each region of the country have their own variation of the standard egg shape. The duration of the fermentation of grapes is depended on grape type, on average 7-10 days are needed for red grapes while white grapes need to be kept until spring with Chacha. Chacha is grape skin and pips which is a major component of Qvevri winemaking, as usual, wine is delayed in the Qvevri on its chacha both during and after the alcoholic fermentation. Although this method of wine production is uniquely Georgian, other countries have shown increasing interest in this technology. It should also be noted that the export of Georgian Qvevri wines is increasing, including to traditional wine countries such as Italy and France.

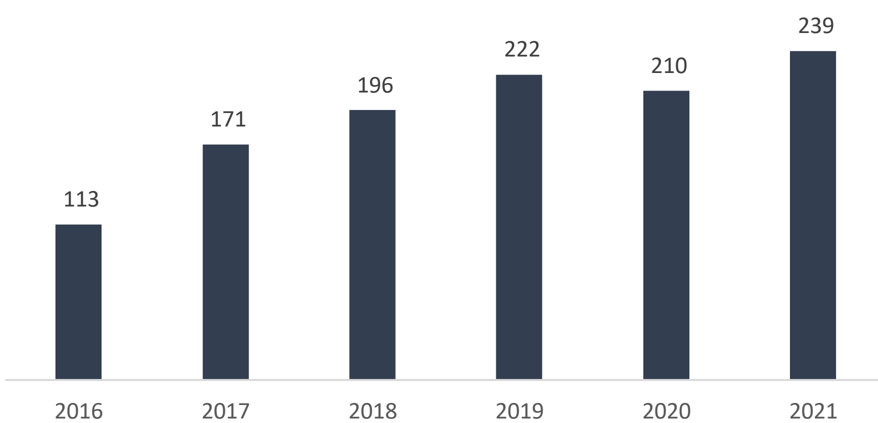
Country Overview

The wine and spirits sector in Georgia is one of the most profitable industries registering a record high gross profit and operating profit margins in 2020 with 30.2% and 20.8% respectively. The figures are more impressive when compared against the background of a sharp decline in tourism flows, due to Covid 19 outbreak and travel restrictions.[2]

According to the National Wine Agency, Georgia exported 107 million bottles of wine to 62 countries, in 2021 the historic maximum recorded. The revenue of exported wine reached USD 250 million. Overall, 243 thousand tons of grapes were processed in Georgia. The majority of processed grapes came from Rkatsiteli and Saperavi varieties with 145 and 81 thousand tons respectively. Other widespread varieties included Kakhuri Mtsvane (4.5 thousand tons) and Alexandroul-Mujuretuli (1.7 thousand tons).[3]

243 thousand tons is a high figure for a country like Georgia in terms of population, so it is not surprising that the main income of wine production comes from its exports. For example, in 2020, 85% of revenues in the wine and spirits sector came from exports, which indicates that the sector is highly dependent on external markets.

Figure 1 - Export of Natural Grape Wines, Thousand USD, 2016-2021



Source: Geostat

In order to increase the export potential of Georgian wine, the Government of Georgia approved the "State Program for the Promotion of Georgian Wine" in 2021. The goal of the program is to increase the export potential, competitiveness, and awareness of Georgian wine in international markets, diversification of strategic and priority export markets.

it should be noted that there has been a diversification of export markets in recent years, but dependency on the Russian market remains significant. According to the average indicator for 2016-2020 The dependence of the Russian market on exports was 57.5%. Other key markets for Georgian wine include Ukraine (average share in 2016-2020 - 12%), the European Union (9.2%), China (7.7%), Kazakhstan (4.3%), and Belarus (2.9%).[4]

According to TBC Capital, Russia is the largest contributor to exports but consumes the cheapest wine. The average export price of Georgian wine in Russia in 2021 was USD 2.65, which is lower than the price offered in

[2] Source: https://www.investor.ge/2021/10/18/gt-georgian-wine-industry-entering-a-new-era/#:~:text=Despite%20the%20drop%20in%20tourism,the%20business%20sector%20averages%2C%20respectively.

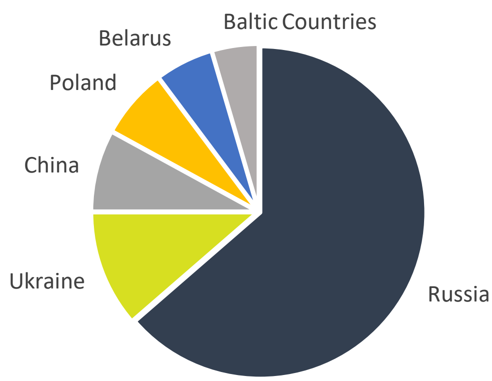
[3] Source: https://wine.gov.ge/En/Files/Download/14224

[4] Source: https://georgiatoday.ge/wine-production-sector-in-georgia/

the new target markets.[5] The average price of exported wine in Russia from 2016-2020, was USD 2.4. For global comparison, the world export price of wine in 2019 was USD 2.59, which is slightly higher than the $ 2.38 in Georgia for the same year.[6] Dependency on one market creates significant risks to sustainability and shapes the overall reputation of the cheap low-quality wine producer. The overall sector objective is to diversify the export markets and target countries with strong economic and political stability.

As previously mentioned, relying on the Russian export creates risks due to political factors, considering the painful effects of imposed Embargo in 2006. The current situation is aggravated by the fact that almost three-quarters of the Georgian wine market (57% of Russia's share, 12% of Ukraine, Belarus 2.9%) is at the risk due to Russia's invasion of Ukraine. Therefore, market diversification should become the number one priority for Georgian wine companies in the medium- and long-term perspective.

Figure 2- Exporting Countries, Average of 2016-2020



Source: Geostat

As for the new external wine markets, exposure has increased in the recent years with the focus on the USA, UK, China, Japan, Germany, Poland, and Baltic states. In Western Europe, Germany and the United Kingdom are the largest wine markets, mainly due to the large population and insufficient domestic production. The Netherlands, Sweden, Denmark, and Belgium also hold a significant share of wine imports, despite their small size. The value of export in 2020 exceeded 4bn USD cumulatively.[7]

Opportunities

The changes in the trend of wine consumption are noteworthy. According to Wine Intelligence, consumers drink less, but better, away from quantity and towards quality. The trend shows that wine consumers are searching for low-alcohol and ‘organic alternatives. They prefer to spend more per bottle and focus on the brands. The following trends emphasized the importance of branding in the industry in particular labeling and design have become an important factor in affluent markets such as the UK, US, Canada, Australia, and Japan.

Premium non-mass-produced Georgian wines mainly satisfy the affluent export markets demands such as the US and the UK, as they work on quality rather than quantity. As for mass-produced wines, manufactured by large factories, such as Saperavi, Alazani Valley, and Kindzmarauli, their production is relatively cheap and focused on

[5] Source: https://bm.ge/en/article/what-challenges-do-georgian-wine-exporters-face---tbc-capital/105931
[6] Source: https://georgiatoday.ge/wine-production-sector-in-georgia/
[7] Source: https://www.cbi.eu/market-information/wine/what-demand

customers with low purchasing power. Given the lowest per capita wine consumption and drink preferences, China can be an important player to replace the markets of Russia, Ukraine, and Belarus.

Considering the consumer profile, premium Georgian wines have the opportunity and potential to enter the new export markets, with wealthy, mature, and knowledgeable consumers. However, there are fundamental challenges that need to be overcome in this direction.

Challenges

According to recent statistics, there are 625 wine companies registered in Georgia, of which only up to 40 are large enterprises, while the rest of the majority qualify as small and medium-sized companies. SMEs hold the largest share in terms of revenue, generating up to 60% of the total income of the sector. SMEs focus on the domestic market particularly on wine market chains, while exporting is often seen as a challenge. The main challenges include finding export routes, identifying and complying with exporting requirements, and hiring export managers.

Access to finance is another challenge to tap into foreign markets. Sometimes it is even hard for SMEs to participate in international wine competitions due to the inability to pay participation and transportation fees.

In addition to the problem of finding export routes, small and medium-sized wine companies face other problems related to business development, such as the use of marketing services, the problem of managing operational and financial issues, the use of modern management practices, and other challenges that hinder their development.

Business support for small and medium-sized wine companies can facilitate domestic competition, which will ultimately increase production quality, sustainability, and compliance leading to exposure to new sales channels and growth of the business. Also, external factors, such as government programs, donor interventions, and increasing demand from export markets together with free trade agreements with the EU and China, will play a positive role and catalyze SME development.

HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical and physical hazards from raw material production. In 2023 year, the state is planning to introduce HACCP standards for wine industry, which implies the standardization of production process. It is noticeable, that there are difficulties in adoption of standards, for example the standardization process is expensive and it is somehow incompatible with traditional wine cellars architecture.

SME Wineries

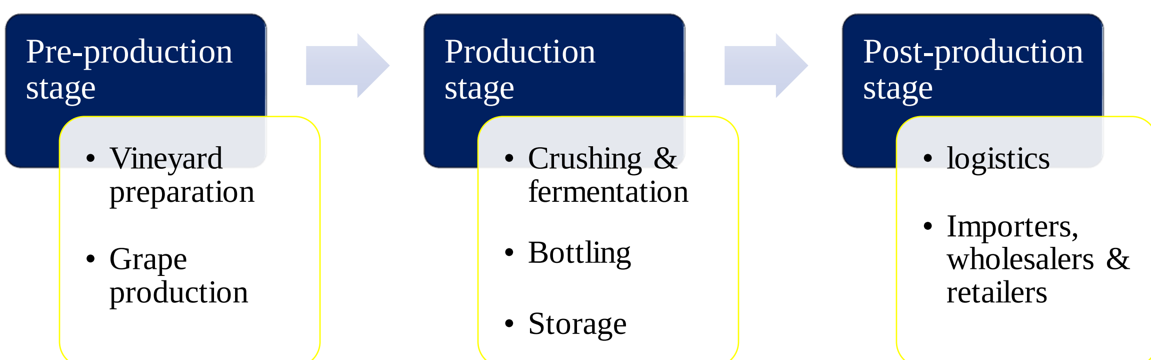
Over the past two decades, Georgia has successfully developed its wine sector, and nowadays, the industry is in a period of rediscovery, renewal, and growth. It should be noted, that the state subsidy for vineyard cultivation incentivized winemakers to produce more wine than before. At the same time, the Wine Agency and Georgian Wine Association were created, which helped the wine industry to develop. They organize exhibitions and competitions in local destinations. Also, they promote winemakers to participate in international festivals and events. It is noticeable, that the country's indigenous grape varieties and wine styles have sparked international interest. Also, after Georgia lost 96% of its export market following its war with Russia in 2008, the target market of winemakers shifted to Europe and other countries in the world.

Since 2017, Georgian Wine Association supports International Qvevri and International Saperavi Competition. The competition is open exclusively to Qvevri wine producer from all countries and wine region in the world. Small and medium wineries, as well as big companies or individual winemakers can participate in this competition. It is noticeable that year by year the participants of the competitions increase. In 2017 the number of participant wineries was 60; while in 2021 the number of companies grew by 185% and reached 111.

Small and medium-sized winemakers for the interviews were selected from the list of International Qvevri Wine and International Saperavi Wine competition current and previous winners. These wineries are situated in Kakheti and Mtskheta regions. Most of the winemakers produce wines such as Saperavi, Khikhvi, Qisi, Rose, Rkatsiteli, Mtsvane, etc. Moreover, regardless of wine-producing, these wineries offer additional services such as wine degustation and tours.

In order to identify challenges in the wine industry, the research team analyzed the wine value chain through the lense of SME wineries. Analysis included major stages of winemaking value chain:

Figure 3 – Winemaking Value Chain



Source: PMO Analysis

The first stage of the chain is the preparation of the vineyards. The properties of the grapes depend on several conditions, such as including nutrients, seeds, soil, water, temperature, and sun exposure. The viticulture stage, therefore, consists of cultivation, pest control, pruning, and harvesting activities. At the production stage, the winemaking process includes crushing/de-stemming, fermentation, pressing, and aging steps. After the viniculture process, the filtering process starts and continues with packaging and storage levels. At the final, post-production stage, the wine is ready for sale either at the local or international markets. Logistics, warehousing and marketing are the most important activities in the post-production phase.

Main findings

Main findings are organized in the phases following the value chain cycle.

Pre-production stage

Sometimes viticulturists use technologically unsophisticated methods of vineyard care. Small-sized entrepreneurs who own vineyards usually do not have sufficient knowledge of vineyard care. Also, there is a scarcity of specific training courses or sector-related information available to help identify and resolve problems with vineyard care. This problem is aggravated by a shortage of agronomists, who will provide professional insights and assist growers in solving critical issues.

The scarcity of workforce - Deficit of human resources during harvesting season, increases the costs as salary requirements are getting higher. Moreover, most of the employees try to concentrate on long-term jobs and negotiate with big companies. Therefore, it is hard to find a labor force for small and medium-sized enterprises even for the increased price.

Difficulty to collaborate between viticulturists – every vine variety has different timing for fertilization, pruning, pest-control and harvesting, making it difficult to plan coordinated activities. Also, same variety of vineyards are sometimes scattered in terms of location making it logistically harder.

Risks of Natural disasters are mostly overlooked by viticulturists, creating sustainability and quality issues – Viticulturists rarely carry out a risk assessment to identify the likelihood of being harmed by heat or hailstone and how serious the harm could be. Therefore, the demand for agro-insurance is still less in Georgia. Despite state subsidies, growers rarely use insurance, which is caused by lack of information and insurance practices. Consequently, most of them start the harvest early because they are afraid of the hailstone. Therefore, often the grapes do not reach the final stage of ripening, affecting the quality of final output (wine).

Winemakers rarely manage and keep records of vine care products used in the process. Therefore, analysis of yearly dynamics, measures taken, and relevant outcomes are not available for future reference. Also, they seldom consult with agronomists for pesticide selection and mostly get advice from an agro-shop seller. It is also worth noting that sellers sometimes are unscrupulous and offer to the consumers less demanded products.

The bargaining power of winemakers are low for specific grape varieties having a negative influence on profit margin – Certain type of grapes are characterized by asymmetric pricing due to high demand and scarcity of production. Such varieties include Kisi, Khikvi, Mtsvane, Tavkveri, and Chinebuli.

Bio wine producers face difficulties to buy grapes from viticulturists creating risks for certification. In order to produce bio wine, winemakers must notify the association in advance of the grape supplier. Sometimes, grape suppliers resell grapes without notice creating risks for winemakers to comply with certification standards.

Production stage

There is a shortage of quality Qvevri in Georgia. Qvevri is a special clay vessel, often buried underground, where the wine is fermented and sometimes aged. Therefore, the quality of the Qvevri is crucial in the process of winemaking. Most of winemakers by Qvevri in the village of Tkemlovana, in the Imereti district. The main problem that small and medium entrepreneurs face when they buy a Qvevri is the following: the firing process is not complete; cracks and erosions occur.

The technology of making wine in Georgia is inherited from previous generations. Mostly, entrepreneurs make wine with the traditional method devised in the family. It is noticeable, that most of medium-size wineries hire a wine technologist to help winemakers produce better product. Also, there is a scarcity of specific training courses or sector-related information available to help identify and resolve problems in winemaking. The share of winemakers with education in wine is small. Also, it is noteworthy that winemakers consider the training and seminars beneficial for them, as the information obtained there helps to better run the winemaking process; but it is noticeable, that these services are not often available due to the scarcity of time and finances. Moreover, there is a scarcity of wine technologists to help entrepreneurs produce better quality wine.

There is a scarcity of access and awareness to financial instruments and other sources of funding. In order to receive financing, companies need to fill out various templates and forms. This process is complicated for winemakers due to the lack of experience and unavailability of financial records. It should also be noted that every grant program or bank has different requirements for filling up the application form, which is an additional challenge for entrepreneurs. Moreover, they are less aware of the companies which can help to create business projects in order to participate in the grant competition.

Traditional wineries find it difficult to introduce international production standards. Nowadays there are few companies that have ISO or HACCP standards introduced in their wineries. Moreover, the state is planning to introduce HACCP standards for the wine industry in 2023, which implies the standardization of the production process. It is noticeable, that there are difficulties in the adoption of standards, for example, the standardization process is expensive and compatibility with the traditional winemaking process is questionable.

Post-production stage

SME wineries are unable to minimize costs of materials (corks, bottles) due to coordination issues. Every winery has its business cycle, moreover, their generation of finances depends on seasonality. Therefore, it is almost impossible to cooperate to make bulk purchases.

Mostly small and medium entrepreneurs perform marketing and financial management on their own or with the help of family members. Entrepreneurs often do not see the need for financial advice or the use of up-to-date marketing tools to promote the brand. This is due to a lack of awareness and also a lack of finances.

Small winemakers have trouble receiving their activities as business as they consider it a traditional activity. It is controversial that Small wineries are focused to get revenues from winemaking, however, do not act as businesses when it comes to streamlining business processes and operational activities. It is noteworthy that informational campaigns could have a critical impact on perception shifting that traditional activity is compatible with business concept.

Pricing and cost analysis is one of the main problems for winemakers. The price of wine is mainly set according to the cost of raw materials and packaging materials, as well as the prices of competing firms in the market. Entrepreneurs often do not see the need for financial advice as well as more use of marketing tools to promote the brand. This is due to a lack of awareness and also a lack of finances.

Winemakers struggle with consignation terms while interacting with local retailers. Due to large debts, entrepreneurs are no longer willing to offer their products to alcohol shops and restaurants. Consequently, the local market is less attractive for small and medium-sized entrepreneurs because they are unable to obtain finances on time, which hinders production processes.

Wine export is one of the main problems for small and medium entrepreneurs. The lack of awareness about Georgian wine and the fact that they are relatively new on the market means that even wine professionals are less aware about the Georgian wine. Therefore, wine companies meet investors mainly at festivals and competitions, but due to financial constraints, entrepreneurs are often unable to participate. There is also a problem in terms of sending wine to foreign investors for tasting. The price of the services of the international shipping companies are high. Although local postal service is less pricy, risks of safe and timely delivery are high. SME wineries consider, that state support is insignificant and should be more active in terms of popularization of SME wineries and attraction of potential buyers.

The Covid-19 pandemic negatively affected the wine industry. Due to pandemic-related restrictions, the closure of hotels, and a halt of international tourism decreased the profitability of the wine sector. Therefore, wine companies reduced their costs associated with marketing and product shelving in retail chain supermarkets because of a fear of investment failure. Moreover, it is noticeable that wine companies did not have crisis management experience and were not prepared for it, which hindered the minimization of the damage caused by the pandemic.

Demand for services is different for small and medium-sized enterprises. Companies that produce up to 10,000 bottles perform marketing and financial management activities themselves or with the help of family members. While medium size companies have more financial resources to hire additional labor (such as financial managers, marketing managers, sales manager, etc.) for different services and save time.

Business Support Service Providers

World wine consumption trends are changing, consumers pay more attention to the quality, packaging, and alcohol content. Georgian wine has received numerous awards in international wine competitions in recent years. Therefore, Georgian winemakers started to increase investments in developing wine quality and improving branding. Therefore, demand for services such as marketing, branding, business analysis, export logistics, etc. are getting more popular. Despite that, the adoption rate for these services is still low from small and medium-sized wineries due to the lack of awareness and the financial scarcity.

The research team analyzed business service suppliers for wine industry and conducted interviews with target companies. Nowadays, approximately 30 companies operate in the Georgian market, offering a variety of services such as branding, marketing, exports, financial, management, legal, and international standards consulting. Service price varies by type and complexity of the service, however average commercial daily rates of consultant's range between 100-300 USD.

Main findings

Awareness and trust of business services are low among small entrepreneurs. In many cases, service providers do not have product-specific offerings lowering the trust in target segment, moreover, service providers do not have branches in the regions, limiting access and awareness of their services.

It is noticeable, that business service providers do not consider SMEs as their primary target. One reason for this is the maturity of SME businesses to use advisory services. Another reason is the lack of financial resources and trust that the final output will meet their expectations. It is also noteworthy that due to those reasons BSS providers mostly work with SMEs through donor or government programs where the primary client is a donor organization and the private sector is the beneficiary of the service.

Among various business services SMEs mainly use marketing and branding services. In order to launch the product and place it in the market or participate in the competitions and exhibitions, wineries must have a label on the bottle. Therefore, branding and marketing services to create a concept and logo is crucial for all types of wineries. Moreover, wine companies try to update label design making service usage repetitive. It is noticeable, that the marketing and branding companies can offer additional services that are less demanding but crucial for business development. GEPRA offers services in sales strategic planning and development, PR and social-media, crisis Management, and campaign management. It should be noted, that these services are important for sustainable development.

There is a scarcity of specific training courses or sector-related information. In Georgia, there is only one company that produces wine sector-related short training and educational courses. Georgian Wine Guild offers customers consulting and training, as well as the implementation of state-recognized educational training and sensory assessment programs in winemaking. Due to the scarcity of financial and time resources, long-term educational courses are not available for winemakers. Also, it is noticeable that these services are not available in regions.

Financial consulting is one of the crucial services for wineries. It is noticeable, that the financial report analysis helps companies grow and manage their debts. Moreover, it helps entrepreneurs to easily construct business projects for donor or state grants, as well as for bank loans. FinLab offers to wineries financial services such as profit and loss statement, balance statement analysis with debt analysis, and the profitability forecast analysis.

Financial investments are important for the development of companies. In order for companies to receive financing, it is necessary to fill up a business plan. But, due to their lack of experience and also lack of financial records, it is difficult for them to write a business plan. The firm assists entrepreneurs in planning, networking, and fundraising processes of new businesses as well as effective decision-making of existing ones. The company currently supports clients in development of the business model, preparation of investment project, and market research.

According to ISO Consulting, the demand for services from wine sector is low, but due to the upcoming legislative changes, the demand is expected to increase. ISO consulting offers GAP Analysis to customers which shows the current difference between the organization's food safety system and the HACCP system requirements. As a result, the company receives an action plan to implement. It is noticeable that establishment of international standards is expensive; therefore, the demand from small companies is lower. On the other hand state and donor funded programs in Enterprise Georgia and RDA offer preferential tariffs to incentivize demand.

Increased receivables in the local market are hindering wine companies in the production process. In most cases, wine companies sell their products on the Georgian market by the method of consignment. Justice league offers to clients several types of contracts such as choosing Arbitration as an option or notarization of the agreements with specific conditions. It is noticeable, that these contracts are more flexible than the usual one, and avoids time delays.

The main goal of almost all companies is to enter the export market and find stable partner. It should be noted, that wine companies meet investors mainly at festivals and competitions, but due to financial constraints, entrepreneurs are often unable to participate. The Export Development Association and Gateway&Partners offer to client's services, which cover all aspects of export development a company may need. With their services, companies are easier to break down the export barriers and get full information about regulations and standards in the target markets.

Business Support Facility -Case Studies

This section provides four case studies of comparable models that might be applied to the Business Support Service Facility. The first three examples showcase service range and revenue models of relatable facilities, and the last case study focuses on governance and operational model applied to similar structures.

Wines Vines Analytics

Location: USA

Coverage: North America

General Description:

Wines Vines Analytics maintains the wine industry's most accurate database and provides data-driven analysis, data, insights, and reports to help their clients grow and manage their businesses. Main areas of support include networking, sales, and marketing.

Revenue Model: membership-based

Price range: USD175 - 3500

Services

Wine Analytics Report- The Direct-to-Consumer Wine Shipping Report is an annual collaboration between Sovos ShipCompliant and Wines Vines Analytics. It contains the most accurate representation of the American direct-to-consumer (DtC) wine shipping channel and provides the latest information on growth trends, changes in price per bottle shipped, regional demand, varietal trends, and more.

Wine Analytics Database - The organization also offers Wine Analytics Database, and this service has two Basic and Advanced levels. Both services include two main assistances: "Finding your customers" and "Managing your customers", but there are different accesses for each service, so there are different praises for consumers.

In particular, the annual cost of a subscription for the Advanced level is $3,500 and $1,250 initial payment. There is also another option, $750 quarterly thereafter, and the minimum duration of this contract is one year. This service includes:

- Target search by geo;
- Winery size;
- Average bottle price;
- Varietals produced;
- Tasting room/club;
- Contact Function
- Wine company hierarchy;
- 11,000+ wineries;
- Mailing;
- Location and email addresses;
- Continuous daily updates;
- Tasting room/club;

Wine Analytics database - Used in conjunction with their Winery Database, users can make analysis-based winery selections and activate database contacts for sales and marketing activities. This database covers 11,000 North American wineries and includes data from 2010 to 2020. Service can be purchased for $ 1,250 per quarter.

Distribution Market Service - This service includes three levels Sales, Linked, and Summary levels, each level has separate services and costs. Within services, consumers can search and contact distributors and importers in the winery sector. The main difference between Linked and Summary levels is unlike access to dates, for example, the linked level has more detailed and circumstantial data with accurate contact information of distributors by market, name, or winery, while the Summary level has broader and less specified access to information includes, with this service, consumers can only identify distributors by states or name. These two services have different costs, the standard price for Linked Level is $1 800 per year, and the price for Summary Level is $1 200 per year.

Grower database – Like other services this service has also two different offers for the consumer. Advance level and Basic level, both the include services which help entrepreneurs to find and manage their customers. Both levels include Mailing, location, and email addresses of growers but it is different between export opportunities and the number of users, basic level ($1,800 annual subscription $675 initial payment, $375 quarterly thereafter (one-year minimum)) is for a single user, while Advanced Level ($3,500 annual subscription $1,250 initial payment, $750 quarterly thereafter (one-year minimum)) include 5 accounts.

South Australian Wine Industry Association (SAWIA)

Location: Australia

Coverage: Australia

General Description:

SAWIA is a one-stop-shop, providing solutions to members on a wide range of topics, including industrial relations, work health safety, environment, and liquor licensing. They also provide state and national representation and leadership on key issues, and promotional opportunities to help your business grow.

Revenue Model: membership-based/service-based

Price range: Derived from vinery size individually ($650 - $25,960)

Services

- **Leadership & Advocacy-** Benefits from strong leadership and advocacy that achieves the best possible outcomes for the wine business.
- **Employment, Work Health & Safety -** Receive accurate, friendly, and timely advice across a broad range of matters (including employment, work health, and safety).
- **Relevant Industry News -** Up-to-date with crucial industry news and issues that affect business.
- **Workshops & Seminars -** Prepared and informed through our range of workshops and seminars.
- **Exciting Opportunities -** Helping build brands through exciting promotion and market development opportunities
- **Cost Efficiencies -** Helping in reduce association members' business costs (including energy options) and maximizing water resources.

Vinescapes

Location: UK

Coverage: UK

General Description:

SAWIA is a one-stop-shop, providing solutions to members on a wide range of topics, including industrial relations, work health safety, environment, and liquor licensing. They also provide state and national representation and leadership on key issues, and promotional opportunities to help your business grow.

Number of Clients: 170

Revenue Model: service-based

Services

Business and Fundraising Planning - Setting up and running a successful English vineyard or wine production venture requires detailed knowledge of the sector, the operational requirements, contacts, and the flexibility to adapt to changing environmental and market conditions. Vinescapes provides detailed business planning and financial forecast modelling to ensure your business venture has the right strategic direction and information to set up for success.

VineMAP – Vineyard suitability Mapping and Assessment Program - VineMAP is an automated and objective tool for assessing the grapevine growing potential of English land. It's a state-of-the-art land assessment tool, that can be run in a matter of minutes, and is underpinned by leading viticulture and climate expertise and supported by peer-reviewed science published in the Journal of Land Use Science.

VineMAP's ultra-high-resolution mapping assessment program creates up to 8 different reports that work independently or collectively to inform and de-risk potential land investments for vineyards. These include topography, land use, land designation, climatic conditions & frost risk analysis.

The product is particularly suitable for those:

- Searching for suitable land in England to plant a vineyard
- Land agents supporting customers with suitable land identification services
- Landowners considering investing/diversifying in viticulture
- Those wanting to understand the value and attributes of existing land. The potential for viticulture can increase land value per hectare (ha).
- Insurers looking to understand vineyard site meteorological risks.

Viticulture Consultancy - The Company provides bespoke support to both prospective and experienced grape growers and wine producers. below is a list of services they provide:

- Site selection and soil analysis including on-site visits by our team of experts
- Wine style, variety, clone and rootstock, and vineyard layout recommendations, critical for any new venture
- Equipment recommendations, the right equipment for the specific site with a range of budgets
- Winery scoping to determine scale and equipment requirements

Project Management- The Company provide a complete end-to-end vineyard establishment package including full project management and their service includes all technical advice required from their team of experts to deliver an exceptional vineyard to the customer's specifications.

Winery Design- Their extensive understanding of wine production technology and processes, efficient and safe winery space requirements and sustainable winery architecture enable them to deliver exceptional and cost-effective wineries. Where they also recommend and supply winery equipment, advise on wastewater treatment and energy efficiency, work with planning authorities, and project manages all aspects of winery design and builds. Service also includes winery scoping, the company has the space required for the winery, storage, and tasting room together with technical winery specification requirements to ensure the design matches the winery needs.

Frost risk audit- The Vinescapes 'Frost risk audit' will provide:

- A site risk assessment by the experienced Vinescapes team members, and analysis of past damage patterns
- A detailed frost event metrics and data detailing historical frost events and associated temperatures in the vineyard locality, together with cold airflow and accumulation risk zones mapping for clients
- A tailored frost risk audit report detailing the site-specific recommendations to mitigate future frost events, including equipment recommendations, as required.

Mentoring - Becoming a VinePro subscriber gives consumers access to a unique vineyard advisory service that provides them with tailored support, guidance, training, and technical knowledge from world-class experts in all elements of viticulture and vineyard management. Consumers can enjoy regular visits from companies' technical team, time working/training with them in your vineyard(s), remote access to them, follow-up advice and reports, and the latest viticulture information.

Go Virginia - Growth and Opportunity 'Venture Hub'[8]

Location: USA

Coverage: Central Virginia

General Description:

A community initiative intended to generate sustained economic growth by supporting high-potential, innovation-driven business ventures. The "Venture Hub" includes establishing a physical space or connected spaces with programming and resources for entrepreneurs.

Revenue Model: A not-for-profit organization expected to receive revenues from various partners (university, city, counties, private sector, entrepreneurs) including public sector grants and philanthropy. Some activities of the "Venture Hub" is fee-based.

Operational Model

The "Hub" has three operating principles that frame its design and implementation:

1. The "Hub" is designed for entrepreneurial support, and entrepreneurs are its primary customers.
2. The "Hub" has a partnership and collaborates with organizational anchors (business service providers) and all elements of the entrepreneurial ecosystem. The "Hub" is a focal point and clearinghouse for these

[8] *https://www.centralvirginia.org/wp-content/uploads/2019/10/MASTER-100419-Venture-Hub-Business-Plan-1.pdf*

organizations and their activities to support entrepreneurs, and collaborate with them to define, develop, pilot, and launch new resources that may be needed now or in the future.

3. The “Hub” is focused to support the unique challenges of different segments of the target audience. Moreover, the “Venture Hub’s” central role is to enable connections between and among entrepreneurs and entrepreneurial support resources.

The essential characteristic of the “Hub” is that it does not duplicate any existing resources, but rather enhances its reach and improves the quality of the entrepreneurs who are referred to each program. Therefore, a strong partnership with existing entrepreneurial service providers, funders, nonprofit membership organizations with an interest in entrepreneurship, private sector providers (such as banks, attorneys, accountants), and educational and research resources is a core principle of the “Hub.”

Services

Concierge Service - Any entrepreneur in the region can make an appointment to meet with a “Hub” Concierge. During the meeting, the Concierge assesses the business concept being considered, identifies opportunities for progress, and links the entrepreneur with appropriate resources to address those opportunities. Responses could range from referrals to entrepreneurial training, direct business counseling, other economic development assistance, or access to a specialized resource at the University. With help of the “Hub” and its concierge, local entrepreneurs become part of a wider regional network, and can easily connect with other business owners and access other business growth services as well.

Weekly Programming and Events - Weekly events such as 1 Million Cups[9], and informal coffee and lunch meetings (e.g., Lunch n’ Learns).

Monthly Programming and Events - Monthly events such as training (e.g. the SBDC[10] “How to Start a Business”), sessions for the Catalyst Accelerator, CBIC[11] events, Chamber events, meet-ups, etc.

Annual Programming and Events - Annual events could have their headquarters at the “Hub” where attendees come to pick up their credentials and attend selected sessions here. Large gatherings such as entrepreneurial job fairs, showcases, pitch-offs, etc.

A Place to Collaborate | Protocol for Adding Additional Products/Services

As the “Hub” initiative grows and the entrepreneurial ecosystem matures, new requirements for programming and infrastructure will undoubtedly emerge. The “Venture Hub” will provide encourage collaboration by convening ongoing conversations with entrepreneurs and members of the ecosystem about additional needed resources, policies, or activities that would further accelerate or expand the Region’s economic prosperity. The role of the “Hub” would be to facilitate the definition, development, piloting, and launch of new initiatives, whether by the “Hub” itself or by partners or other stakeholders.

Governance and Staff

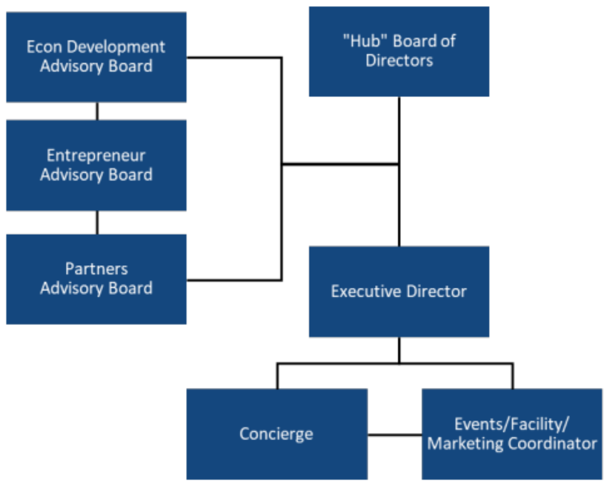
“Hub” is governed by a Board of Directors, electing an Executive director. The initial Board Members are comprised of the “Venture Hub” GO Virginia Region 9 Planning team (non-profit organization) Grant Team; however, the Board should transition to a private-sector led Board in the future. Board consists of 13 directors,

[9] *Kauffman Foundation initiative, helping potential new entrepreneurs test new business ideas*
[10] *Small Business Development Center – a partner organization*
[11] *Charlottesville Business Innovation Council – a partner organization*

most of which are entrepreneurs, business owners, or other private sector individuals, although organizations that commit significant resources to the initiative will have representation as well.

In addition to the Board, the “Hub” established a number of Advisory Committees to ensure that the organization stays in tune with the entrepreneurial ecosystem and the broader community. The three initial Advisory Committees are: 1. Entrepreneurs only 2. Partners, funders, and service providers 3. Economic development officials from GO Virginia Region 9.

The organizational chart for the “Venture Hub” is shown below



Relationship within “Hub” is regulated by Memorandums of Understanding (MOU) or similar written agreements between and among the entrepreneurial ecosystem providers of assistance, infrastructure, and other resources.

In addition, each partner agrees to joint branding, where they all publicize their work as “a member of the Venture Hub Network” or a related tagline.

Revenue model

As a non-profit initiative, the “Venture Hub” rely primarily on revenue generation by value-added activities, grants, and support from the public and private sector.

The customer base that is being served does not necessarily have the means to pay for the basic services of the “Venture Hub.” In addition, there is a definite public purpose and desired economic outcomes associated with the project that justify public subsidy and philanthropic support.

Hub also gets additional income for renting the building space to its partners and other interested entities. Price ranges from USD 50 to USD 200 per day according to space size.

Facility Operational Model

Georgian Wine Association with support from the Rural SMEs Development Project (RSMEDP) is developing a business support facility for SME wineries in Georgia. The business support facility will support SME wineries to access business support services and finance options that can help them develop their businesses.

This section offers the suggested operational and governance model of the facility. It also identifies business support packages offered by the facility. Concept was developed based on the desk research, analysis of best practices and insights from the KII's and are optimized for the needs of SME wineries. The 'Business Support Service Facility' will work with service providers as partners that can provide the key business support services required by rural-based SME wineries. The facility will reach out to SME wineries and offer a business consultation which will include a diagnostic assessment of the business strategic recommendations - including the most desired business support services. Facility-provided services will be delivered by partner service providers.

Services and providers

Based on the desk research of relevant materials as well as from the results of the conducted KII's main gaps hindering the development of wineries were identified and relevant services selected. The most important services include:

- Financial management and access to funds
- Management (Operations) and Consulting
- Legal services and negotiations
- International standardization and certification (ISO, HACCP)
- Marketing and Branding
- Export services

After the identified services relevant BSS providers should be selected. BSS providers should include the following criteria:

- Company should be on the market for more than 2 years
- Company must have a sectorial experience (preferably with the wineries of relevant size)
- Company must have similar services and service packages
- Company should have quality assurance mechanisms embedded in the management system

Partnership Model

MOU's should be signed with each Service provider, agreeing on the following terms

- Service provider must provide quarterly pro-bono activity for beneficiaries (including, educational, and promotional materials and organization of various events, webinars, sessions etc.)
- Service provider must offer special price to facility users
- Service provider should be actively involved in facility activities including in the development of necessary resources and materials for the facility.

It is noticeable, that creating the facility is a new opportunity for the business service provider companies to grow. The service provider company could be another related association as well if it does not have any conflict and coincidences with GWA services. Being involved in the facility will increase Service Provider's reputation and open up new customer segments. They will also gain more experience in the wine industry giving specific advantages for future projects. Being a facility Service Provider will also increase the awareness of their services in general, which will increase demand from other associations or companies.

Potential Service Providers

Target customers

Customers will be selected from the list of International Qvevri Wine and International Saperavi Wine competition current and previous winners and runner-ups. The initial target will be medium-sized wineries with no less than 8,000 bottles production annually.

Service Delivery

Prior to launching the facility Services, GWA together with the Service providers will devise a specialized diagnostics tool customized to targeted wineries. The tool will include diagnostics assessment of the listed services separately. In the Business Application Form the set of questions will be presented in sections and will be scored according to answers that winery will provide. The Business Application Form will assess all components and highlight the ones that are of critical importance and need to be addressed in the first place. After thar winery will be redirected to the suitable service provider that will review the findings of the diagnostic assessment and devise a customized plan to target identified problems.

At the initial stage, the facility will offer paper-based assessment together with the designated staff member helping in the diagnostics process. This service can be offered free of charge to target customers. Later, diagnostics tool (Business Application Form) can be digitalized with automated assessments and immediate results.

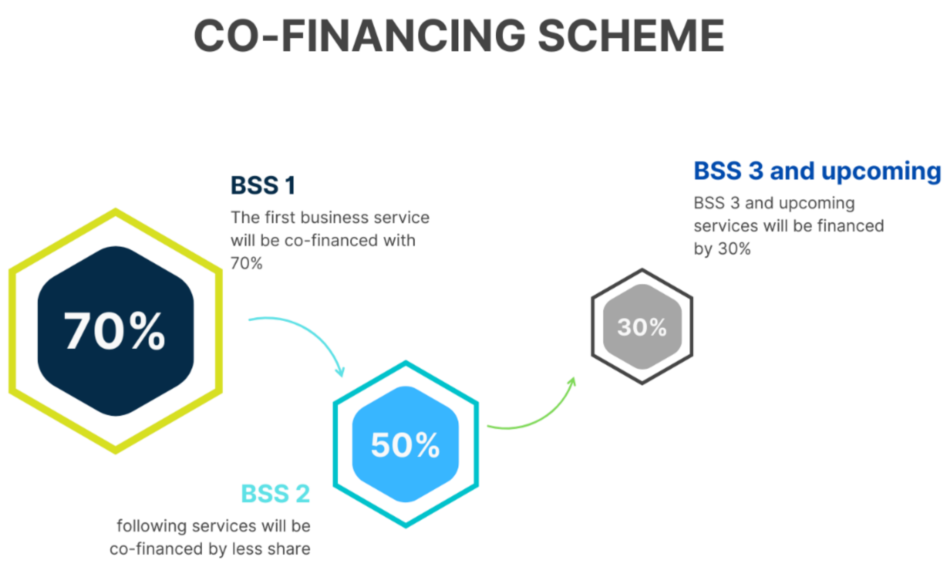
In order for winemakers to receive services from Business Support Service Facility, they must first fill out the Business Application Form - a detailed questionnaire, that assign weight to particular issues and provides the final score on each key business area that the facility provides. This application form is designed by service providers and ensures to analyze business lifecycle and identifying challenges and development opportunities. In the second stage, the facility will offer targeted services to wineries based on the results of diagnostic assessment. At the initial stage it is advisable to fill up the diagnostics application with the designated facility staff which has skills and knowledge to guide the wineries to properly identify gaps and underlying issues and offer customized solution.. Wineries that will use the facility services will become beneficiaries of the facility and be included in the various activities offered by the facility. In addition to targeted services, beneficiaries will receive free webinars and informational letters from the service providers quarterly. Also, they will meet once a year to the big companies in order to share best business practice models.

Service offering

- **Business Diagnostics**
- **Business Services**

Business Services will be co-financed by the donor organization and the model of the co-financing will be the following:

1. First service will be co-financed by 70%
2. Second service will be co-financed by 50%
3. Third and the following services will be co-financed by 30%



It should be noted that, winemakers cannot receive co-financing for the same service multiple times.

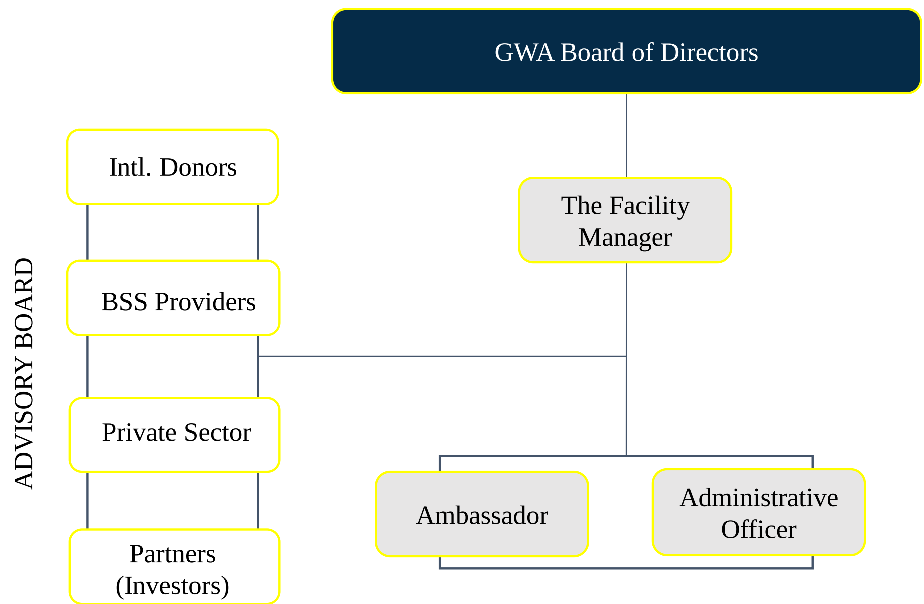
After service

After the delivery of particular service Winery becomes facility beneficiary meaning that facility offers various free of charge activities related to networking and information delivery in the form of Free webinars, informational letters, meetings and knowledge sharing, adoption of new practices and etc.

Governance and staffing

Facility will be embedded in the GWA structure under the supervision of GWA Board of Directors. Facility will have its own advisory board which will have a supporting role in the development of facility services and its positioning in the sector. The facility manager will act as a general manager of the structure. Facility manager should be selected from the internal staff of the GWA.

FACILITY GOVERNANCE MODEL



Advisory Board

The 'Business Support Service Facility' will establish an Advisory Committee to ensure that the organization stays in tune with the entrepreneurial ecosystem and the broader community. The Advisory Committee should be convened quarterly to advise the Facility Manager. The members of the advisory board will be the following: Business Service providers, Wine sector representatives (large wineries, retailers, exporters etc.) and other partners (investors, donors, government representatives).

Facility should create a diverse advisory board that builds the reputation of the facility and highlights its sector specific expertise and its access to all layers of the ecosystem. Therefore advisory board should include private sector representatives (large wine producers, retailers, exporters etc.), business support service providers, government representatives (including business support program representatives from Georgian Wine Agency, Enterprise Georgia, RDA etc.) donors and international investors.

It should be noted that role of the private sector in creating a sustainable model is significant. At the initial stage private sector could be involved as part of the advisory board with the initial goal to support SME wineries by sharing their experience, best practices and various technical and business related knowledge, as well as supporting beneficiaries to strengthen their network with suppliers, exporters and retailers, however at the later stage facility should attract financial resources in exchange of proper value proposition (including reputation and positioning, use of facility connections (including on governmental and international level) partnerships with smaller wineries to tap into niche markets and etc.)

The Facility Manager

The Facility Manager will have overall responsibility for the strategy, operations, and sustainability of the 'Business Support Service Facility' reporting to the GWA Board of Directors. The Facility Manager will hire and manage the staff, manage the day-to-day operations consistent with the budget as approved by the Board, and manage the relationships with BSS providers, local governments, and partner organizations. The Facility Manager will assess the effectiveness of 'Business Support Service Facility' programs and services and propose changes as needed, including the addition of new products as necessary, to the GWA Board of Directors.

Ambassador

A 'Business Support Service Facility' ambassador will meet with entrepreneurs, help them assess their situations and challenges, and also help them to fill up the business diagnostic form. The Ambassador will serve as a focal point to establish and maintain relationships with business service providers, become knowledgeable about their capabilities, needs for target customers and potential offerings. Based on the acquired knowledge Ambassador will serve as a bridge between BSS providers and SME wineries to make strong referrals that benefit the entrepreneurs as well as the resource providers. The Ambassador will work with the Executive Director and 'Business Support Service Facility 'partners to establish and maintain protocols to ensure that entrepreneurs receive prompt, high-quality, and customized referrals. Ambassador will also be involved in follow-up with beneficiaries to ensure the satisfaction and effectiveness of the provided service. Ambassador will also be in charge to organize various activities for beneficiaries.

Administrative Officer

Administrative officer is responsible for the day-to-day operations of the facility, including coordinating events, scheduling meetings, and other back-office work. In addition, the Administrative officer will be responsible for marketing the 'Business Support Service Facility' with a focus on customized advertising, and social media marketing specifically addressed to SME wineries. The Officer will work with the Executive Director on establishing an interactive website, branding, and other design projects that relate to how the "Hub" is perceived and positioned.

Revenue model

- The 'Business Support Service Facility' is part of GWA and therefore is a non-profit organization.
- Investment and initial operating costs for establishing the facility should be sourced from the donor organization. Initial costs should also include the set-up of the facility, capacity development of facility staff, and initial awareness-raising activities.
- As the facility should build trust and reputation among SME wineries, it is necessary to offer a co-financing scheme at the initial stage. Funding for the co-financing scheme should be sourced from donor organizations.
- Administration costs, such as utility costs, salaries, and other operational costs should be part of the initial investment at the primary stage; Afterwards administrative costs should be embedded in the Business Service pricing model.
- At the later stage facility should attract funds from the private sector and also offer fee-based services that includes the operational margins to ensure independent operations of the facility.